



BETTY T. YEE
California State Controller

August 1, 2016

Karen Janney, Ed.D., Superintendent
Sweetwater Union High School District
1130 Fifth Avenue
Chula Vista, CA 91911-2896

Dear Dr. Janney:

The State Controller's Office performed a desk review of costs claimed by the Sweetwater 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, 2006, through June 30, 2008; and July 1, 2010, through June 30, 2011. We did not review the costs claimed for the period of July 1, 2008, through June 30, 2010, as the statute of limitations to adjust the claims 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 \$429,076 for the mandated program. Our review found that \$335,126 is allowable and \$93,950 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 \$335,126, contingent upon available appropriations.

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than three years following the date of this report, regardless as to whether this report is subsequently supplemented, superseded or otherwise amended.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

Attachments

RE: S16-MCC-9028

cc: Moises Aguirre, Assistant Superintendent
Business Services
Sweetwater Union High School District
Karen Michel, Chief Financial Officer
Fiscal Services
Sweetwater Union High School District
Doug Martens, Director
Financial Services
Sweetwater Union High School District
Shawna Alford, Accounting Technician
Sweetwater Union High School District
Lora Duzyk, Assistant Superintendent
Business Services
San Diego County Office of Education
Brent Watson, Executive Director
Business Advisory Services
San Diego 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, 2006, through June 30, 2008;
and July 1, 2010, through June 30, 2011**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
HSEE administration	\$ 202,684	\$ 202,684	\$ -
Total direct costs	202,684	202,684	-
Indirect costs	9,413	9,413	-
Total direct and indirect costs	212,097	212,097	-
Less offsetting revenues and reimbursements	(35,219)	(46,698)	(11,479)
Total program costs	<u>\$ 176,878</u>	165,399	<u>\$ (11,479)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 165,399</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
HSEE administration	\$ 143,478	\$ 143,478	\$ -
Test security	20,692	20,692	-
Total direct costs	164,170	164,170	-
Indirect costs	8,816	8,816	-
Total direct and indirect costs	172,986	172,986	-
Less offsetting revenues and reimbursements	-	(46,530)	(46,530)
Total program costs	<u>\$ 172,986</u>	126,456	<u>\$ (46,530)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 126,456</u>	
<u>July 1, 2010, through June 30, 2011</u>			
Direct costs:			
HSEE administration	\$ 63,273	\$ 63,273	\$ -
Test security	11,867	11,867	-
Total direct costs	75,140	75,140	-
Indirect costs	4,072	4,072	-
Total direct and indirect costs	79,212	79,212	-
Less offsetting revenues and reimbursements	-	(35,941)	(35,941)
Total program costs	<u>\$ 79,212</u>	43,271	<u>\$ (35,941)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 43,271</u>	

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>Summary: July 1, 2006, through June 30, 2008;</u> <u>and July 1, 2010, through June 30, 2011</u>			
Direct costs:			
HSEE administration	\$ 409,435	\$ 409,435	\$ -
Test security	32,559	32,559	-
Total direct costs	441,994	441,994	-
Indirect costs	22,301	22,301	-
Total direct and indirect costs	464,295	464,295	-
Less offsetting revenues and reimbursements	(35,219)	(129,169)	(93,950)
Total program costs	<u>\$ 429,076</u>	335,126	<u>\$ (93,950)</u>
Less amount paid by the State		-	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 335,126</u>	

¹ See Attachment 2, Review Results.

**Attachment 2—
Review Results
July 1, 2006, through June 30, 2008;
and July 1, 2010, through June 30, 2011**

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—
Under-reported
offsetting revenue**

The district reported \$35,219 in offsetting revenue received for the HSEE Program from the California Department of Education (CDE) for the period of July 1, 2006, through June 30, 2008; and July 1, 2010, through June 30, 2011. We found that the district should have offset \$129,169, resulting in an understatement of \$93,950.

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 \$129,169 from the CDE.

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

	Fiscal Year			Total
	2006-07	2007-08	2010-11	
HSEE apportionment	\$ (46,698)	\$(46,530)	\$(35,941)	\$(129,169)
Less offset apportionment	(35,219)	-	-	(35,219)
Review finding	\$ (11,479)	\$(46,530)	\$(35,941)	\$ (93,950)

The parameters and guidelines (Section VII. Offsetting Savings and Reimbursements) state that “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.

District’s Response

The district’s response letter, dated June 22, 2016, is included in its entirety in Attachment 3.

The district responded that the amount of offsetting revenues reported on its claim forms differed from what the SCO determined it should have reported because it reported offsetting reimbursements in the fiscal years the funds were received rather than the fiscal year for which the funds were intended. The district also noted that for its FY 2005-06 HSEE claim, it erred by offsetting funds received for a different activity. The district requested that we consider this error when reviewing other fiscal years’ claims, though it did acknowledge that we previously told it we could not do so.

SCO’s Comment

The district should have reported offsetting revenues in the fiscal years for which they were intended. Government Code section 17560, subsection (a), states, “an annual reimbursement claim that details the costs actually incurred for that fiscal year.”

The district informed us of its practice of offsetting reimbursements in the fiscal years the funds were received, rather than the fiscal year for which the funds were intended, because it was not aware of the funding amount. We disagree. While the FY 2006-07 HSEE program apportionment of \$46,698 was not actually paid to the district until March 14, 2008, the CDE informed the district of this amount in early September 2007, many months before the claims were filed with the SCO in February 2008.

Additionally, we noted that the district did not consistently offset revenues provided from the CDE on subsequent claims, as it said was its practice. In its claims for FY 2007-08 and FY 2010-11, the district did not report any offsetting revenues, even though it received funds for the prior years' activities.

With respect to the district's FY 2005-06 claim, although we acknowledge that the district did report an excessive offset, we are unable to assist the district with resolving this matter because the time to amend this claim has passed. Government Code section 17560, as effective on the date the claiming instructions were issued for this mandate, states, "a local agency or school district may, by January 15 following the fiscal year in which costs are incurred, file an annual reimbursement claim." Government Code section 17568 states, "in no case shall a reimbursement claim be paid that is submitted more than one year after the deadline specified in Section 17560." Therefore, the deadline for the district to amend its FY 2005-06 expired on January 15, 2008.

**Attachment 3—
District's Response to Finding**



FINANCIAL SERVICES

1130 FIFTH AVENUE • CHULA VISTA, CALIFORNIA 91911
(619) 585-6081 • FAX (619) 407-4950

Doug Martens
Director

June 22, 2016

Mr. Jim L. Spano, Chief
Mandated Costa Audits Bureau
California State Controller
Division of Audits
P.O Box 942850
Sacramento, CA 94250-5874

RE: Sweetwater Union High School District

Dear Mr. Spano:

This letter is in response to the April 26, 2016, email and corresponding attachments of Taylor Kayatta to Karen Michel. A Narrative of Findings was included within the attachments indicating there was an under-reported offsetting of revenue in the amount of \$93,950 for the Legislatively Mandated High School Exit Examination Program for Fiscal Years 2006-07, 2007-08, and 2010-11.

On June 16, 2016, a telephone conference call took place between Doug Martens, Director of Finance, Shawna Alford, Accounting Technician and Lisa Kurokawa, and Taylor Kayatta, from the Division of Audits, Mandated Cost Bureau. As discussed, supporting documentation had been sent to Mr. Kayatta on May 11, 2016, which included a spreadsheet, indicating the amounts received from the state, the date of the apportionment letter, the date of the transfer from the county and the amounts claimed from Fiscal Years 2004/05 through 2011/2012. On this spreadsheet it showed the practice that was used to file claims which was to file the amounts received within the same fiscal year as the apportionment letters, which were all received after the deadline for filing. During this telephone conference it was indicated that the report to be sent would be the Narrative of Finding received in April that stated there was an under-reported revenue in the amount of \$93,950 for Fiscal Years 2006-07, 2007-08 and 2010-11. It was also indicated during the telephone conference that Fiscal Year 2005-06 is not in the scope of the audit, and even though documentation has been provided and this has been acknowledged as being received, this

Sweetwater Union High School District programs and activities shall be free from discrimination based on age, gender, gender identity or expression, or genetic information, sex, race, color, religion, ancestry, national origin, ethnic group identification, marital or parental status, physical or mental disability, sexual orientation; the perception of one or more of such characteristics; or association with a person or group with one or more of these actual or perceived characteristics.

SUHSD Board Policy 0410.

information would not be included in the report as "there was nothing we could do on our (Audits) end", as per Lisa Kurokawa.

As it is not possible to amend the Fiscal Year 2005-06 HSEE claim, we ask that the \$138,200 claimed, which was received for intensive instruction and not this mandate, be taken into consideration along with the other years in this audit.

Should you have any questions or concerns, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "DM", is positioned above the name Doug Martens.

Doug Martens