



JOHN CHIANG
California State Controller

February 14, 2014

Barry L. Kayrell, Ed.D., Superintendent
Hemet Unified School District
1791 W. Acacia Avenue
Hemet, CA 92545

Dear Dr. Kayrell:

The State Controller's Office reviewed the costs claimed by the Hemet Unified School District for the legislatively mandated Standardized Testing and Reporting (STAR) Program (Chapter 828, Statutes of 1997) for the period of July 1, 1997, 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 STAR Program apportionment was properly offset.

The district claimed \$1,128,428 for the mandated program. Our review found that \$855,919 is allowable (\$867,684 less a \$11,765 penalty for filing a late claim) and \$272,509 is unallowable. The costs are unallowable because the district did not report any offsetting reimbursements, as described in the attached Summary of Program Costs and the Finding and Recommendation.

We informed Vince Christakos, Assistant Superintendent of Business Services, of the review finding via email on January 16, 2014. Mr. Christakos inquired about the statute of limitations; however, he did not provide a response regarding the finding.

For the fiscal year (FY) 1997-98 claim, the State paid the district \$122,753 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$42,547 is allowable. The State will apply \$80,206 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

For the FY 1998-99 claim, the State paid the district \$123,153 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$54,757 is allowable. The State will apply \$68,396 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

For the FY 1999-2000 claim, the State paid the district \$129,602 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$109,809 is allowable. The State will apply \$19,793 against any balances of unpaid mandated program claims due the district as of October 19, 2010.

For the FY 2000-01 claim, the State paid the district \$137,022 from funds appropriated under Chapter 724, Statutes of 2010. Our review found that \$249,155 is allowable (\$260,920 less a \$11,765 penalty for filing a late claim). The State will pay allowable costs claimed that exceed the amount paid, totaling \$112,133, contingent upon available appropriations.

For the FY 2001-02 claim, the State made no payment to the district. Our review found that \$111,671 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2002-03 claim, the State made no payment to the district. Our review found that \$273,390 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the district. Our review found that \$14,590 is allowable. The State will pay that amount, contingent upon available appropriations.

If you disagree with the review finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's website at www.csm.ca.gov/docs/IRCFORM.pdf.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by phone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

Attachments

RE: S14-MCC-940

cc: Vince Christakos, Assistant Superintendent of Business Services
Hemet Unified School District
Pam Buckhout, Director of Fiscal Services
Hemet Unified School District
Nancy Sheets, Director
District Fiscal Services
Riverside County Office of Education
Peter Foggato, Director
School Fiscal Services Division
California Department of Education
Carol Bingham, Senior Fiscal Policy Advisor
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, 1997, through June 30, 2004**

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1997, through June 30, 1998</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 3,733	\$ 3,733	\$ —
Test materials, supplies, and equipment	2,094	2,094	—
Pre-test and post-test coordination	75,971	75,971	—
Test administration	4,066	4,066	—
Reporting and recordkeeping	31,981	31,981	—
Total salaries and benefits	<u>117,845</u>	<u>117,845</u>	<u>—</u>
Materials and supplies:			
Test materials, supplies, and equipment	275	275	—
Reporting and recordkeeping	64	64	—
Total materials and supplies	<u>339</u>	<u>339</u>	<u>—</u>
Travel and training:			
Training, policies, and procedures	45	45	—
Pre-test and post-test coordination	30	30	—
Total travel and training	<u>75</u>	<u>75</u>	<u>—</u>
Total direct costs	118,259	118,259	—
Indirect costs	4,494	4,494	—
Total direct and indirect costs	122,753	122,753	—
Less offsetting reimbursements	—	(80,206)	(80,206)
Total program costs	<u>\$ 122,753</u>	42,547	<u>\$ (80,206)</u>
Less amount paid by the State ²		(122,753)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (80,206)</u>	
<u>July 1, 1998, through June 30, 1999</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 3,822	\$ 3,822	\$ —
Test materials, supplies, and equipment	2,144	2,144	—
Pre-test and post-test coordination	75,689	75,689	—
Test administration	4,163	4,163	—
Reporting and recordkeeping	32,413	32,413	—
Total salaries and benefits	<u>118,231</u>	<u>118,231</u>	<u>—</u>
Materials and supplies:			
Test materials, supplies, and equipment	275	275	—
Reporting and recordkeeping	64	64	—
Total materials and supplies	<u>339</u>	<u>339</u>	<u>—</u>

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 1998, through June 30, 1999 (continued)</u>			
Travel and training:			
Training, policies, and procedures	45	45	—
Pre-test and post-test coordination	30	30	—
Total travel and training	75	75	—
Total direct costs	118,645	118,645	—
Indirect costs	4,508	4,508	—
Total direct and indirect costs	123,153	123,153	—
Less offsetting reimbursements	—	(68,396)	(68,396)
Total program costs	\$ 123,153	54,757	\$ (68,396)
Less amount paid by the State ²		(123,153)	
Allowable costs claimed in excess of (less than) amount paid		\$ (68,396)	
<u>July 1, 1999, through June 30, 2000</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 3,915	\$ 3,915	\$ —
Test materials, supplies, and equipment	2,197	2,197	—
Pre-test and post-test coordination	80,247	80,247	—
Test administration	4,265	4,265	—
Reporting and recordkeeping	33,819	33,819	—
Total salaries and benefits	124,443	124,443	—
Materials and supplies:			
Test materials, supplies, and equipment	275	275	—
Reporting and recordkeeping	64	64	—
Total materials and supplies	339	339	—
Travel and training:			
Training, policies, and procedures	45	45	—
Pre-test and post-test coordination	30	30	—
Total travel and training	75	75	—
Total direct costs	124,857	124,857	—
Indirect costs	4,745	4,745	—
Total direct and indirect costs	129,602	129,602	—
Less offsetting reimbursements	—	(19,793)	(19,793)
Total program costs	\$ 129,602	109,809	\$ (19,793)
Less amount paid by the State ²		(129,602)	
Allowable costs claimed in excess of (less than) amount paid		\$ (19,793)	

Attachment 1 (continued)

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:			
Training, policies, and procedures	\$ 85,255	\$ 85,255	\$ —
Test materials, supplies, and equipment	2,252	2,252	—
Pre-test and post-test coordination	124,507	124,507	—
Test administration	4,371	4,371	—
Reporting and recordkeeping	55,294	55,294	—
Total salaries and benefits	<u>271,679</u>	<u>271,679</u>	<u>—</u>
Materials and supplies:			
Test materials, supplies, and equipment	275	275	—
Reporting and recordkeeping	64	64	—
Total materials and supplies	<u>339</u>	<u>339</u>	<u>—</u>
Travel and training:			
Training, policies, and procedures	45	45	—
Pre-test and post-test coordination	30	30	—
Total travel and training	<u>75</u>	<u>75</u>	<u>—</u>
Total direct costs	272,093	272,093	—
Indirect costs	<u>10,340</u>	<u>10,340</u>	<u>—</u>
Total direct and indirect costs	282,433	282,433	—
Less offsetting reimbursements	—	(21,513)	(21,513)
Subtotal	282,433	260,920	(21,513)
Less late filing penalty ³	—	(11,765)	(11,765)
Total program costs	<u>\$ 282,433</u>	249,155	<u>\$ (33,278)</u>
Less amount paid by the State ²		(137,022)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 112,133</u>	
<u>July 1, 2001, through June 30, 2002</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 4,113	\$ 4,113	\$ —
Test materials, supplies, and equipment	2,308	2,308	—
Pre-test and post-test coordination	84,300	84,300	—
Test administration	4,481	4,481	—
Reporting and recordkeeping	35,526	35,526	—
Total salaries and benefits	<u>130,728</u>	<u>130,728</u>	<u>—</u>
Materials and supplies:			
Test materials, supplies, and equipment	275	275	—
Reporting and recordkeeping	64	64	—
Total materials and supplies	<u>339</u>	<u>339</u>	<u>—</u>

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2001, through June 30, 2002 (continued)</u>			
Travel and training:			
Training, policies, and procedures	45	45	—
Pre-test and post-test coordination	30	30	—
Total travel and training	75	75	—
Total direct costs	131,142	131,142	—
Indirect costs	3,856	3,856	—
Total direct and indirect costs	134,998	134,998	—
Less offsetting reimbursements	—	(23,327)	(23,327)
Total program costs	\$ 134,998	111,671	\$ (23,327)
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 111,671	
<u>July 1, 2002, through June 30, 2003</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 85,464	\$ 85,464	\$ —
Pre-test and post-test coordination	113,602	113,602	—
Test administration	28,768	28,768	—
Reporting and recordkeeping	53,293	53,293	—
Total salaries and benefits	281,127	281,127	—
Total direct costs	281,127	281,127	—
Indirect costs	15,434	15,434	—
Total direct and indirect costs	296,561	296,561	—
Less offsetting reimbursements	—	(23,171)	(23,171)
Total program costs	\$ 296,561	273,390	\$ (23,171)
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		\$ 273,390	
<u>July 1, 2003, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 1,575	\$ 1,575	\$ —
Test materials, supplies, and equipment	2,505	2,505	—
Pre-test and post-test coordination	17,271	17,271	—
Test administration	6,815	6,815	—
Reporting and recordkeeping	7,643	7,643	—
Total salaries and benefits	35,809	35,809	—
Materials and supplies:			
Training, policies, and procedures	21	21	—
Test materials, supplies, and equipment	669	669	—
Pre-test and post-test coordination	181	181	—
Reporting and recordkeeping	97	97	—
Total materials and supplies	968	968	—

Attachment 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Review	Review Adjustment ¹
<u>July 1, 2003, through June 30, 2004 (continued)</u>			
Total direct costs	36,777	36,777	—
Indirect costs	2,151	2,151	—
Total direct and indirect costs	38,928	38,928	—
Less offsetting reimbursements	—	(24,338)	(24,338)
Total program costs	<u>\$ 38,928</u>	14,590	<u>\$ (24,338)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 14,590</u>	
<u>Summary: July 1, 1997, through June 30, 2004</u>			
Direct costs:			
Salaries and benefits:			
Training, policies, and procedures	\$ 187,877	\$ 187,877	\$ —
Test materials, supplies, and equipment	13,500	13,500	—
Pretest and post-test coordination	571,587	571,587	—
Test administration	56,929	56,929	—
Reporting and recordkeeping	249,969	249,969	—
Total salaries and benefits	<u>1,079,862</u>	<u>1,079,862</u>	—
Materials and supplies:			
Training, policies, and procedures	21	21	—
Test materials, supplies, and equipment	2,044	2,044	—
Pre-test and post-test coordination	181	181	—
Reporting and recordkeeping	417	417	—
Total materials and supplies	<u>2,663</u>	<u>2,663</u>	—
Travel and training:			
Training, policies, and procedures	225	225	—
Pre-test and post-test coordination	150	150	—
Total travel and training	<u>375</u>	<u>375</u>	—
Total direct costs	1,082,900	1,082,900	—
Indirect costs	45,528	45,528	—
Total direct and indirect costs	1,128,428	1,128,428	—
Less offsetting reimbursements	—	(260,744)	(260,744)
Subtotal	1,128,428	867,684	(260,744)
Less late filing penalty	—	(11,765)	(11,765)
Total program costs	<u>\$ 1,128,428</u>	855,919	<u>\$ (272,509)</u>
Less amount paid by the State		(512,530)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 343,389</u>	

¹ See Attachment 2, Finding and Recommendation.

² Payment from funds appropriated under Chapter 724, Statutes of 2010 (Assembly Bill No. 1610).

³ The district filed its FY 2000-01 initial reimbursement claim for \$143,274 by the due date specified in Government Code section 17560, and amended it to \$282,433 after the due date. Pursuant to Government Code section 17568, the State assessed a late filing penalty equal to 10% of allowable costs that exceed the timely filed claim amount, with no maximum penalty amount (for claims amended on or after September 30, 2002).

Attachment 2— Finding and Recommendation July 1, 1997, through June 30, 2004

**FINDING—
Unreported offsetting
reimbursements**

The district did not report offsetting reimbursements totaling \$260,744, because it did not report any of the Standardized Testing and Reporting (STAR) Program apportionments received from the California Department of Education (CDE) for the review period.

On August 24, 2000, the Commission on State Mandates (CSM) adopted the statement of decision for the STAR Program. The CSM determined that Chapter 828, Statutes of 1997, and the implementing regulations at Title 5, *California Code of Regulations*, sections 850 through 904, imposed a state mandate upon school districts reimbursable under Government Code section 17561, commencing October 10, 1997.

The program's parameters and guidelines establish the state mandate and define the reimbursement criteria. The CSM adopted the parameters and guidelines on January 24, 2002. In compliance with Government Code section 17558, the State Controller's Office issued claiming instructions to assist school districts in claiming mandated program reimbursable costs.

On reconsideration under Statutes of 2004, Chapter 216, section 34; and Statutes of 2004, Chapter 895, section 19, the CSM found that effective July 1, 2004, many of the reimbursable activities were either federally mandated or no longer required, and thus were not reimbursable. Accordingly, the CSM deleted references to the non-reimbursable activities and renamed the program the "National Norm-Referenced Achievement Test" Program effective July 1, 2004. This latter program has been suspended since September 30, 2008.

The parameters and guidelines for the STAR Program (section VII. Offsetting Savings and Reimbursements) state:

Any offsetting savings the claimant experiences in the same program as a result of the same statutes or executive orders found to contain the mandate shall be deducted from the costs claimed. In addition, reimbursement for this mandate received from any source, including but not limited to, services fees collected, federal funds and other state funds shall be identified and deducted from the claim.

Education Code section 60640, subdivision (h)(1), specifies that the State Superintendent of Public Instruction shall apportion funds to school districts to enable them to administer the tests within the STAR Program. For the review period, we determined that the district received \$354,093 from the CDE.

We determined the amount that should have been offset by multiplying the total CDE apportionment by the reimbursable mandate percentages, which are based on test results published on the CDE STAR website. The district administered the following STAR tests during the review period: California Standards Test (CST); Stanford Achievement Test,

Ninth Edition (SAT-9); California Achievement Test, Sixth Edition Survey (CAT/6); Spanish Assessment of Basic Education, Second Edition (SABE/2); and the California Alternate Performance Assessment (CAPA). The CST and CAPA tests are not reimbursable because they were not pled in the test claim that created this mandate.

Based on the CDE’s published test results, the reimbursable mandate percentages are as follows: 100% for fiscal year (FY) 1997-98, 69.97% for FY 1998-99, 69.80% for FY 1999-2000, 63.18% for FY 2000-01, 64.00% for FY 2001-02, 62.26% for FY 2002-03, and 60.75% for FY 2003-04.

The following table summarizes the unreported offsetting reimbursement calculation for the review period:

	Fiscal Year							Total
	1997-98	1998-99	1999-2000	2000-01	2001-02	2002-03	2003-04	
STAR Program Apportionments:								
CDE apportionment	\$ (80,206)	\$ (97,751)	\$ (28,357)	\$ (34,051)	\$ (36,449)	\$ (37,217)	\$ (40,062)	\$ (354,093)
Mandate-related percentage	x 100%	x 69.97%	x 69.80%	x 63.18%	x 64.00%	x 62.26%	x 60.75%	
Mandate-related apportionment	(80,206)	(68,396)	(19,793)	(21,513)	(23,327)	(23,171)	(24,338)	(260,744)
Less offset CDE apportionment	—	—	—	—	—	—	—	—
Review adjustment	\$ (80,206)	\$ (68,396)	\$ (19,793)	\$ (21,513)	\$ (23,327)	\$ (23,171)	\$ (24,338)	\$ (260,744)

Recommendation

We recommend that the district ensure that all applicable reimbursements are offset against mandated program costs.