SAN JOAQUIN COUNTY OFFICE OF EDUCATION

Report of Review

AUDIT RESOLUTION PROCESS

Fiscal Year (FY) 2012-13 and FY 2013-14

BETTY T. YEE

California State Controller

January 2016

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California State Controller

January 11, 2016

James A. Mousalimas, Superintendent
San Joaquin County Office of Education
2901 Arch Airport Road
Stockton, CA 95206

Dear Mr. Mousalimas:

The State Controller's Office reviewed the San Joaquin County Office of Education's (COE) audit resolution process for local education agency exceptions noted in the annual audit reports. The review covered fiscal year (FY) 2012-13 and FY 2013-14.

Our review found that the San Joaquin COE followed its audit resolution process for FY 2012-13 and FY 2013-14. As a result, the San Joaquin COE was in compliance with California Education Code section 41020.

If you have any questions, please contact Jim L. Spano, Interim Chief, Financial Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/ls

cc: Jim Thomas, Deputy Superintendent, Business Services
San Joaquin County Office of Education
KT Yorba, Division Director, District Business Services
San Joaquin County Office of Education
Nicole Lorenz, Internal Audit Coordinator
San Joaquin County Office of Education
Peter Foggiato, Director
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Review Report

Summary

The State Controller's Office (SCO) reviewed the San Joaquin County Office of Education's (COE) audit resolution process for local education agency (LEA) exceptions noted in the annual audit reports for fiscal year (FY) 2012-13 and FY 2013-14. Our review found that the San Joaquin COE followed its audit resolution process for FY 2012-13 and FY 2013-14.

Background

California Education Code section 41020(n) requires the State Controller to annually select a sampling of county superintendents of schools for which the SCO will perform a follow-up review of the audit resolution process. Results of these reviews will be reported to the Superintendent of Public Instruction (SPI) and the county superintendents of the schools that were reviewed.

Furthermore, California Education Code section 41020(n) states that the State Controller shall require auditors to categorize audit exceptions in the audit report in such a manner that both the county superintendent of schools and the SPI can discern the exceptions for which it is their responsibility to ensure that the LEAs take action to correct.

The San Joaquin COE provides coordination of educational programs and professional and financial supervision for 14 LEAs and one joint powers entity under its jurisdiction. In addition, the county superintendent of schools maintains special schools and programs countywide, independent of the local education agencies.

County superintendents of schools are required to do the following:

- Review, for each of their school districts, audit exceptions relating to attendance, inventory of equipment, internal control, and any miscellaneous items, and determine whether the findings have been corrected or an acceptable plan of correction has been developed (California Education Code section 41020(i)(1));
- Review audit exceptions related to the use of instructional materials program funds, teacher misassignments, and school accountability report cards. The county superintendents also must determine whether the exceptions have been corrected or an acceptable plan of correction has been developed (California Education Code section 41020(i)(2));
- Review audit exceptions related to attendance, inventory of equipment, internal control, and other miscellaneous exceptions. Attendance exceptions or issues must include those related to local control funding formula allocations pursuant to Education Code section 42238.02, as implemented by section 42238.03, and independent study (Education Code section 41020(j)(1));

- Notify the LEA, and request that the governing board of the LEA provide to the county superintendent of schools, a description of the correction or plan of correction by March 15 of the subsequent year (California Education Code section 41020(j)(2));
- Review the description of the correction or plan of correction and determine its adequacy and, if its response was not adequate, require the LEA to resubmit that portion of its response that is inadequate (California Education Code section 41020(j)(3)); and
- By May 15 of the subsequent year, certify to the Superintendent of Public Instruction (SPI) and the SCO that the county has reviewed all applicable exceptions, and state that all exceptions have been corrected, or that an acceptable plan for correction has been submitted by the LEA to the county superintendent, except as noted in the certification. In addition, identify by LEA any attendance-related exceptions or exceptions involving State funds, and require the LEA to submit the appropriate reporting forms to the SPI for processing (California Education Code section 41020(k));
- Review LEAs' unresolved prior year audit exceptions when the California Department of Education defers to the county (California Education Code section 41020(l)); and
- Adjust subsequent local property tax requirements to correct audit exceptions relating to LEA tax rates and tax revenues (California Education Code section 41020(o)).

Objective, Scope, and Methodology

Our review was conducted under the authority of California Education Code section 41020(n). Our review scope was limited to determining whether or not the San Joaquin COE followed its audit resolution process in resolving LEA audit exceptions. Our review did not include an evaluation of the sufficiency of the action taken by the LEA and the San Joaquin COE to address each exception, nor did it assess the degree to which each exception was addressed. Specifically, our review was limited to the following procedures:

- Verifying that the San Joaquin COE addressed all attendance, inventory of equipment, internal control, and miscellaneous exceptions. In addition, we verified whether the San Joaquin COE addressed any findings on instructional-materials program funds, teacher misassignments, and school accountability report cards. However, with respect to exceptions based on sample items, our review did not include a determination of whether or not the exception results were properly quantified and addressed at a districtwide or countywide level;
- Verifying whether the San Joaquin COE notified LEAs that they must submit completed corrective action forms to the San Joaquin COE by March 15, 2014, and March 15, 2015, for FY 2012-13 and FY 2013-14, respectively. Our review did not include an assessment of the LEAs' progress with respect to taking corrective action;

- Verifying whether the San Joaquin COE required the LEAs to submit the appropriate reporting forms to the SPI for any attendance-related exceptions that affect State funding;
- Reviewing the letters of certification due on May 15, 2014, and May 15, 2015, that the San Joaquin COE sent to the SPI and the SCO with respect to any resolved and unresolved audit exceptions;
- Verifying whether the San Joaquin COE followed up with unresolved prior year audit exceptions the SPI required the San Joaquin COE to conduct; and
- Verifying whether the San Joaquin COE adjusted subsequent local property tax requirements to correct audit exceptions related to LEA tax rates and tax revenues.

Conclusion

Our review found that the San Joaquin COE followed its audit resolution process for FY 2012-13 and FY 2013-14. As a result, the San Joaquin COE was in compliance with California Education Code section 41020 for FY 2012-13 and FY 2013-14. We made no additional determination regarding the San Joaquin COE's audit resolution process beyond the scope of the review outlined above.

Views of Responsible Officials

We discussed our conclusion with Nicole Lorenz, Internal Audit Coordinator, San Joaquin COE, at an exit conference held on December 8, 2015. Ms. Lorenz agreed with the conclusion, declined a draft report, and agreed that the report could be issued as final.

Restricted Use

This report is intended solely for the information and use of the San Joaquin COE, the California Department of Education, the California Department of Finance, 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 meant to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

January 11, 2016

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