

HUMBOLDT COUNTY OFFICE OF EDUCATION

Report of Review

AUDIT RESOLUTION PROCESS

Fiscal Year (FY) 2011-12 and FY 2012-13



BETTY T. YEE
California State Controller

April 2015



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California State Controller

April 17, 2015

Gary T. Eagles, Ph.D.
County Superintendent of Schools
Humboldt County Office of Education
901 Myrtle Avenue
Eureka, CA 95501-1294

Dear Dr. Eagles:

The State Controller's Office reviewed the Humboldt 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) 2011-12 and FY 2012-13.

Our review found that the Humboldt COE followed its audit resolution process for FY 2011-12 and FY 2012-13. As a result, the Humboldt COE was in compliance with California Education Code section 41020, except that the Certification of Corrective Action Resolution of 2012-13 Audit Findings did not contain a current list of school districts in Humboldt County.

If you have any questions, please contact Carolyn Baez, Chief, Financial Audits Bureau, at (916) 322-7656.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/bm

cc: Jennifer Kiff, Fiscal Analyst
Humboldt County Office of Education
Peter Foggiato, Director
School Fiscal Services Division
California Department of Education
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Review Report

Summary

The State Controller's Office (SCO) reviewed the Humboldt 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) 2011-12 and FY 2012-13. Our review found that the Humboldt COE followed its audit resolution process for FY 2011-12 and FY 2012-13, except that the Certification of Correction Action Resolution of 2012-13 Audit Findings did not contain a current list of school districts in Humboldt County.

Background

California Education Code section 41020(n) requires the State Controller to annually select a sampling of county superintendents of schools to perform a follow-up review of the audit resolution process. Results of these reviews are 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 which exceptions they are responsible for ensuring that LEAs correct.

The Humboldt COE provides coordination of educational programs and professional and financial supervision for 32 and 31 LEAs under its direct jurisdiction for FY 2011-12 and FY 2012-13, respectively. 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 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 or issues that include, but are not limited to, those related to revenue limits, adult education, and independent study (California 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 a portion of its response (California Education Code section 41020(j)(3)); and
- By May 15 of the subsequent year, certify to the 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 the Humboldt COE followed its audit resolution process in resolving audit exceptions. Our review did not include an evaluation of the sufficiency of the action taken by the LEA and the Humboldt 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 Humboldt COE addressed all attendance, inventory of equipment, internal control, and miscellaneous exceptions. In addition, we verified whether the Humboldt 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 the exception results were properly quantified and addressed at a districtwide or countywide level;
- Verifying whether the Humboldt COE notified LEAs that they must submit completed corrective action forms to the Humboldt COE by March 15, 2013, and March 15, 2014, for FY 2011-12 and FY 2012-13, respectively. Our review did not include an assessment of the LEAs' progress with respect to taking corrective action;
- Verifying whether the Humboldt COE required the LEAs to submit the appropriate reporting forms to the Superintendent of Public Instruction (SPI) for any attendance-related exceptions that affect state funding;

- Reviewing the letters of certification due on May 15, 2013, and May 15, 2014, that the Humboldt COE sent to the SPI and the SCO with respect to any resolved and unresolved audit exceptions;
- Verifying whether the Humboldt COE followed up with unresolved prior year audit exceptions the SPI required the Humboldt COE to conduct; and
- Verifying whether the Humboldt 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 Humboldt COE followed its audit resolution process for FY 2011-12 and FY 2012-13. As a result, the Humboldt COE was in compliance with California Education Code section 41020 for FY 2011-12 and FY 2012-13 except that it provided a listing of districts reviewed that included a district that had been consolidated into another district for FY 2012-13 Certification of Corrective Action. We made no additional determination regarding the Humboldt COE's audit resolution process beyond the scope of the review outlined above.

**Views of
Responsible
Officials**

Our conclusion and review finding were provided to the Humboldt COE for review in a draft report issued January 28, 2015. The Humboldt COE's response is included with the report finding. Jennifer Kiff, Fiscal Analyst, Humboldt COE, generally agreed with the conclusion and review finding presented in the report.

Restricted Use

This report is intended solely for the information and use of the Humboldt 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

April 17, 2015

Finding and Recommendation

FINDING 1— Certification did not contain current list of school districts

The Certification of Corrective Action Resolution of 2012-13 Audit Findings did not contain a current list of school districts in Humboldt County. The Humboldt COE submitted a Certification of Corrective Action on May 14, 2014, that indicated the COE had reviewed the Rohnerville School District annual audit for fiscal year 2012-13; however, the Rohnerville School District had consolidated with the Fortuna Union Elementary School District on July 1, 2012.

The Humboldt COE stated in an email dated December 22, 2014, that it had provided a revised listing with the correct list of annual audits reviewed; however, neither the State Controller's Office nor California Department of Education have record of receiving the corrected list. The Humboldt COE could not provide documentation the corrected list was emailed, mailed, or faxed.

California Education Code section 41020 states, in part:

(k) Each county superintendent of schools shall certify to the Superintendent and the Controller, not later than May 15, that his or her staff has reviewed all audits of local educational agencies under his or her jurisdiction for the prior fiscal year, that all exceptions that the county superintendent was required to review were reviewed and that all of those exceptions, except as otherwise noted in the certifications, have been corrected by the local educational agency or that an acceptable plan of correction has been submitted to the county superintendent of schools. In addition, the county superintendent shall identify, by local educational agency, any attendance-related audit exception or exceptions involving state funds, and require the local educational agency to which the audit exceptions were directed to submit appropriate reporting forms for processing by the Superintendent.

Recommendation

The Humboldt COE should ensure that a proper review of the Certification of Corrective Action Resolution of Audit Findings is performed to ensure that the certification contains a current list of school districts.

Humboldt COE's Response

We agree with the auditor's comments, and the following action has been taken to improve the situation:

1. We have organized the electronic filing system by year to ensure that the most current district listing is printed for inclusion with each certification.
2. We have added an additional review step to the HCOE Audit Oversight Procedures, see **bolded** step 2 below:

MAY

1. CBO/SUPT reviews and approves
 - a. Auditor selection letter for county LEA's.
 - b. Certification of Corrective Action: Resolution of Audit Findings.

2. **The Fiscal Analyst and/or the PAT II will review the Auditor Selection letter and Certification of Corrective Action for accuracy before mailing.**

3. Administrative Assistant II mails to CDE & SCO:
 - a. The auditor selection letter for County LEA's
 - b. Certification of Corrective Action: Resolution of Audit Findings

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