

ALAMEDA 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

May 2016



BETTY T. YEE
California State Controller

May 3, 2016

Karen Monroe
County Superintendent of Schools
Alameda County Office of Education
313 W. Winton Ave
Hayward, CA 94544

Dear Ms. Monroe:

The State Controller's Office reviewed the Alameda 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 with one exception, discussed in the finding for FY 2013-14, the Alameda COE was in compliance with California Education Code section 41020 for FY 2012-13 and FY 2013-14, as it followed its audit resolution process. For FY 2013-14, our review found that the Alameda COE did not review the audit report finding for one of the school districts under its jurisdiction.

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

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/rg

cc: Gary Jones, Associate Superintendent
Alameda County Office of Education
Jeffrey B. Potter, Executive Director
Alameda County Office of Education
Shirene Moreira, Director
Alameda County of Education
Roland Tom, Director
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Review Report

Summary

The State Controller's Office (SCO) reviewed the Alameda 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) 2013-13 and FY 2013-14. Our review found that with one exception, discussed in the finding for FY 2013-14, the Alameda COE was in compliance with California Education Code section 41020 for FY 2012-13 and FY 2013-14, as it followed its audit resolution process. For FY 2013-14, our review found that the Alameda COE did not review the audit report finding for one of the school districts under its jurisdiction.

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 Alameda COE provides coordination of educational programs and professional and financial supervision for 18 LEAs 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));
- 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 Alameda 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 Alameda 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 Alameda COE addressed all attendance, inventory of equipment, internal control, and miscellaneous exceptions. In addition, we verified whether the Alameda 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 Alameda COE notified LEAs that they must submit completed corrective action forms to the Alameda COE by March 15, 2013, and March 15, 2014, 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 Alameda 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 Alameda COE sent to the SPI and the SCO with respect to any resolved and unresolved audit exceptions;
- Verifying whether the Alameda COE followed up with unresolved prior year audit exceptions the SPI required the Alameda COE to conduct; and
- Verifying whether the Alameda COE adjusted subsequent local property tax requirements to correct audit exceptions related to LEA tax rates and tax revenues.

Conclusion

Our review found that with one exception, discussed in the finding for FY 2013-14, the Alameda COE was in compliance with California Education Code section 41020 for FY 2012-13 and FY 2013-14, as it followed its audit resolution process. The Alameda COE submitted its FY 2012-13 and FY 2013-14 certifications of corrective action to the SPI on May 12, 2014, and May 14, 2015, respectively. We made no additional determination regarding the Alameda COE's audit resolution process beyond the scope of the review outlined above.

Views of Responsible Officials

We issued a draft review report on February 17, 2016. Gary Jones, Associate Superintendent, responded by letter dated March 11, 2016 (Attachment), disagreeing with the review results. Based on the Alameda COE's response and documentation, we revised the draft review finding.

Restricted Use

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

May 3, 2016

Finding and Recommendation

FINDING — Audit Resolution Process

The Alameda County Office of Education (COE) followed its audit resolution process for fiscal year (FY) 2012-13 and FY 2013-14, with one exception. During the State Controller's Office (SCO) review of the Alameda COE's audit resolution process for report findings of audit reports within its jurisdiction, we found that the Alameda COE did not review the audit report finding for Albany Unified School District for FY 2013-14. The Director of District Advisory Services did not have documentation regarding corrective measure on the finding. The California Education Code requires county offices of education to review the findings in audit reports under its jurisdiction pertaining to attendance, inventory of equipment, internal control, and other miscellaneous exceptions.

California Education Code section 41020 for FY 2013-14 states, in part:

(j) Upon submission of the final audit report to the governing board of each local educational agency and subsequent receipt of the audit by the county superintendent of schools having jurisdiction over the local educational agency, the county office of education shall do all of the following:

(1) Review audit exceptions related to attendance, inventory of equipment, internal control, and other miscellaneous exceptions. Attendance exceptions or issues shall include, but not be limited to, those related to local control funding formula allocations pursuant to Section 42238.02, as implemented by Section 42238.03, and independent study.

(2) If a description of the correction or plan of correction has not been provided as part of the audit required by this section, then the county superintendent of schools shall notify the local educational agency and request the governing board of the local educational agency to provide to the county superintendent of schools a description of the corrections or plan of correction by March 15.

(3) Review the description of correction or plan of correction and determine its adequacy. If the description of the correction or plan of correction is not adequate, the county superintendent of schools shall require the local educational agency to resubmit that portion of its response that is inadequate.

Recommendation

We recommend that the Alameda COE regularly reassess its preventative measures to ensure that it reviews the audit findings for all of its local educational agencies in compliance with California Education Code section 41020.

Alameda COE's Response

The Alameda COE does not support the portion of the FY 2013-14 finding that states that the Alameda COE did not receive a copy of the audit report for Albany Unified School District and that it was in noncompliance with

its audit resolution process for not reviewing the finding in one of the reports sampled by the SCO.

SCO's Comment

Based on documentation provided by the Alameda COE, we removed the portion of the finding related to the Alameda COE not receiving a copy of Albany Unified School District's audit finding for FY 2013-14. In addition, we updated the FY 2013-14 finding to state that the Alameda COE was in compliance with its audit resolution process, with one exception noted during our review process.

**Attachment—
Alameda County Office of Education’s
Response to Draft Report**



Alameda County Office of Education

L. Karen Monroe
Superintendent

BOARD OF EDUCATION

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March 11, 2016

Jim L. Spano, Interim Chief
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

RE: Report of Review – Audit Resolution Process

Dear Mr. Spano:

I am writing in regards to the Alameda County Office of Education, Report of Review of the Audit Resolution Process for Fiscal Years 2012-13 and 2013-14, dated February 2016. The Alameda County Office of Education (ACOE) would like to provide the following response.

In the Report Summary, it states that “the Alameda COE did not obtain the audit report...for Albany Unified School District for FY 2013-14.” A related recommendation is included in the Report’s Finding and Recommendation, item 14-01.

Please note that this statement is incorrect. As shown by the attached receiving document (Exhibit A), the audit firm responsible for this audit, Wilkinson Hadley King & Co. LLP, indeed provided a copy of the audit report to ACOE for 2013-14. This was received by ACOE on November 21, 2014, and was available during the SCO’s audit in December 2015. A full copy of the audit report can be provided, if necessary.

In response to the conclusion that “the Alameda COE was not in compliance for FY 2013-14” with regard to our audit resolution process, we would like the Report to note that ACOE was in compliance with its process for all findings within the sample size, except one. While the oversight of one audit finding indeed occurred, this should not dismiss the compliance of all other findings in FY 2013-14 that were found to have properly followed our resolution process. That is, if ALL findings were out of compliance, the conclusion could be drawn that ACOE was not in compliance for that fiscal year. However, this was not the

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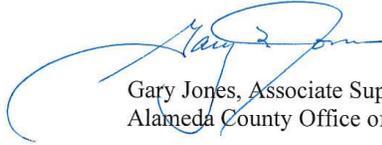
case. ACOE was in full compliance in 2012-13, and was in partial – or nearly full – compliance in 2013-14. We therefore request that the Report more accurately reflect this fact.

Regarding the Report's Finding and Recommendation, item 14-01, the Report recommends that "the Alameda COE develop and implement preventative measures to ensure that it obtains the audit reports and reviews the audit findings for all of its local educational agencies in compliance with California Education Code section 41020." Please note that ACOE has developed and implemented a corrective action plan to prevent the recurrence of a missed audit finding in the future. A master schedule has been created whereby all incoming audit reports are reviewed in a centralized location to determine if any findings were issued. Any findings requiring review by the COE will be recorded in a master schedule, including the nature of the finding and any correspondence with the LEA. This schedule will be monitored regularly, and will prevent any audit findings from being overlooked prior to the March 15th deadline for obtaining a plan of corrective action from the LEA.

Please feel free to contact me if any further clarification is needed regarding this response.

Thank you.

Sincerely,



Gary Jones, Associate Superintendent
Alameda County Office of Education

cc: L. Karen Monroe, Superintendent, ACOE
Jeffrey B. Potter, Executive Director, ACOE

Exhibit A

P. Robert Wilkinson, CPA
Brian K. Hadley, CPA
Natalie C. Azzam, CPA



Aubrey W. King, CPA
Richard K. Savage, CPA
Kevin A. Sproul, CPA

2014 NOV 21 P 1:45

SUPERINTENDENT'S OFFICE

Alameda County Office of Education
Attention: Shiela Jordan
313 West Winton Ave.
Hayward, CA 94544-1136

Enclosed you will find one copy of the 2014 annual audit report for the following School District(s):

ALBANY UNIFIED SCHOOL DISTRICT

Should you have any questions regarding these reports, please contact our office.

RECEIVED

DEC 13 2014

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ADVISORY SERVICES

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