

# **ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS**

**Report to the Superintendent of Public Instruction**

*For the Period of July 1, 2012, through June 30, 2013*



**JOHN CHIANG**  
California State Controller

July 2014



**JOHN CHIANG**  
**California State Controller**

July 31, 2014

The Honorable Tom Torlakson  
State Superintendent of Public Instruction  
California Department of Education  
P.O. Box 944272  
Sacramento, CA 94244-2720

Dear Superintendent Torlakson:

I am pleased to present the Annual Financial Report of California K-12 Schools for 2013. The report summarizes the financial and program compliance status of the State's school districts, county offices of education, and charter schools for fiscal year (FY) 2012-13, unless otherwise specified. For FY 2012-13, there were a total of 2,074 local education agencies (LEAs), including 954 school districts, 58 county offices of education, and 1,062 charter schools.

For FY 2012-13, California LEA expenditures exceeded revenues by \$68 million. The number of LEAs engaged in multi-year deficit spending increased from 118 to 299. The number of districts and county offices of education filing negative or qualified first- or second-interim certifications for FY 2013-14 decreased from 128 to 53. The reasons for filing negative or qualified certifications primarily are deficit spending, projected operating expenditure changes, contributions changes, projected revenue limit changes, and projected operating revenue changes.

State and federal compliance findings noted in the independent auditors' reports of LEAs decreased from the prior year. Auditors reported 664 compliance findings in FY 2012-13, a 10% decrease from the 741 reported in FY 2011-12. Moreover, 22% of the compliance findings were related to deficiencies in average daily attendance (ADA) accounting, which is the primary basis for the allocation of state funding. The auditors also reported 90 findings pertaining to the After School Education and Safety Program.

I hope the report will be useful to you and the Legislature in planning California's future education needs. Please direct any comments regarding the content of the report to George Lolas, Chief Operating Officer, at (916) 445-3028.

Sincerely,

*Original signed by*

**JOHN CHIANG**  
California State Controller

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# Executive Summary

The State Controller has broad authority to oversee state and federal funding of California's public schools from kindergarten through the 12th grade (K-12). The State Controller's goal is to promote greater fiscal accountability by local education agencies (school districts, county offices of education, and charter schools) and to function as the independent protector of taxpayer dollars.

This oversight responsibility includes reviewing annual local education agencies' (LEAs) audit reports, maintaining a database with financial and statistical data on LEAs' audit reports, reviewing and certifying the audit reports submitted by independent auditors, tracking financially troubled school districts identified by the interim reporting process, developing and submitting the content of the *Standards and Procedures for Audits of California K-12 Local Education Agencies* (K-12 Audit Guide) to the Education Audit Appeals Panel, and conducting financial and compliance audits of various local education agencies.

Most of the information used to prepare this report is compiled from annual audit reports prepared for individual LEAs by independent certified public accountants for fiscal year (FY) 2012-13. Additional data was taken from interim financial report certifications submitted by LEAs during FY 2013-14. Information related to the emergency loan apportionments was obtained from various sources, including the California Infrastructure and Economic Development Bank (I-Bank).

This year's report contains the following key findings:

- The number of LEAs engaged in multi-year deficit spending increased from 118 to 299. Although some LEAs legitimately may need to engage in multi-year deficit spending (such as for building projects), this practice often is an indication that a district is facing financial difficulties.
- The number of LEAs filing negative or qualified certifications during at least one of the two reporting periods decreased from 128 in FY 2012-13 to 53 in FY 2013-14. In the second reporting period of FY 2013-14, 23 LEAs filed qualified interim financial reports and 7 LEAs filed negative interim financial reports. Financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt issuance increased by \$1.037 billion to a total of \$7.850 billion, a 15% increase from the \$6.813 billion reported in the prior year. Generally, LEAs issue debt to fund capital improvements, refinance existing debt, or to buy land for future use.

- The number of state and federal compliance findings contained in the audit reports of LEAs decreased from the prior year. Approximately 22% of the compliance findings for FY 2012-13 are related to deficiencies in average daily attendance (ADA) accounting, which is the primary factor in determining the amount of funding an LEA receives from the State.
- The LEAs' annual audit reports disclosed 90 audit findings pertaining to the After School Education and Safety Program.
- The number of rejected reports increased by 47, from 405 to 452, a 12% increase compared to the prior year.

# Introduction

The State Controller's Office's oversight role in the K-12 fiscal process is administered by its Division of Audits. Oversight activities focus primarily on three areas: financial indicators, program compliance, and quality control.

The State Controller's Office also is responsible for financial oversight of local education agencies (school districts, charter schools, and county offices of education). Beginning with fiscal year (FY) 2005-06, California Education Code section 47634.2(d) rendered charter schools subject to audits pursuant to California Education Code section 41020. That California Education Code section requires that audits be conducted in accordance with *California Code of Regulations*, Title 5 Education, section 19810 et seq. The audit guide is known as the *Standards and Procedures for Audits of California K-12 Local Education Agencies*, or K-12 Audit Guide.

Each section of this report specifies the type of local education agency (LEA) being reported on and the fiscal year for which the data was obtained.

In accordance with state law, the State Controller's Office responsibilities include:

- Developing, in consultation with the California Department of Finance, the California Department of Education, and other school representatives, an annual audit guide that prescribes financial statements and other information that should be included in each LEA's audit report. The audit guide provides guidance to independent auditors conducting school district audits.<sup>1</sup>
- Reviewing each LEA's audit report submitted to the State and performing the associated follow-up actions, including compliance audits.<sup>2</sup>
- Tracking notifications from the school districts that identify substantial fiscal problems at interim reporting periods.

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<sup>1</sup> *Standards and Procedures for Audits of California K-12 Local Education Agencies* (K-12 Audit Guide). The California Education Code states that the Controller, in consultation with the California Department of Education, the California Department of Finance, representatives of the California School Boards Association, the California Association of School Business Officials, the California County Superintendents Educational Services Association, the California Teachers Association, and the California Society of Certified Public Accountants, shall recommend the statements and other information to be included in the audit reports filed with the State and shall propose an audit guide to carry out the purposes of this chapter. A supplement to the audit guide may be suggested during the audit year, to address issues resulting from new legislation in that year that changes the conditions of apportionment. The proposed content of the audit guide and any supplement to the audit guide shall be submitted by the Controller to the Education Audit Appeals Panel for review and possible amendment.

<sup>2</sup> Compliance audits are conducted to determine whether categorical state and federal program funds are expended in accordance with the applicable program laws and regulations.

- Conducting the annual financial and compliance audits of school districts receiving emergency state apportionment loans.
- Ensuring that satisfactory arrangements for an annual audit have been made for each local education agency.
- Performing quality control reviews of independent auditors who conduct annual audits of local education agencies.
- Compiling pertinent data and reporting annually to the California State Legislature and the California Department of Education.

# Financial Indicators

## Overview

The California Education Code places school district finances under the control of county offices of education and the California Department of Education. The law protects the public's interest in education by giving county offices of education specific responsibility for fiscal oversight of school districts within their jurisdictions.

Key financial indicators representing the financial health of local education agencies (LEAs) are presented in this section of the report. Data comes from interim financial report certifications submitted by school districts during fiscal year (FY) 2013-14.

## Interim Reporting

School districts in California are required to file interim reports certifying their financial health to the governing board of the district and to the county office of education. These interim reports must be completed twice a year by every school district (to cover the periods of July 1 through October 31, and November 1 through January 31) and must be reviewed by the appropriate county superintendent of schools. The interim reports must be in a format or on forms prescribed by the State Superintendent of Public Instruction and shall be based on Standards and Criteria for Fiscal Stability adopted by the State Board of Education pursuant to California Education Code section 33127. Charter schools are not required to file interim reports.

One of the following three certifications must be designated by the school district or county office of education when certifying the district's fiscal stability on the interim report.

**Positive:** A school district or county office of education that **will** meet its financial obligations for the **current fiscal year and subsequent two fiscal years**.

**Qualified:** A school district or county office of education that **may not** meet its financial obligations for the **current fiscal year or subsequent two fiscal years**.

**Negative:** A school district or county office of education that **will not be able to** meet its financial obligations for the **current fiscal year or subsequent fiscal year**.

School districts that file qualified or negative interim reports work with their county school superintendent to implement corrective action. Copies of the qualified or negative certifications are forwarded to the State Controller's Office and the State Superintendent of Public Instruction.

***Decrease in the number of LEAs that filed qualified or negative certifications***

During fiscal year (FY) 2013-14, a total of 48 of the 1,012 LEAs required to file interim reports, filed a qualified or negative certification for the first-period interim report (40 were qualified, and 8 were negative). Of these 48, 19 filed a second-period qualified interim report, 6 filed a second-period negative interim report, and 23 LEAs were able to take corrective action. However, an additional 5 LEAs that had filed a positive first-interim certification subsequently filed qualified or negative second-period interim reports, for a total of 30 qualified (23) or negative (7) certifications for the second-period interim reporting period (Figure 1). Thus, 53 LEAs reported qualified or negative certifications for at least one of the two periods (Appendix A), and 35 LEAs remained on the list from the prior year. LEAs filing qualified or negative interim reports for two or more years are monitored closely by the State Controller's Office through continuous contact with the California Department of Education.

The most common causes of fiscal problems cited in the 53 qualified or negative certifications as summarized in Appendix B were:

- Deficit Spending: 53 LEAs (100%)
- Other Expenditures (projected operating expenditure changes): 50 LEAs (94%)
- Contributions (contributions from unrestricted to restricted resources, or transfers to or from the general fund to cover operating deficits, changed since budget adoption or first interim report by more than \$20,000 and more than 5% for any of the current or two subsequent fiscal years): 48 LEAs (91%)
- Local Control Funding Formula (LCFF)/Revenue Limit (projected revenue limit for any of the current or two subsequent fiscal years has changed by more than 2% since budget adoption or first interim report): 47 LEAs (89%)
- Other Revenues (projected operating revenue change): 47 LEAs (89%)

An analysis of the 5 LEAs that changed from a positive first interim certification to a negative or qualified second-period interim certification revealed four of the same top five common causes listed above.

**Figure 1**

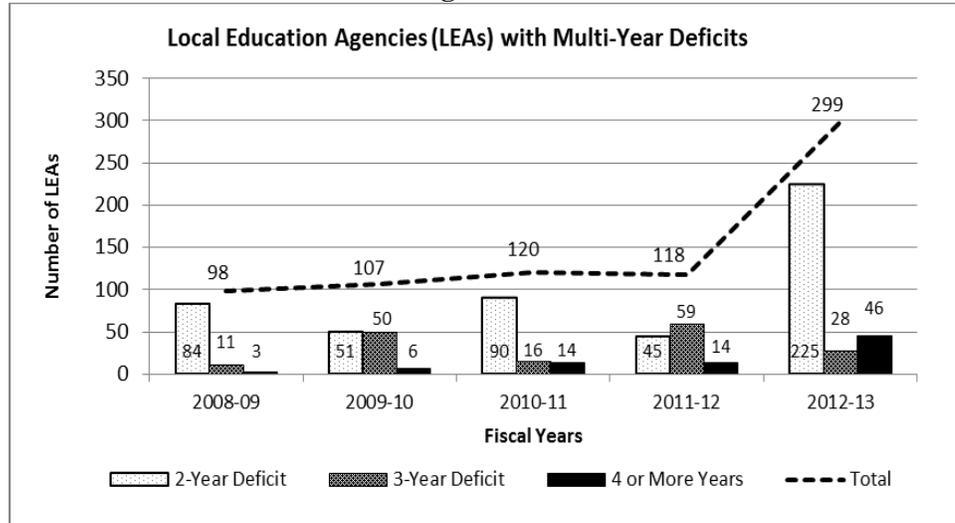
<b>Second-Period Interim Report Certifications</b>					
<b>Five-Year History (Fiscal Year)</b>					
<b>Fiscal Year</b>	<b><u>2009-10</u></b>	<b><u>2010-11</u></b>	<b><u>2011-12</u></b>	<b><u>2012-13</u></b>	<b><u>2013-14</u></b>
Positive	853	881	835	924	982
Qualified	159	127	172	84	23
Negative	<u>13</u>	<u>13</u>	<u>13</u>	<u>8</u>	<u>7</u>
Totals	<u>1,025</u>	<u>1,021</u>	<u>1,020</u>	<u>1,016</u>	<u>1,012</u>
Additional information regarding LEAs that filed qualified or negative interim reports during Fiscal Year 2013-14 is provided in Appendices A and B.					

## Deficit Spending

### *LEA multi-year deficit spending increased*

In FY 2012-13, the overall number of LEAs relying on multi-year deficit spending increased from 118 to 299 (Figure 2). Deficit spending patterns are monitored closely by the county offices of education and the California Department of Education to determine whether the districts are facing serious financial problems.

**Figure 2**



## Emergency Apportionments

When the governing board of a school district determines that the district’s revenues are not sufficient to meet its current year obligations, it may request, through legislation, an emergency apportionment loan. As a condition of acceptance of the loan, the State Superintendent of Public Instruction appoints an administrator or trustee to control, monitor, and review the operation of the district. The administrator or trustee helps the district develop a five-year recovery plan.

The emergency loans are designed to provide an advance of apportionments owed to the districts from the State School Fund. California Education Code sections 41329.50 through 41329.54 and 41329.56 specify the requirements for emergency apportionment financing.

West Contra Costa Unified School District, Oakland Unified School District, and King City Joint Union High School District (renamed South Monterey County Joint Union High School District) are required to use lease financing to repay the emergency apportionments made from the State’s General Fund. The emergency apportionment made to the Vallejo City Unified School District is considered an interim loan and must be repaid with the proceeds from lease financing.

Inglewood Unified School District received a General Fund emergency loan in November 2012. Subsequently, Senate Bill No. 86, Chapter 48 was enacted during the 2012-13 fiscal year to authorize the Inglewood

Unified School District, through the State Department of Education, to request cash flow loans from the General Fund for a total of \$55,000,000. The total loan balance is \$29,086,724 as of June 30, 2014.

Annual payment on the initial emergency loans for the Oakland Unified School District is due in June. Vallejo City Unified School District received two emergency loans from the General Fund, with payments due in June and August. As of June 30, 2014, the outstanding General Fund loan balances for Oakland Unified School District, Vallejo City Unified School District, and Inglewood Unified School District ranged from \$22.6 million to \$29.1 million as shown in Figure 3.

The lease financing is made available by I-Bank and the term cannot exceed 20 years. I-Bank issues the bonds to finance the emergency apportionments and related costs. I-Bank issued bonds to reduce or eliminate the initial loans, as identified in Figure 3.

Lease financing payments for Vallejo City Unified School District, West Contra Costa Unified School District, and Oakland Unified School District are due monthly over a seven-month period, from July through January of each fiscal year. The principal payments for these three districts are due annually on August 15. The lease financing payments for King City Joint Union High School District are due monthly over a four-month period from July through October of each fiscal year. The principal payment for King City Joint Union High School District also is due annually on August 15. Figure 3 displays the outstanding balances of the lease revenue bonds for each school district.

**Figure 3**

School Districts with Outstanding Loans (in \$Millions)							
Fiscal Year	School District	Initial Loan (General Fund) <sup>1</sup>			Lease Revenue Bonds (I-Bank) <sup>2</sup>		
		Amount of Loan	Out-standing Balance	Final Repay-ment Date	Amount Issued	Out-standing Balance	Final Repayment Date
1990-91	West Contra Costa	\$ 28.5	\$ —	12/08/2005	\$ 15.7	\$ 7.5	08/15/2018
2002-03	Oakland Unified	100.0	24.1	06/29/2026	59.6	43.4	08/15/2023
2003-04	Vallejo City Unified	60.0	22.6	08/14/2024	21.2	14.7	08/15/2024
2009-10	King City JUHSD <sup>3</sup>	2.0	—	04/14/2010	14.4	13.1	08/15/2029
2012-13	Inglewood Unified	29.0	29.1	11/01/2033	—	—	—

<sup>1</sup> Initial loans General Fund balance information was obtained from the State Controller's Office Division of Accounting and Reporting.

<sup>2</sup> Lease revenue bond information was obtained from the California Infrastructure and Economic Development Bank (I-Bank).

<sup>3</sup> King City JUHSD was renamed South Monterey County Joint Union High School District effective July 1, 2011.

## General Fund Revenues and Expenditures

For FY 2012-13, LEA General Fund expenditures exceeded revenues by \$0.068 billion (Figure 4).

**Figure 4**

LEA General Fund Revenues and Expenditures by Fiscal Year (in \$Billions)					
Fiscal Year	2008-09	2009-10	2010-11	2011-12	2012-13
Revenues	59.476	56.132	57.665	54.879	54.421
Expenditures	(57.708)	(56.387)	(55.890)	(54.460)	(54.489)
Surplus/(Deficit)	1.768	(0.255)	1.775	0.419	(0.068)

The cumulative fund balance, or surplus for LEAs, totaled \$12.378 billion at the end of FY 2012-13, a decrease of \$348 million from the prior year's total of \$12.726 billion. Federal revenues decreased by \$1.042 billion from the prior fiscal year (\$5.891 billion in FY 2011-12, compared with \$4.849 billion in FY 2012-13). As part of the total fund balance, the LEAs are to maintain reserves as a defense against economic uncertainties. The California Department of Education issues guidelines regarding the amount of reserve each district should maintain based on its total average daily attendance (ADA).

## Debt Issuance

Generally, LEAs issue debt to fund the purchase, construction, or lease of buildings and equipment; refinance existing debt; or buy land for future use. In the past, it was not uncommon for financially troubled LEAs to issue debt in order to finance current operations.

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### *LEA debt issuance increased*

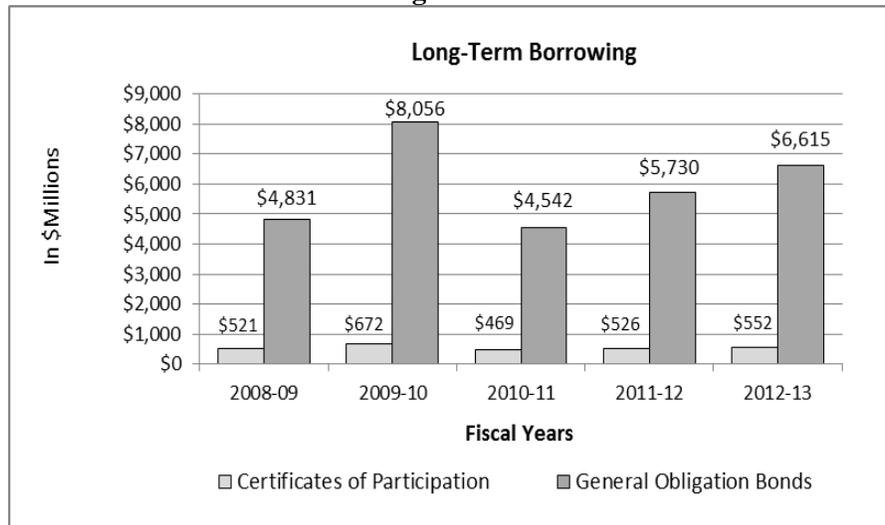
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During FY 2012-13, LEAs issued \$7.850 billion in debt, an increase of \$1.037 billion (15%) from the prior year. In FY 2012-13, the total number of LEAs that issued debt increased by 14% from the prior fiscal year. LEAs issued the following types of debt:

- **General Obligation Bonds (\$6.615 billion, or 84%)**—Bonds secured by the full faith and credit of the LEA. These long-term obligations are generally issued at more favorable rates than are other types of debt because of their preferred status; that is, they are secured by the taxing authority of the LEA.
- **Certificates of Participation (\$552 million, or 7%)**—A financing technique that provides long-term financing through leasing of school facilities, such as buildings, with either an option to purchase or a conditional sales agreement.
- **Limited Tax Obligation Bonds and Other Debt Instruments (\$547 million, or 7%)**—A financing technique that provides long-term financing of capital projects. The bonds are repaid from incremental taxes on property in a redevelopment area.

- **Bond Anticipation Notes (\$136 million, or 2%)**—A financing technique that provides short-term financing for construction, equipment, furnishings, and improvements for school facilities.

**Figure 5**



LEAs issued \$7.167 billion in Certificates of Participation and General Obligation Bonds during FY 2012-13, an increase of \$911 million (15%) from \$6.256 billion issued in the prior fiscal year (Figure 5).

LEA financing through Certificates of Participation increased by \$26 million, and financing through General Obligation Bonds increased by \$885 million from the prior year.

General Obligation Bonds accounted for 84% of LEA debt issuance in FY 2012-13, an increase of 15% from the prior year. In comparison, Certificates of Participation accounted for 7% of debt issuance in FY 2012-13, a 5% increase from the prior year.

## Lottery Revenues

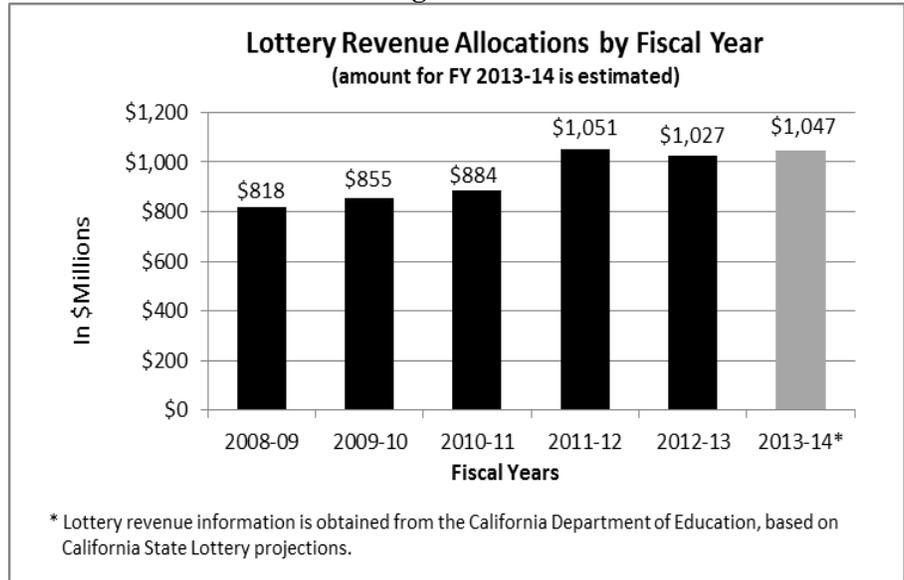
The allocation of Lottery revenues to K-12 school districts is based on a percentage of total Lottery sales for the year. Under state law (Proposition 37, California State Lottery Act of 1984), a minimum of 34% of Lottery sales must be distributed to school districts, community colleges, and other educational agencies. The distribution of this 34% between K-12 school districts and community colleges fluctuates annually.

***Lottery revenues  
projected to increase***

The amount is distributed to each district based on its K-12 ADA. The data regarding sales and allocations are maintained by the State Controller’s Office and the California State Lottery.

Lottery revenue for FY 2013-14 is projected to increase by 1% over FY 2012-13, from \$1,038 to \$1,047 million (Figure 6).

**Figure 6**



# Program Compliance

## Overview

The annual audit reports by Certified Public Accountants (CPAs) are the primary source of information regarding a local education agency's (LEA) compliance with state and federal requirements. The State Controller's Office reports on program compliance issues as part of its review of annual audit reports, the overall certification process, and associated follow-up actions. In addition, the State Controller's Office may conduct compliance audits, if resources permit.

## Compliance Findings

Independent auditors determine whether the LEAs, including joint powers entities, have complied with state and federal laws and regulations that may have a material effect on the financial position and operations of the organization or program(s) under audit. The joint powers entities are formed to provide a joint service to a group of districts; the entities are governed by a board consisting of a representative from each member district. When an LEA is not in compliance with applicable laws and regulations, the findings are communicated by the independent auditors in the audit report.

The number of compliance findings reported in the fiscal year (FY) 2012-13 LEA audit reports submitted by CPAs decreased from the prior year. There were 664 compliance findings in FY 2012-13, a 10% decrease from the 741 reported in FY 2011-12 (Appendix C). The number of attendance accounting findings decreased by 5 from the prior year, from 153 to 148, or 3%.

Some of the problems identified in the compliance findings may have a fiscal impact on LEA operations, as they may result in a loss of state and federal funding. Of the 664 audit findings, 536 (81%) pertained to state programs and requirements and 128 (19%) pertained to federal programs and requirements (Figure 7). Attendance-related findings accounted for 22% of compliance findings. The majority of the attendance findings, representing 82% of all attendance findings, were related to:

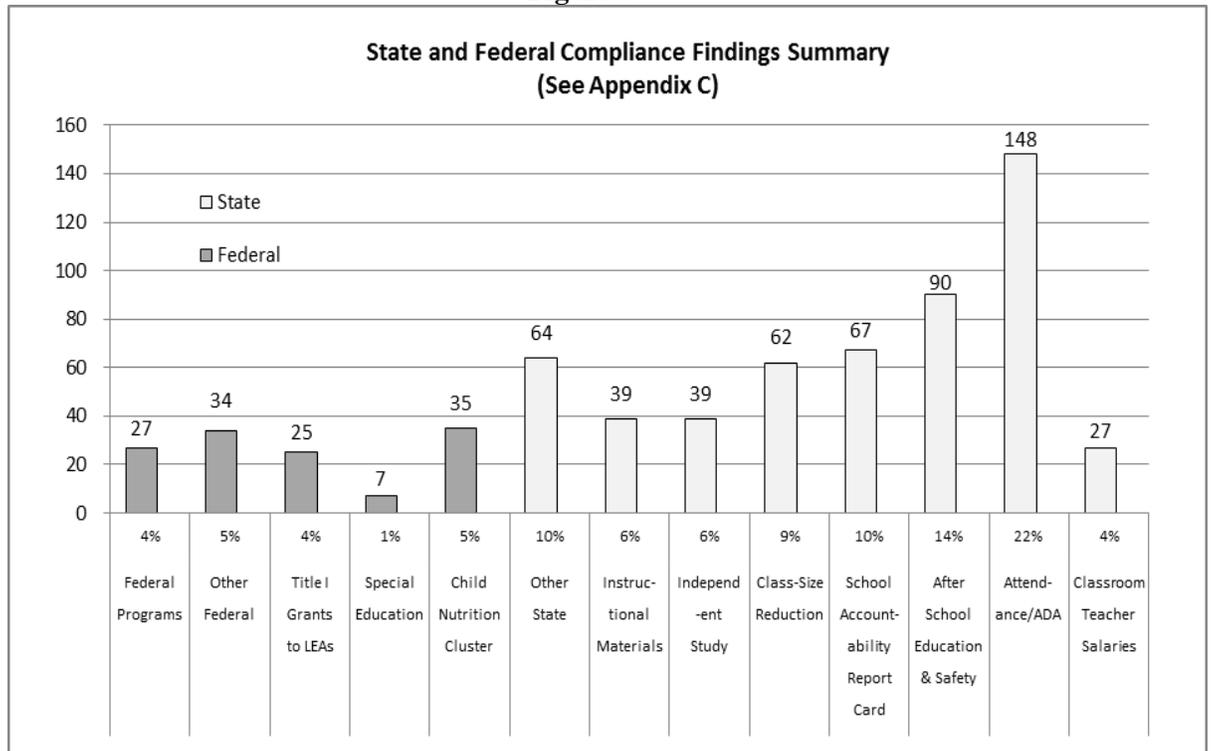
- Understated or overstated average daily attendance;
- Attendance reports did not reconcile to supporting documentation;
- Attendance reports inaccurate/incomplete; and
- Attendance registers/scantrons not signed by teachers.

The audit reports disclosed 90 findings pertaining to the After School Education and Safety Program. This program funds the establishment of local after school education and enrichment programs. The types of findings are as follows:

- Reported number of students served not supported by documentation;
- Reported students served inconsistent with early release policy;
- Lack of documentation/records;

- Reported students served was inconsistent with late arrival policy;
- Program did not operate a minimum of 15 hours per week;
- Administrative costs exceeded 15% of State funding;
- Indirect costs overstated;
- LEA did not establish policy regarding reasonable early release; and
- Other findings.

Figure 7



**County Offices of Education Audit Resolution Process**

California Education Code section 41020(n) states that the State Controller shall annually select a sample of county offices of education in order to perform a follow-up review of the audit resolution process. The scope of the reviews is limited to determining whether each county office of education followed its audit resolution process, resolved all of the audit findings, followed up on the district’s corrective action plans, and notified the State Superintendent of Public Instruction and the State Controller of the results.

In FY 2013-14, the State Controller’s Office performed reviews of the audit resolution processes of two county offices of education.

Our reviews disclosed that both county offices of education followed their audit resolution processes for FY 2010-11 and FY 2011-12, except for late submission of LEAs corrective action plans and late notification of the results to the State Superintendent of Public Instruction and to the State Controller’s Office.

# Quality Control

## Overview

The State Controller, by authority of California Education Code section 14504, reviews and certifies the annual independent audit reports submitted by each local education agency (school district, county office of education, and charter school) for compliance with audit guidelines set out in the *Standards and Procedures for Audits of California K-12 Local Education Agencies* (K-12 Audit Guide).

## Audit Report Certifications

The State Controller's Office determines whether audit reports conform to reporting provisions of the K-12 Audit Guide and notifies each local education agency (LEA), independent auditor, and the State Superintendent of Public Instruction whether a report has been accepted or rejected, based on conformity with those provisions.

For fiscal year (FY) 2012-13, the State Controller's Office accepted 74% of the audit reports; the remaining 26% were rejected upon initial review. The State Controller's Office subsequently accepted the rejected audit reports after the independent auditors made the requested corrections. LEAs withhold 10% of the independent auditors' fees until the State Controller's Office certifies the report. In addition, if an independent auditor has had a report rejected (and has not subsequently corrected it) for the same LEA for two consecutive years, the State Controller's Office may refer the independent auditor to the California Board of Accountancy for professional review.

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### *Increase in number of rejected audit reports*

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Upon initial review, the State Controller's Office certified 1,304 (74%) of the 1,756 audit reports submitted by LEAs for FY 2012-13. The number of rejected reports increased by 47 over the prior year, from 405 to 452, a 12% increase (Figure 8).

**Figure 8**

<b>Number and Percent of Rejected LEA Audit Reports by Fiscal Year</b>			
<b>Fiscal Year</b>	<b>Reports Submitted</b>	<b>Reports Rejected</b>	<b>Percent Rejected</b>
2008-09	1,437	337	23%
2009-10	1,577	401	25%
2010-11	1,636	485	30%
2011-12	1,699	405	24%
2012-13	1,756	452	26%

## Reporting Deficiencies

### *Reporting deficiencies increased*

In FY 2012-13, the State Controller’s Office identified 1,204 reporting deficiencies, an increase of 202 from 1,002 in the prior year (Figure 9).

**Figure 9**

Summary of Reporting Deficiencies*		
Reporting Deficiency	FY 2013	FY 2012
Auditor’s Report on the Financial Statements	148	26
Basic Financial Statements	66	61
Notes to the Financial Statements	104	204
Supplementary Information Section	142	68
Schedule of Expenditures of Federal Awards	1	16
Government Auditing Standards Report	47	77
Single Audit Report	38	8
State Compliance Report	333	124
Findings and Recommendations Section	322	413
Other	3	5
<b>Total Number of Deficiencies</b>	<b>1,204</b>	<b>1,002</b>

\* See Appendix D.

The State Compliance Report and the Auditor’s Report on the Financial Statements show the largest increase in the number of reporting deficiencies.

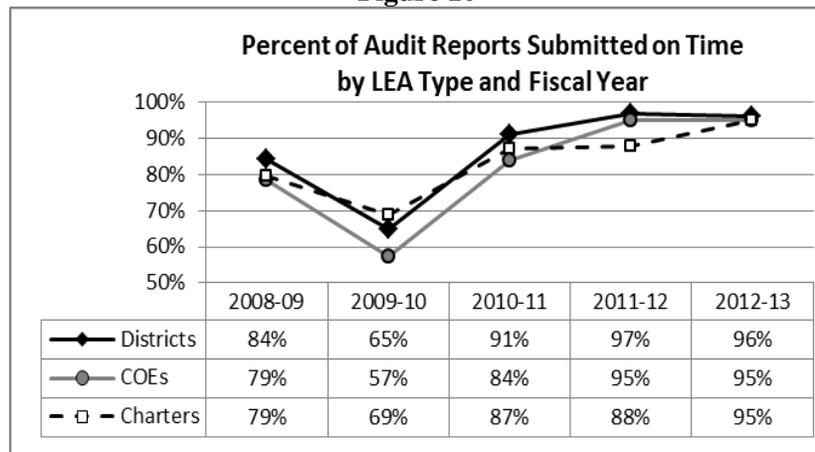
For FY 2012-13, there were 22 reporting deficiencies related to federal programs. This represents a decrease of 19 reporting deficiencies, or 46%, from the 41 reporting deficiencies during the prior fiscal year. This decrease in federal program reporting deficiencies is due, in part, to independent auditors correcting deficiencies that were identified by the State Controller’s Office in the prior year.

## On-Time Submissions

### *Annual audit reports submitted on time*

Audit reports for the preceding fiscal year must be filed with the State Controller’s Office, the California Department of Education, and the county superintendent of schools by December 15 of each year. Filing deadline extensions may be granted, but only under extraordinary circumstances.

**Figure 10**



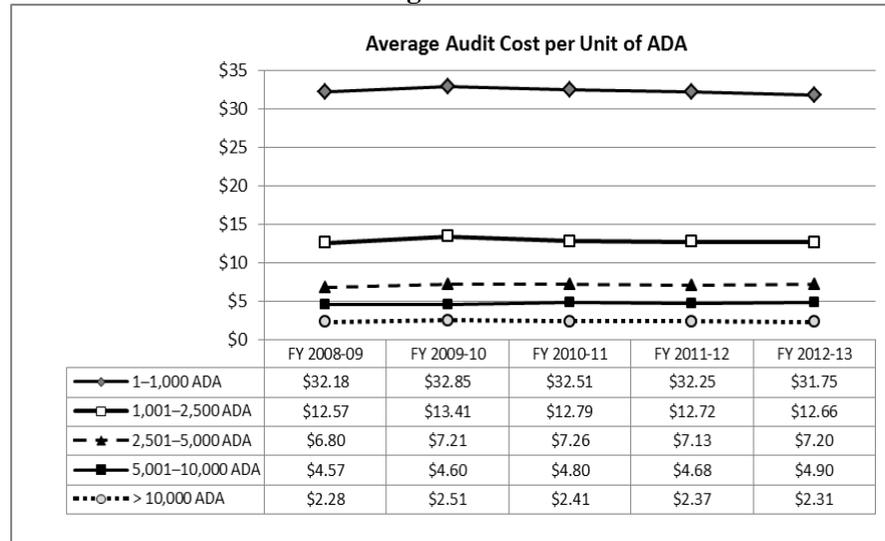
The percentage of school district, county office of education (COE), and charter school annual audit reports submitted by the deadline increased over the prior year (Figure 10). A total of 1,678, or 95%, of the 1,760<sup>4</sup> required LEA reports were received by the December 15, 2013 deadline.

<sup>4</sup> For FY 2012-13, there were 2,074 LEAs. Some of the LEAs, primarily charter schools, were combined for reporting purposes, resulting in 1,760 required LEA reports.

### Average Audit Cost per ADA

The State Controller’s Office maintains a database of information pertaining to audit contracts between LEAs and independent auditors. From that database, the State Controller’s Office determined the total audit costs and cost per unit of ADA for LEA annual audits. Audit costs for FY 2012-13 totaled \$31.9 million, a decrease of \$249,739, or 1%, less than total audit costs of \$32.1 million for FY 2011-12.

Figure 11



### Quality Control Reviews

California Education Code section 14504.2 expanded the State Controller’s quality control review function to include LEAs that have received a negative interim report certification and school districts that have a going concern issue, as determined by the county superintendent of schools.

California Education Code section 41020(f)(1) requires the State Controller’s Office to publish a directory of Certified Public Accountants deemed qualified to conduct audits of LEAs. This directory is published by December 31 of each year.

Quality control reviews are necessary to ensure that independent auditors are following generally accepted auditing standards and government auditing standards, and are reporting findings regarding financial statement issues and compliance with state and federal laws in their annual independent auditor’s reports.

The general objective of the quality control reviews is to determine whether the independent auditors are conducting the annual financial audits of LEAs in accordance with:

- Generally Accepted Government Auditing Standards (GAGAS);
- Generally Accepted Auditing Standards (GAAS);
- *Standards and Procedures for Audits of California Local Education Agencies (K-12 Audit Guide)*;
- Office of Management and Budget (OMB) Circular A-133, if applicable; and
- The California Business and Professions Code.

The State Controller's Office's opinion regarding the quality of the audits is classified in one of the following categories, based on whether the independent auditor performed the audit in accordance with auditing standards and state and federal requirements:

- If the audit was performed in accordance with the standards and requirements, the State Controller's Office's conclusion is that the independent auditor complied with auditing standards and state and federal requirements.
- If the audit was performed in accordance with the majority of the standards and requirements, the State Controller's Office's conclusion is that the independent auditor complied with the majority of auditing standards and state and federal requirements.
- If the audit was performed in accordance with some elements of the standards and requirements, but the majority of standards and requirements were not met, the State Controller's Office's conclusion is that the independent auditor complied with some elements of the standards and requirements, but that the majority of auditing standards and federal and state requirements were not met.
- If the audit was not performed in accordance with the standards and requirements, the State Controller's Office's conclusion is that the independent auditor did not comply with auditing standards and state and federal requirements. Such a conclusion may result in a referral of the independent auditor to the California Board of Accountancy.

In FY 2013-14, the State Controller's Office issued one quality control review report. The quality control review disclosed deficiencies in the following areas:

Federal Compliance:

Proper identification and required testing for one major federal program was not performed.

State Compliance:

- Documentation of the audit work performed for some state compliance requirements was inadequate;
- Some audit procedures listed in the K-12 Audit Guide were not performed, and the Report on State Compliance was not modified to reflect that the procedures were not performed or to describe the alternate procedures performed;
- Exceptions identified in the working papers were not reported as findings in the audit report;
- Some findings and recommendations in the Report on State Compliance were not supported by the working papers; and
- The Schedule of Instructional Time was deficient.

## Appendix A— Audit Report and Interim Report Disclosures of Impending Financial Problems

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2012-13 Average Daily Attendance	2013-14 Interim Report		2012-13 Interim Report Second
				First	Second	
<b>Alameda County</b>						
1. Oakland Unified	N/A	N/A	N/A	Q	Q	Q
<b>Calaveras County</b>						
2. Calaveras Unified	No	Yes	3,051	Q	Q	P
<b>Contra Costa County</b>						
3. Mt. Diablo Unified	No	Yes	30,506	Q	P	P
<b>Fresno County</b>						
4. Westside Elementary	No	Yes	224	Q	Q	P
<b>Glenn County</b>						
5. Orland Joint Unified	No	Yes	2,062	N	N	P
<b>Humboldt County</b>						
6. Eureka City Unified	No	Yes	3,505	Q	P	P
<b>Imperial County</b>						
7. Calexico Unified	No	Yes	8,716	Q	Q	P
<b>Kern County</b>						
8. El Tejon Unified	No	Yes	853	Q	Q	Q
9. Lost Hills Union Elementary	No	Yes	556	P	Q	P
10. Semitropic Elementary	No	Yes	262	Q	P	P
11. Vineland Elementary	No	Yes	726	P	Q	P
<b>Los Angeles County</b>						
12. Acton-Agua Dulce Unified	No	Yes	1,287	N <sup>1</sup>	N	P
13. El Rancho Unified	No	Yes	9,195	N <sup>1</sup>	P	P
14. Inglewood Unified	N/A	N/A	N/A	N	N	N
15. Los Angeles Unified	No	Yes	536,444	Q	Q	Q
16. Montebello Unified	No	Yes	29,230	Q	P	P
17. Wilsona Elementary	No	Yes	1,316	Q	Q	N
<b>Madera County</b>						
18. Chawanakee Unified	No	Yes	1,004	Q	Q	Q
19. Yosemite Unified	No	Yes	1,656	Q	P	Q
<b>Mendocino County</b>						
20. Anderson Valley Unified	No	Yes	520	Q	Q	P
21. Willits Unified	No	Yes	1,466	Q	Q	Q

## Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2012-13 Average Daily Attendance	2013-14 Interim Report		2012-13 Interim Report Second
				First	Second	
<b>Monterey County</b>						
22. San Ardo Union Elementary	Yes	Yes	100	P	N <sup>1</sup>	P
<b>Orange County</b>						
23. Capistrano Unified	No	Yes	48,474	Q	P	Q
24. Fullerton Joint Union High	No	Yes	13,941	Q	P	Q
25. Santa Ana Unified	No	Yes	51,653	Q	P	Q
<b>Placer County</b>						
26. Placer Hills Union Elementary	No	Yes	819	Q	Q	Q
<b>Riverside County</b>						
27. Coachella Valley Unified	No	Yes	17,866	Q	P	Q
28. Palo Verde Unified	No	Yes	3,162	Q	P	Q
<b>Sacramento County</b>						
29. Center Joint Unified	No	Yes	4,558	Q	P	Q
30. Galt Joint Union High	No	Yes	2,150	Q	P	Q
31. Sacramento City Unified	No	Yes	42,019	Q	Q	Q
32. San Juan Unified	No	Yes	42,548	Q	P	Q
<b>San Bernardino County</b>						
33. Adelanto Elementary	No	Yes	7,972	Q	P	Q
34. Rim of the World Unified	No	Yes	3,750	Q	Q	Q
35. Upland Unified	Yes	Yes	11,417	Q	P	N <sup>1</sup>
36. Yucaipa-Calimesa Joint Unified	No	Yes	8,421	Q	P	Q
<b>San Diego County</b>						
37. Alpine Union Elementary	No	Yes	1,784	Q	P	Q
38. Ramona Unified	No	Yes	5,600	Q	Q	Q
39. San Diego Unified	No	Yes	106,840	Q	Q	Q
40. San Ysidro Elementary	No	Yes	4,919	N	N	N
<b>San Luis Obispo County</b>						
41. Paso Robles Joint Unified	No	Yes	6,243	Q	Q	Q
42. Shandon Joint Unified	No	Yes	286	Q	Q	Q
<b>Santa Barbara County</b>						
43. Los Olivos Elementary	No	Yes	498	Q	P	P
<b>Santa Cruz County</b>						
44. Santa Cruz City Schools	No	Yes	6,581	Q	P	P
<b>Shasta County</b>						
45. Junction Elementary	No	Yes	272	P	Q	P

## Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2012-13 Average Daily Attendance	2013-14 Interim Report		2012-13 Interim Report Second
				First	Second	
<b>Sonoma County</b>						
46. Cotati-Rohnert Park Unified	No	Yes	5,505	N <sup>1</sup>	Q <sup>1</sup>	Q
47. Forestville Union Elementary	No	Yes	323	Q	Q	P
48. Windsor Unified	No	Yes	5,100	N	N	N <sup>1</sup>
<b>Stanislaus County</b>						
49. Denair Unified	Yes	Yes	1,464	N	N	N
50. Riverbank Unified	No	Yes	2,664	Q	P	Q
<b>Tulare County</b>						
51. Citrus South Tule Elementary	No	Yes	47	Q	P	P
52. Hot Springs Elementary	No	Yes	13	P	Q	Q
<b>Ventura County</b>						
53. Ojai Unified	No	Yes	2,651	Q	P	P

Legend: P=Positive Q=Qualified N=Negative N/A=Not Available

<sup>1</sup> County office of education changed certification.

## Appendix B— Local Education Agencies Filing Qualified or Negative Interim Reports

### Analysis of Key Indicators for Financial Difficulties

County School District/County Office	1st/2nd Certification	Deficit Spending <sup>1</sup>	Other Expenditures <sup>2</sup>	Contributions <sup>3</sup>	LCFF/Revenue Limit <sup>4</sup>	Other Revenues <sup>5</sup>	Reserves <sup>6</sup>	Declining Enrollment <sup>7</sup>	Independent Position Control <sup>8</sup>	Status of Labor Agreements <sup>9</sup>
<b>Alameda County:</b>										
1. Oakland Unified	Q / Q	✓	✓	✓		✓	✓		✓	✓
<b>Calaveras County:</b>										
2. Calaveras Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	
<b>Contra Costa County:</b>										
3. Mt. Diablo Unified	Q / P	✓	✓		✓	✓	✓	✓	✓	✓
<b>Fresno County:</b>										
4. Westside Elementary	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Glenn County:</b>										
5. Orland Joint Unified	N / N	✓	✓	✓	✓	✓	✓		✓	✓
<b>Humboldt County:</b>										
6. Eureka City Unified	Q / P	✓	✓	✓	✓	✓	✓			✓
<b>Imperial County:</b>										
7. Calexico Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Kern County:</b>										
8. El Tejon Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
9. Lost Hills Union Elementary	P / Q	✓	✓	✓	✓	✓	✓			
10. Semitropic Elementary	Q / P	✓	✓	✓	✓	✓	✓			✓
11. Vineland Elementary	P / Q	✓		✓	✓		✓			
<b>Los Angeles County:</b>										
12. Acton-Agua Dulce Unified	N / N	✓	✓	✓	✓	✓	✓	✓	✓	✓
13. El Rancho Unified	N / P	✓	✓	✓		✓	✓	✓		
14. Inglewood Unified	N / N	✓	✓	✓	✓	✓		✓	✓	✓
15. Los Angeles Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	✓
16. Montebello Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
17. Wilsona Elementary	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	

## Appendix B (continued)

### Analysis of Key Indicators for Financial Difficulties

<b>County</b>	1st/2nd Certification	Deficit Spending <sup>1</sup>	Other Expenditures <sup>2</sup>	Contributions <sup>3</sup>	LCFF/Revenue Limit <sup>4</sup>	Other Revenues <sup>5</sup>	Reserves <sup>6</sup>	Declining Enrollment <sup>7</sup>	Independent Position Control <sup>8</sup>	Status of Labor Agreements <sup>9</sup>
School District/County Office										
<b>Madera County:</b>										
18. Chawanakee Unified	Q / Q	✓	✓	✓	✓	✓	✓			✓
19. Yosemite Unified	Q / P	✓	✓	✓	✓	✓	✓	✓		
<b>Mendocino County:</b>										
20. Anderson Valley Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	
21. Willits Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Monterey County:</b>										
22. San Ardo Union Elementary	P / N	✓	✓		✓					
<b>Orange County:</b>										
23. Capistrano Unified	Q / P	✓	✓	✓	✓	✓		✓	✓	
24. Fullerton Joint Union High	Q / P	✓	✓	✓			✓	✓	✓	
25. Santa Ana Unified	Q / P	✓	✓	✓	✓	✓			✓	✓
<b>Placer County:</b>										
26. Placer Hills Union Elementary	Q / Q	✓	✓		✓	✓		✓		✓
<b>Riverside County:</b>										
27. Coachella Valley Unified	Q / P	✓	✓	✓	✓	✓	✓		✓	✓
28. Palo Verde Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
<b>Sacramento County:</b>										
29. Center Joint Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
30. Galt Joint Union High	Q / P	✓	✓	✓	✓	✓			✓	✓
31. Sacramento City Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		
32. San Juan Unified	Q / P	✓	✓	✓	✓	✓		✓		
<b>San Bernardino County:</b>										
33. Adelanto Elementary	Q / P	✓	✓	✓		✓	✓			✓
34. Rim of the World Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
35. Upland Unified	Q / P	✓		✓			✓	✓		
36. Yucaipa-Calimesa Joint Unified	Q / P	✓	✓	✓			✓		✓	✓

## Appendix B (continued)

### Analysis of Key Indicators for Financial Difficulties

<b>County</b>	1st/2nd	Deficit	Other		LCFF/Revenue	Other		Declining	Independent	Status of
<u>School District/County Office</u>	<u>Certification</u>	<u>Spending<sup>1</sup></u>	<u>Expenditures<sup>2</sup></u>	<u>Contributions<sup>3</sup></u>	<u>Limit<sup>4</sup></u>	<u>Revenues<sup>5</sup></u>	<u>Reserves<sup>6</sup></u>	<u>Enrollment<sup>7</sup></u>	<u>Position Control<sup>8</sup></u>	<u>Labor Agreements<sup>9</sup></u>
<b>San Diego County:</b>										
37. Alpine Union Elementary	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
38. Ramona Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
39. San Diego Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
40. San Ysidro Elementary	N / N	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>San Luis Obispo County:</b>										
41. Paso Robles Joint Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
42. Shandon Joint Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Santa Barbara County:</b>										
43. Los Olivos Elementary	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Santa Cruz County:</b>										
44. Santa Cruz City Schools	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Shasta County:</b>										
45. Junction Elementary	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Sonoma County:</b>										
46. Cotati-Rohnert Park Unified	N / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
47. Forestville Union Elementary	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
48. Windsor Unified	N / N	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Stanislaus County:</b>										
49. Denair Unified	N / N	✓	✓	✓	✓	✓	✓	✓	✓	✓
50. Riverbank Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Tulare County:</b>										
51. Citrus South Tule Elementary	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
52. Hot Springs Elementary	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
<b>Ventura County:</b>										
53. Ojai Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓

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## Appendix B (continued)

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Legend: P=Positive Q=Qualified N=Negative

- <sup>1</sup> Unrestricted deficit spending has exceeded the standard in any of the current or two subsequent fiscal years.
- <sup>2</sup> Projected operating expenditures (e.g., books and supplies) for the current and two subsequent fiscal years changed by more than 5% since budget adoption or first interim.
- <sup>3</sup> Contributions from unrestricted to restricted resources, or transfers to or from the general fund to cover operating deficits, changed since budget adoption or first interim by more than \$20,000 and more than 5% for any of the current or two subsequent fiscal years.
- <sup>4</sup> Projected Local Control Funding Formula (LCFF)/revenue limit for any of the current or two subsequent fiscal years changed by more than 2% since budget adoption or first interim.
- <sup>5</sup> Projected operating revenues (e.g., federal, other state, other local) for the current and two subsequent fiscal years changed by more than 5% since budget adoption or first interim.
- <sup>6</sup> Available reserves (e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) did not meet minimum requirements for the current and two subsequent fiscal years.
- <sup>7</sup> Enrollment decreased in both the prior and the current fiscal years.
- <sup>8</sup> The system of personnel position control is independent from the payroll system.
- <sup>9</sup> Salary and benefit negotiations still unsettled as of first or second interim projections for certificated, classified and management/supervisor/confidential employees.

## Appendix C— Summary of Audit Report Compliance Findings

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
<b>STATE</b>		
Attendance Requirements	ADA overstated by 0-5 ADA	28
	ADA overstated by 10-20 ADA	2
	ADA overstated by 5-10 ADA	2
	ADA understated by 0-5 ADA	30
	ADA understated by 10-20 ADA	6
	ADA understated by 5-10 ADA	5
	ADA understated by over 20 ADA	2
	Absences were claimed for apportionment	9
	Attendance accounting system not approved by CDE	1
	Attendance registers/scantrons not signed by teachers	16
	Attendance report does not reconcile to supporting documentation	13
	Attendance report inaccurate/incomplete	18
	Excused absences - problems with verification procedures/documentation	4
	Lack of documentation/records	7
	Teacher not authorized to instruct limited-English-proficient pupils	1
	Enrollment is not reconciled to monthly attendance reports	2
	Other finding	2
Community Day Schools	Attendance report inaccurate	2
Continuation Education	Attendance accounting deficiency	5
Independent Study	Attendance overstated	6
	Contract(s) did not include all required elements	25
	Other finding	2
	Ratio of pupils to teachers exceeded maximum allowable	1
	Work samples not maintained	2
	Work samples not signed and dated by teacher	3
Juvenile Court Schools	Attendance accounting deficiency	1
Kindergarten Continuation	Kindergarten retention form did not include required elements	7
	Retention forms are not maintained and/or properly approved	9

## Appendix C (continued)

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
After School Education and Safety Program	Administrative costs exceeded 15% of state funding	2
	Indirect costs overstated	1
	Lack of documentation/records	3
	LEA did not establish policy regarding reasonable early daily release of pupils	1
	Other finding	1
	Program did not operate a minimum of 15 hours per week	2
	Reported number of students served not supported by written records or did not reconcile to supporting documents	54
	Reported students served inconsistent with early release policy	25
	Reported students served inconsistent with late arrival policy	1
Annual Instructional Minutes- Classroom Based	Instructional time requirement not met	2
Class Size Reduction	Number of classes and pupils reported on FORM J-7CSR overstated	29
	Number of classes and pupils reported on Form J-7CSR understated	31
	Other finding	2
Classroom Teacher Salaries	District did not meet the current expense of education percentage required for payment of classroom teacher salaries	27
Determination of Funding for Nonclassroom-Based Instruction	Funding determination application did not reconcile to unaudited actual reports	1
Exclusion of Pupils- Pertussis Immunization	Immunization not received within 30 days from the first day of school	1
Instructional Materials	Board resolution did not address sufficiency of textbooks/instructional materials	1
	Notice of public hearing deficiency	14
	Other finding	1
	Public hearing on instructional materials not held or held after the required time period	23

## Appendix C (continued)

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
Instructional Time	Instructional minutes requirements not met	2
	Other finding	4
Inventory of Equipment	Inventory of equipment not maintained	10
Mode of Instruction	Average daily attendance not generated in compliance with requirements	2
	Teacher did not possess a valid teaching certification	3
Other State Program	Expenditures overstated	1
	Financial report inaccurate/not complete	3
	Other finding	3
School Accountability Report Card	District did not follow uniform complaint process	3
	Facility Inspection Tool (FIT) not prepared or missing	17
	Other finding	1
	SARC information inconsistent with Facility Inspection Tool (FIT) or local evaluation instrument	37
	School accountability report card not published	9
Teacher Certification and Misassignments	Teacher did not possess a valid certification document (teaching credential)	6
	Teacher misassignment	1
	Teacher not authorized to instruct limited-English-proficient pupils	1
<b>TOTAL STATE FINDINGS</b>		<b>536</b>
<b>FEDERAL</b>		
Federal ARRA Program		
	Title I: Reporting	1
Child Care Food	Eligibility	1
Child Nutrition Cluster	Activities allowed or unallowed	5
	Allowable costs/cost principles	12
	Eligibility	3
	Other finding	3
	Procurement and suspension and debarment	2
	Special tests and provisions	10

## Appendix C (continued)

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
English Language Acquisition Grants	Special tests and provisions	1
Multiple Federal Programs	Allowable costs/cost principles	13
	Cash management	1
	Equipment and real property management	1
	Matching, level of effort, earmarking	1
	Other finding	5
	Procurement and suspension and debarment	2
	Reporting	3
	Special tests and provisions	1
Head Start	Allowable costs/cost principles	1
	Cash management	1
	Other finding	1
Medi-Cal Billing	Allowable costs/cost principles	1
Migrant Education	Special tests and provisions	1
National School Lunch	Activities allowed or unallowed	4
	Eligibility	4
	Equipment and real property management	1
	Financial report inaccurate/not complete	1
	Financial report/claim not filed/not filed on time	1
	Other finding	1
	Procurement and suspension and debarment	1
	Special tests and provisions	5
Other Federal Program	Allowable costs/cost principles	1
	Cash management	1
	Reporting	2
	Special tests and provisions	1
School Breakfast Program	Activities allowed or unallowed	1

## Appendix C (continued)

<i>Program</i>	<i>Description of Problem</i>	<i>Number of Findings</i>
Special Education Cluster	Allowable costs/cost principles	3
	Special tests and provisions	1
	Activities allowed or unallowed	1
	Allowable costs/cost principles	2
Title I Grants to LEAs	Allowable costs/cost principles	9
	Eligibility	2
	Equipment and real property management	1
	Matching, level of effort, earmarking	1
	Other finding	3
	Reporting	3
	Special tests and provisions	6
Title II, Improving Teacher Quality State Grants	Allowable costs/cost principles	1
	Special tests and provisions	1
<b><i>TOTAL FEDERAL FINDINGS</i></b>		<b><u>128</u></b>
<b><i>TOTAL STATE AND FEDERAL FINDINGS</i></b>		<b><u>664</u></b>

## Appendix D— Summary of Audit Report Deficiencies

	<i>Number of Deficiencies</i>	
	<u>FY 2011-12</u>	<u>FY 2012-13</u>
<b><u>Auditor's Report on the Financial Statements</u></b>		
Auditor's report did not include an opinion on supplementary information.	8	41
Auditor's report did not identify the supplementary information, including the Schedule of Expenditures of Federal Awards.	6	19
Report did not include a statement that an audit includes evaluating the appropriateness of accounting policies and reasonableness of significant accounting estimates.	0	13
Auditor's report did not reference auditing standards generally accepted in the USA and Government Auditing Standards.	1	11
Report did not include a section with the heading "Other Matters."	0	7
Report did not include a section with the heading "Other Reporting Required by Government Auditing Standards".	0	6
Report did not include a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	0	6
Report did not state that the audit evidence obtained is sufficient and appropriate for the auditor's opinion.	0	6
Report did not state that the auditor obtained reasonable assurance about whether the financial statements are free from material misstatement.	0	6
Report did not include a section with the heading "Auditor's Responsibility."	0	4
Report did not include a section with the heading "Management's Responsibility for the Financial Statements."	0	4
Report did not state that management is responsible for the preparation of the financial statements in accordance with GAAP.	0	4
Report did not include a section with the heading "Opinion".	0	3
Report did not include a section with the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion".	0	3
Report did not include a statement that the auditor performed audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements.	0	3
Auditor's opinion did not state that the financial statements conform with accounting principles generally accepted in the USA.	2	3
Reference to a separate report on internal control over financial reporting and on compliance was not included.	1	2
Report did not include a paragraph describing the matter giving rise to the modified opinion.	0	1
Report did not include a statement that the separate report on internal control over financial reporting and on compliance is an integral part of an audit performed in accordance with Government Auditing Standards.	0	1
Report did not include all of the elements in the required supplementary information (RSI) section.	0	1
Report did not state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.	0	1
Independent Auditor's Report on the financial statements was not included.	1	1
Introductory paragraph of auditor's report did not clearly identify financial statements covered by auditor's opinion.	1	1

## Appendix D (continued)

	<i>Number of Deficiencies</i>	
	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	2	1
Qualified opinion due to departure from GAAP: substantive reasons and/or principal effects on financial statements were not disclosed.	1	0
Disclaimer of opinion was issued, but did not include sufficient information.	2	0
Report did not refer to the required supplementary information (RSI).	1	0
<b>Subtotal</b>	<b><u>26</u></b>	<b><u>148</u></b>
<b><u>Basic Financial Statements</u></b>		
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position was not presented properly.	0	12
Governmental entity: Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities was not presented properly.	8	12
Governmental entity: Statement of Net Position was not presented properly.	0	10
Governmental entity: Statement of Activities was not presented properly.	1	8
Non-profit entity: Statement of Activities was not presented properly.	10	7
Governmental entity: Balance Sheet - Governmental Funds was not presented properly.	4	6
Governmental entity: Statement of Fiduciary Net Position - Fiduciary Funds was not presented properly.	0	3
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds was not presented properly.	11	2
Governmental entity: Statement of Changes in Fiduciary Net Position - Fiduciary Funds was not presented properly.	0	2
Governmental entity: Statement of Cash Flows - Proprietary Funds was not presented properly.	1	1
Governmental entity: Statement of Fund Net Position - Proprietary Funds was not presented properly.	0	1
Non-profit entity: Statement of Cash Flows was not presented properly.	2	1
Non-profit entity: Statement of Financial Position was not presented properly.	2	1
Governmental entity: Statement of Net Assets was not presented properly.	1	0
Governmental entity: Statement of Changes in Fiduciary Net Assets - Fiduciary Funds was not presented properly.	1	0
Governmental entity: Statement of Fiduciary Net Assets - Fiduciary Funds was not presented properly.	1	0
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets was not presented properly.	1	0
All entities: Each financial statement did not include a reference to the notes to the financial statements.	18	0
<b>Subtotal</b>	<b><u>61</u></b>	<b><u>66</u></b>

## Appendix D (continued)

	<i>Number of Deficiencies</i>	
	<u>FY 2011-12</u>	<u>FY 2012-13</u>
<b><u>Notes to the Financial Statements</u></b>		
Definition of cash and cash equivalents used in the statement of cash flows was not included.	10	53
Notes did not include adequate disclosure of long-term liabilities, including a schedule of changes in long-term debt and a statement of debt service requirements to maturity for outstanding long-term debt.	17	13
Notes did not disclose the policy regarding whether restricted or unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.	6	7
Notes did not disclose the policy regarding whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.	5	6
Material prior period restatements or adjustments were not adequately disclosed.	4	5
STRS early retirement note did not include all the required disclosures.	6	5
Notes did not include the basis for stating inventories, including the method of determining cost.	6	4
Fund balance classification policies and procedures related to committed and assigned fund balances were not disclosed.	0	4
STRS early retirement note was not included.	0	2
Summary of significant accounting policies did not include a description of the component units, their relationships to the primary government, and how to obtain separate financial statements for component units.	2	2
Summary of significant accounting policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary funds.	0	1
Notes did not include the summary of significant accounting policies.	1	1
Other postemployment benefits were not adequately disclosed.	1	1
Policy for defining operating and nonoperating revenues of proprietary funds was not included.	18	0
Policy for elimination of internal activity in the government-wide financial statements was not included.	18	0
Notes did not include the types of transactions included in program revenues.	4	0
Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	1	0
Notes did not include adequate disclosure of interfund balances and transfers.	7	0
Notes did not include deposit policies regarding custodial credit risk, or a statement that the entity had no such policies.	45	0
Notes did not disclose deficit fund balances or net assets of individual funds, not apparent on the face of the financial statements.	1	0
For long-term liabilities, the debt service requirements were not shown yearly for the first 5 years and, thereafter, shown in 5-year increments.	7	0
Summary of significant accounting policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary activities and component units.	1	0
Revenue recognition policies used in fund financial statements was not included.	1	0
Risk management and related financing activities were not adequately disclosed.	43	0
<b>Subtotal</b>	<b><u>204</u></b>	<b><u>104</u></b>

## Appendix D (continued)

	<i>Number of Deficiencies</i>	
	<u>FY 2011-12</u>	<u>FY 2012-13</u>
<b><u>Supplementary Information Section</u></b>		
Schedule of Instructional Time did not contain all the required information.	16	92
Schedule of Charter Schools was deficient.	6	10
Schedule of Average Daily Attendance did not display final ADA after audit finding adjustment(s).	9	8
Schedule of Instructional Time did not state whether the district complied with the instructional minutes and days provisions.	7	8
Schedule of Financial Trends and Analysis: Available reserves are below minimum required; and management's plans and/or going concern note were not included.	1	5
Schedule of Average Daily Attendance for charter school did not include classroom-based ADA.	3	5
Local Education Agency Organization Structure description was not included or was deficient.	4	5
Schedule of Average Daily Attendance was deficient.	3	2
Schedule of Average Daily Attendance was not included.	0	2
Schedule of Charter Schools was not included.	3	2
Schedule of Instructional Time indicates noncompliance, but a finding was not included in the audit report.	1	1
Schedule of Instructional Time was not included.	0	1
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	2	1
For a school district or county office of education that included a charter school(s) in the financial statements, the Schedule of Average Daily Attendance did not include the ADA detail for each charter school.	8	0
A note stating that the LEA received funding for increasing instructional time was not included.	4	0
Schedule of Financial Trends and Analysis was not included; or schedule was deficient.	1	0
<b>Subtotal</b>	<b><u>68</u></b>	<b><u>142</u></b>
<b><u>Schedule of Expenditures of Federal Awards</u></b>		
Schedule of Expenditures of Federal Awards was deficient.	15	1
Schedule of Expenditures of Federal Awards was not included.	1	0
<b>Subtotal</b>	<b><u>16</u></b>	<b><u>1</u></b>
<b><u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</u></b>		
Report on internal control over financial reporting was deficient.	16	25
Report on internal control and compliance (GAS) did not include an alert paragraph describing the purpose of the auditor's report.	0	20
Report on compliance and other matters did not include a statement regarding test results.	7	2

## Appendix D (continued)

	<i>Number of Deficiencies</i>	
	<u>FY 2011-12</u>	<u>FY 2012-13</u>
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	1	0
Report on compliance and other matters was deficient.	1	0
Report on internal control and compliance (GAS) did not include a statement regarding legal restrictions on report distribution.	1	0
Report did not state that audit was conducted in accordance with auditing standards generally accepted in the USA and Government Auditing Standards.	1	0
Report did not include a reference to the management letter.	8	0
Report did not include a statement regarding the auditee's response to findings.	16	0
Report on internal control and compliance (GAS) did not reference the Independent Auditor's Report.	5	0
Report on Internal Control over Financial Reporting and on Compliance and Other Matters (Government Auditing Standards) was not included.	1	0
Management letter not included in audit report.	20	0
<b>Subtotal</b>	<b><u>77</u></b>	<b><u>47</u></b>
 <b><u>Report on Major Program Compliance and on Internal Control over Compliance (OMB Circular A-133)</u></b>		
Report on internal control over compliance was deficient.	2	10
Report on major federal program compliance did not include an opinion on whether the entity complied, in all material respects, with the applicable compliance requirements.	0	9
Report on major federal program compliance and on internal control over compliance (OMB Circular A-133) was deficient.	2	7
Report on major federal program compliance and on internal control over compliance did not include an alert paragraph describing the purpose of the auditor's report.	0	6
Noncompliance that did not result in an opinion modification was not disclosed in the report.	0	3
Material weaknesses in internal control over compliance were not properly disclosed in the report.	0	2
Noncompliance that resulted in an opinion modification was not properly disclosed in the report.	0	1
Report on major federal program compliance and on internal control over compliance (OMB Circular A-133) was not included.	1	0
Report on major program compliance and on internal control over compliance did not include a statement regarding legal restrictions on report distribution.	2	0
Report on major program compliance did not include an opinion on whether the entity complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.	1	0
<b>Subtotal</b>	<b><u>8</u></b>	<b><u>38</u></b>

## Appendix D (continued)

	<i>Number of Deficiencies</i>	
	<u>FY 2011-12</u>	<u>FY 2012-13</u>
<b><u>State Compliance Report</u></b>		
Independent Auditor's Report on State Compliance was deficient.	114	209
Independent Auditor's Report on State Compliance did not include an opinion on whether the entity complied, in all material respects, with the state compliance requirements.	9	123
Independent Auditor's Report on State Compliance was not included.	0	1
Independent Auditor's Report on State Compliance did not include a statement regarding legal restrictions on report distribution.	1	0
<b>Subtotal</b>	<b><u>124</u></b>	<b><u>333</u></b>
<b><u>Findings and Recommendation Section</u></b>		
State Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	84	80
Financial statement finding did not include the cause.	89	68
Financial statement finding did not include the effect or potential effect.	55	48
Audit finding was not coded with the correct five-digit number.	24	34
Financial statement finding did not include the criteria.	57	32
Federal Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	23	20
State compliance finding did not include a statement (which may include questioned costs) consistent with its basis of funding, for any inappropriately reported claim.	0	20
Summary of Auditor's Results was deficient.	10	8
Attendance Finding: ADA inappropriately reported for apportionment was not included.	13	5
Schedule of Prior Audit Findings was not included.	7	3
Schedule of Findings and Questioned Costs was not included.	9	2
Federal Program Finding(s): Questioned costs and/or how they were calculated was not included.	2	1
Major federal programs were not identified.	0	1
Financial statement finding did not include the condition.	6	0
Audit findings for ARRA federal award programs were not clearly identified.	1	0
Auditee's corrective action plan to eliminate noncompliance was not included.	2	0
Financial statement finding did not include the evaluation of the comments.	1	0
Financial statement finding did not include the perspective.	12	0
Financial statement finding did not include the views of responsible officials and planned corrective actions.	1	0
Financial statement finding did not include the recommendation	1	0
State Program Finding: Questioned costs, consistent with its basis of funding, was not included.	16	0
<b>Subtotal</b>	<b><u>413</u></b>	<b><u>322</u></b>

## Appendix D (continued)

	<i>Number of Deficiencies</i>	
	<i>FY 2011-12</i>	<i>FY 2012-13</i>
<b><u>Other</u></b>		
Auditor's reports did not include a manual or printed signature of the auditor's firm and date of the report.	1	3
LEA had an approved extension due to problems with financial statement preparation, but an internal control finding or management letter comment was not included in the audit report.	4	0
<b>Subtotal</b>	<b>5</b>	<b>3</b>
<b>Total number of deficiencies</b>	<b>1,002</b>	<b>1,204</b>

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