

# **TRINITY COUNTY OFFICE OF EDUCATION**

Report of Review

## **AUDIT RESOLUTION PROCESS**

*Fiscal Year 2013-14 and Fiscal Year 2014-15*



**BETTY T. YEE**  
California State Controller

February 2017



**BETTY T. YEE**  
California State Controller

February 21, 2017

Bettina A. Blackwell, County Superintendent of Schools  
Trinity County Office of Education  
201 Memorial Drive  
Weaverville, CA 96093

Dear Ms. Blackwell:

The State Controller's Office (SCO) reviewed the Trinity County Office of Education's (COE) audit resolution process for local education agency (LEA) exceptions noted in the annual audit reports. The review covered fiscal year (FY) 2013-14 and FY 2014-15.

Our review found that the Trinity COE followed its audit resolution process for FY 2013-14, but did not follow its audit resolution process for FY 2014-15. As a result, the Trinity COE was not in compliance with California Education Code section 41020 for FY 2014-15. Trinity COE did not review its LEA audit report findings for FY 2014-15 and submitted late to the SCO an unsigned Certification of Corrective Action form for FY 2014-15. The form was dated May 24, 2016, and was received past the May 15 due date.

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

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/rg

cc: Gretchen Deichler, Chief Business Official  
Trinity County Office of Education  
Peter Foggiato, Director  
School Fiscal Services Division  
California Department of Education  
Raquel Tucker, Education Fiscal Services Consultant  
School Fiscal Services Division  
California Department of Education  
Thomas Todd, Assistant Program Budget Manager  
Education Systems  
California Department of Finance

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# Review Report

## Summary

The State Controller's Office (SCO) reviewed the Trinity 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) 2013-14 and FY 2014-15. Our review found that the Trinity COE followed its audit resolution process for FY 2013-14 but did not follow its audit resolution process for FY 2014-15.

## 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 Trinity COE provides coordination of educational programs and professional and financial supervision for ten LEAs for FY 2013-14 and nine LEAs for FY 2014-15 under its jurisdiction. In addition, the county superintendent of schools maintains special schools and programs countywide, independent of the LEAs.

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 California Education Code section 42238.02, as implemented by section 42238.03, 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 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 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)).

## **Objectives, 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 Trinity 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 Trinity 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 Trinity COE addressed all attendance, inventory of equipment, internal control, and miscellaneous exceptions. In addition, we verified whether the Trinity 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 Trinity COE notified LEAs that they must submit completed corrective action forms to the Trinity COE by March 15, 2015, and March 15, 2016, for FY 2013-14 and FY 2014-15, respectively. Our review did not include an assessment of the LEAs' progress with respect to taking corrective action;
- Verifying whether the Trinity 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, 2015, and May 15, 2016, that the Trinity COE sent to the SPI and the SCO with respect to any resolved and unresolved audit exceptions;

- Verifying whether the Trinity COE followed up with unresolved prior year audit exceptions the SPI required the Trinity COE to conduct; and
- Verifying whether the Trinity 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 Trinity COE followed its audit resolution process for FY 2013-14, but did not follow its audit resolution process for FY 2014-15. As a result, the Trinity COE was not in compliance with California Education Code section 41020 for FY 2014-15. Trinity COE did not review its LEA audit report findings for FY 2014-15 and submitted late to the SCO an unsigned certification of corrective action form for FY 2014-15. The form was dated May 24, 2016, and was received past the May 15 due date.

**Views of  
Responsible  
Officials**

We discussed our conclusion and review findings with Gretchen Deichler, Chief Business Official, Trinity COE, at a telephone exit conference held on January 17, 2017. Ms. Deichler agreed with the conclusion and review findings, declined a draft report, and agreed that the report could be issued as final.

**Restricted Use**

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

February 21, 2017

# Findings and Recommendations

**FINDING 1—  
LEA audit reports  
and findings not  
reviewed for  
FY 2014-15**

The Trinity COE did not review the FY 2014-15 audit reports and audit exceptions for all of its LEAs regarding findings related to attendance, inventory of equipment, internal control, and other miscellaneous exceptions. The Trinity COE did not have documentation for an audit resolution process followed with its LEAs for FY 2014-15.

The Trinity COE chief business official stated that, with a switch of calendar systems in 2014, scheduled projects and tasks that would otherwise have been performed, including the review of LEA audit reports, were missing from the calendar schedule and thus were not performed.

California Education Code section 41020, as applied to FY 2014-15, 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

Trinity COE should ensure compliance with the California Education Code section 41020 by reviewing LEA audit reports and exceptions, ensure that the LEAs have submitted a description of the correction or plan of correction, and review the corrections or plans of correction to determine adequacy.

**FINDING 2—  
Certification of  
corrective action  
for FY 2014-15 was  
not signed and  
submitted late**

The certification of corrective action submitted by Trinity COE to the SCO and the SPI for the FY 2014-15 audit findings of its LEAs was unsigned, dated May 24, 2016, and submitted past the May 15 due date. All county superintendents of schools are required to submit a certification that the audit reports and findings of its LEAs have been reviewed and the exceptions have been corrected or an acceptable plan of correction has been submitted.

The COE's chief business official stated that an incorrect copy of the certification was sent to the SCO and the SPI.

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 certification, 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 Trinity COE should ensure compliance with California Education Code section 41020 by ensuring that the Certification of Corrective Action Resolution of Audit Findings is prepared, signed, and submitted to the SCO and SPI by the May 15 due date.

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