

INTERIM ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS

**Report to the State
Superintendent of Public Instruction**

For the Period of July 1, 2019, through June 30, 2020



BETTY T. YEE
California State Controller

June 2021



BETTY T. YEE
California State Controller

June 30, 2021

The Honorable Tony Thurmond
State Superintendent of Public Instruction
California Department of Education
P.O. Box 944272
Sacramento, CA 94244

Dear Superintendent Thurmond:

I am pleased to present the Interim Annual Financial Report of California K-12 Schools for fiscal year (FY) 2019-20. This report complies with California Education Code section 14508.

Due to the COVID-19 pandemic, all California local educational agencies received an automatic extension of the due date for submission of their annual audit reports. Per California Education Code section 41020.9(b), the due date was extended from December 15, 2020, to March 31, 2021.

This interim report was prepared based on a limited number of annual audit reports received and reviewed as of May 5, 2021. As of that date, we have received 1,793 out of 2,032 expected audit reports. This report summarizes financial results of 1,424 audit reports.

We anticipate issuing a final K-12 Annual Financial Report of California Schools by September 30, 2021, after all the local educational agencies' reports for FY 2019-20 are received and reviewed. The revised report will present more accurate summarized information about the financial and program compliance status of the state's school districts, county offices of education, and charter schools for FY 2019-20, unless otherwise specified.

Please direct any comments regarding the content of the report to Chief Administrative Officer Russell Fong at (916) 327-8299.

Sincerely,

Original signed by

BETTY T. YEE

Contents

Executive Summary	1
Introduction	3
Financial Indicators	
Overview	4
Interim Reporting	4
Deficit Spending	6
Emergency Apportionments	6
General Fund Revenues and Expenditures	7
Debt Issuance	8
Lottery Revenues	9
Program Compliance	
Overview	10
Compliance Findings	10
County Offices of Education Audit Resolution Processes	11
Quality Control	
Overview	12
Audit Report Certifications	12
Reporting Deficiencies	12
On-time Submissions	13
Average Audit Cost per Average Daily Attendance	14
Quality Control Reviews	14
Appendices	
Appendix A—Audit Report and Interim Report Disclosures of Impending Financial Problems	A-1
Appendix B—Local Education Agencies Filing Qualified or Negative Interim Reports ..	B-1
Appendix C—Summary of Interim Audit Report Compliance Findings	C-1
Appendix D—Summary of Interim Audit Report Deficiencies	D-1

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 (LEAs) (school districts, county offices of education [COEs], and charter schools) and to function as the independent protector of taxpayer dollars.

This oversight responsibility includes reviewing annual LEA audit reports, maintaining a database with financial and statistical data on LEA 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 *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (K-12 Audit Guide)* to the Education Audit Appeals Panel, and conducting financial and compliance audits of various LEAs.

Most of the information used to prepare this report was compiled from annual audit reports prepared for individual LEAs by independent certified public accountants (CPAs) for fiscal year (FY) 2019-20. Due to the COVID-19 pandemic, and pursuant to California Education Code (EC) section 41020.9(b), all California LEAs received an automatic extension to the annual audit report due date. Reports originally required to be submitted by December 15, 2020, were instead due by March 31, 2021.

This report summarizes financial results of 1,424 of 2,032 (70%) audit reports that were received and reviewed as of May 5, 2021. Additional data was taken from interim financial report certifications submitted by LEAs for FY 2020-21. Information related to the emergency loan apportionments was obtained from various sources, including the California Infrastructure and Economic Development Bank (I-Bank).

This FY 2019-20 report, which is based on available data, contains the following key preliminary findings:

- A total of 89 LEAs engaged in multi-year deficit spending. Although some LEAs may legitimately need to engage in multi-year deficit spending (such as for building projects), this practice is often 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 59 to 56. In the second reporting period of FY 2020-21, 16 LEAs filed qualified interim financial reports, and one LEA filed a negative interim financial report. Financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt increased to \$12.15 billion, a 41 percent increase from the \$8.63 billion issued in the prior year. Generally, LEAs issue debt to

fund capital improvements, refinance existing debt, or buy land for future use.

- Approximately 17 percent of the compliance findings for FY 2019-20 are related to deficiencies in average daily attendance (ADA) accounting, which is the primary factor in determining the amount of funding that an LEA receives from the state.
- The LEAs' annual audit reports reviewed to date have disclosed 89 audit findings pertaining to the Unduplicated Local Control Funding Formula (LCFF) Pupil Counts compliance requirement.
- The number of rejected audit reports reviewed to date is 292.

We will revise these preliminary findings by September 30, 2021, after all the LEAs' reports for FY 2019-20 are received and reviewed.

Introduction

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

The State Controller is also responsible for financial oversight of LEAs (school districts, charter schools, and COEs). Beginning with FY 2005-06, EC section 47634.2(d) rendered charter schools subject to audits, pursuant to EC section 41020. Audits must be conducted in accordance with Title 5, California Code of Regulations, section 19810 et seq., which requires that the *K-12 Audit Guide* be followed.

Each section of this report specifies the type of LEA being reported on, and the fiscal year for which the data was obtained.

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

- Developing, in consultation with the California Department of Finance, the California Department of Education (CDE), 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 *K-12 Audit Guide* provides guidance to independent auditors who conduct LEA audits;¹
- Reviewing each LEA's audit report submitted to the state and performing the related follow-up actions, including compliance audits;²
- Tracking notifications from the school districts that identify substantial fiscal problems at interim reporting periods;
- Conducting annual financial and compliance audits of school districts that receive emergency state apportionment loans;
- Ensuring that satisfactory arrangements for an annual audit have been made for each LEA;
- Performing quality control reviews of independent auditors who conduct annual audits of LEAs; and
- Compiling pertinent data and reporting annually to the California State Legislature and CDE.

¹ EC section 14502.1(a) states, in part, "The Controller, in consultation with the California Department of Finance, [CDE], and representatives of the California School Boards Association, the California Association of School Business Officials, the California County Superintendents Educational Service 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 in 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."

² EC section 14501 provides that compliance audits are conducted to determine whether state and federal program funds are expended in accordance with laws and regulations applicable to the program funds.

Financial Indicators

Overview

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

Key financial indicators representing the financial health of LEAs are presented in this section of the report. Data has been taken from interim financial report certifications submitted by school districts for FY 2020-21.

Interim Reporting

School districts in California are required to file interim reports certifying their financial health to the governing board of the district and COE. These interim reports must be completed twice per 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 (SSPI) and be based on Standards and Criteria for Fiscal Stability adopted by the State Board of Education pursuant to EC 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 COE when certifying the district's fiscal stability on the interim report:

Positive – A school district or COE that will meet its financial obligations for the current fiscal year and subsequent two fiscal years.

Qualified – A school district or COE that may not meet its financial obligations for the current fiscal year or subsequent two fiscal years.

Negative – A school district or COE 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 (SCO) and to the SSPI.

The number of LEAs that filed qualified or negative certifications increased

For FY 2020-21, a total of 55 of the 1,002 LEAs required to file interim reports filed a qualified or negative certification for the first-period interim report (52 were qualified and three were negative). Of these 55 LEAs, 15 filed a qualified second-period interim report, one filed a negative second-period interim report, and 38 LEAs were able to take corrective action. However, one other LEA that had filed a positive first-interim certification subsequently filed a qualified second-period interim report, and one LEA that had filed a negative first-period interim certification

subsequently filed a qualified second-period interim report, resulting in a total of 16 qualified and one negative certifications for the second-interim reporting period (Figure 1). Thus, 56 LEAs reported qualified or negative certifications for at least one of the two periods (Appendix A), and 24 LEAs remained on the list from the prior year. LEAs that file qualified or negative interim reports for two or more years are monitored closely by SCO through continuous contact with CDE.

The most common causes of fiscal problems cited in the 56 qualified or negative certifications (Appendix B) were:

- Deficit Spending: 55 LEAs (100 percent);
- Other Expenditures (projected operating expenditure changes): 56 LEAs (100 percent);
- Other Revenues (projected operating revenue changes): 55 LEAs (98 percent);
- Projected LCFF revenue for any of the current or two subsequent fiscal years has changed by more than two percent since budget adoption: 49 LEAs (87 percent); and
- Projected second period (P-2) ADA to enrollment ratio for the current and two subsequent fiscal years is not consistent with historical ratios: 44 LEAs (80 percent).

Figure 1

Second-Period Interim Report Certifications					
Five-Year History by Fiscal Year					
Certification*	2016-17	2017-18	2018-19	2019-20	2020-21
Positive	962	975	970	958	985
Qualified	40	26	26	40	16
Negative	2	2	6	4	1
Totals	<u>1,004</u>	<u>1,003</u>	<u>1,002</u>	<u>1,002</u>	<u>1,002</u>

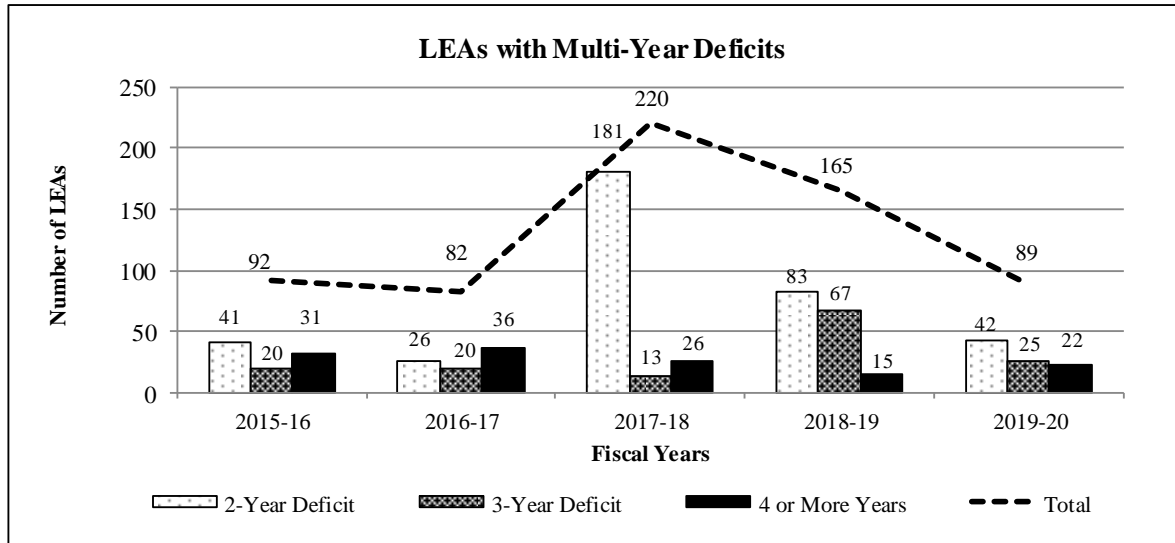
*See Appendixes A and B

Deficit Spending

LEA multi-year deficit spending decreased

Based on available data for FY 2019-20, the number of LEAs relying on multi-year deficit spending decreased from 165 to 89 (Figure 2). We anticipate the number of LEAs with deficit spending will increase when the remaining independent audit reports are received and reviewed. Deficit spending patterns are monitored closely by COEs and CDE to determine whether LEAs 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 SSPI 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. EC sections 41329.50 through 41329.54 and 41329.56 specify the requirements for emergency apportionment financing.

Oakland Unified School District (USD) and South Monterey County Joint Union High School District (JUHSD) (formerly King City JUHSD) 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 USD is considered an interim loan and must be repaid with the proceeds from lease financing.

Inglewood USD received a General Fund emergency loan in November 2012. Subsequently, Assembly Bill 86 (Chapter 48) was enacted during FY 2012-13 to authorize the Inglewood USD, through CDE, to request cash flow loans up of to \$55 million from the General Fund. The total loan balance is \$20,975,274 as of June 30, 2021.

Annual payment on the initial emergency loan for the USD is due in June. Vallejo City USD received two emergency loans from the General Fund, with payments due in June and August. As of June 30, 2021, the outstanding General Fund loan balances for Oakland USD, Vallejo City USD, and Inglewood USD ranged from \$8.5 million to \$20.9 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 bonds to reimburse the General Fund for all or a portion of the emergency apportionment loans made to these school districts. The principal payments for Vallejo City USD, Oakland USD, and South Monterey County JUHSD bonds are payable annually on August 15. As of June 30, 2021, the outstanding lease revenue bond balances ranged from \$6.3 million to \$15 million, as identified in Figure 3.

Figure 3

School Districts with Outstanding Loans (in millions)							
Fiscal Year	School District	Initial Loan (General Fund) ¹			Lease Revenue Bonds (I-Bank) ²		
		Loan Amount	Out-standing Balance	Final Repayment Date	Amount Issued	Out-standing Balance	Final Repayment Date
2002-03	Oakland Unified	100.0	9.9	June 29, 2026	59.6	15.0	August 15, 2023
2003-04	Vallejo City Unified	60.0	8.5	August 14, 2024	21.2	6.3	August 15, 2024
2009-10	South Monterey County JUHSD ³	2.0	—	April 14, 2010	14.4	8.6	August 15, 2029
2012-13	Inglewood Unified	29.0	20.9	November 1, 2034	—	—	—

¹ General Fund school loans balance information was obtained from the State Controller’s Office, Local Government Programs and Services Division

² Lease revenue bonds information was obtained from the California Infrastructure and Economic Development Bank (I-Bank).

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

General Fund Revenues and Expenditures

Based on available data for FY 2019-20, LEA General Fund revenues exceeded expenditures by \$1.42 billion (Figure 4).

Figure 4

LEA General Fund Revenues and Expenditures by Fiscal Year (in billions)					
Fiscal Year	2015-16	2016-17	2017-18	2018-19	2019-20
Revenues	\$ 73.89	\$ 68.56	\$ 77.97	\$ 85.40	\$ 57.98
Expenditures	(69.08)	(67.22)	(77.04)	(83.22)	(59.40)
Surplus/(Deficit)	\$ 4.81	\$ 1.34	\$ 0.93	\$ 2.18	\$ (1.42)

Based on available data, the fund balance or surplus for all LEAs combined totaled \$15.05 billion at the end of FY 2019-20, a decrease of \$5.32 billion from the prior year’s total of \$20.37 billion. Federal revenues decreased by \$2.14 billion from the prior fiscal year (\$5.11 billion in

FY 2018-19, compared to \$2.97 billion in FY 2019-20). As part of the total fund balance, LEAs are required to maintain reserves as a defense against economic uncertainties. CDE issues guidelines regarding the amount of reserves each district should maintain based on its total ADA.

We will update these figures by September 30, 2021, after all the LEAs' reports for FY 2019-20 are received and reviewed.

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.

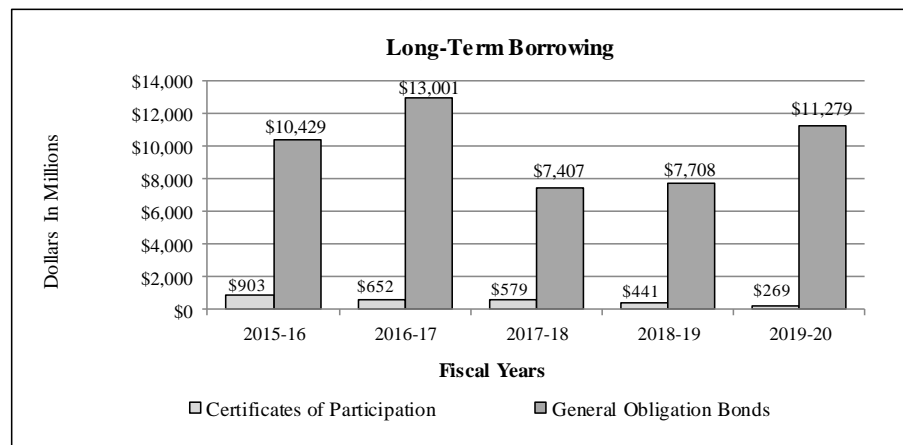
LEA debt issuance increased

Based on available data, during FY 2019-20, LEAs issued \$12.15 billion in debt. However, the debt reported is likely to increase when the final report is issued in September.

- **General Obligation Bonds (\$11,280 billion, or 92.8 percent)**—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 (\$269 million, or 2.2 percent)**—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 (\$214 million, or 1.8 percent)**—A financing technique that provides long-term financing of capital projects. The bonds are repaid from incremental taxes on property in a redevelopment area.
- **Other Debt Instruments (\$387 million, or 3.2 percent)**—Debt instruments that do not fall into any of the categories listed above.

LEAs issued \$11.55 billion in Certificates of Participation and General Obligation Bonds during FY 2019-20, an increase of \$3.4 billion (42 percent) from the \$8.15 billion issued in the prior fiscal year (Figure 5).

Figure 5



LEA financing through Certificates of Participation decreased by \$172 million, and financing through General Obligation Bonds increased by \$3.57 billion from the prior year.

General Obligation Bonds accounted for 92.8 percent of LEA debt issuance in FY 2019-20, an increase of 3.8 percent from the prior year. In comparison, Certificates of Participation accounted for 2.2 percent of debt issuance in FY 2019-20, a 2.8 percent decrease from the prior year.

We will update these figures by September 30, 2021, after all the LEAs' reports for FY 2019-20 are received and reviewed.

Lottery Revenues

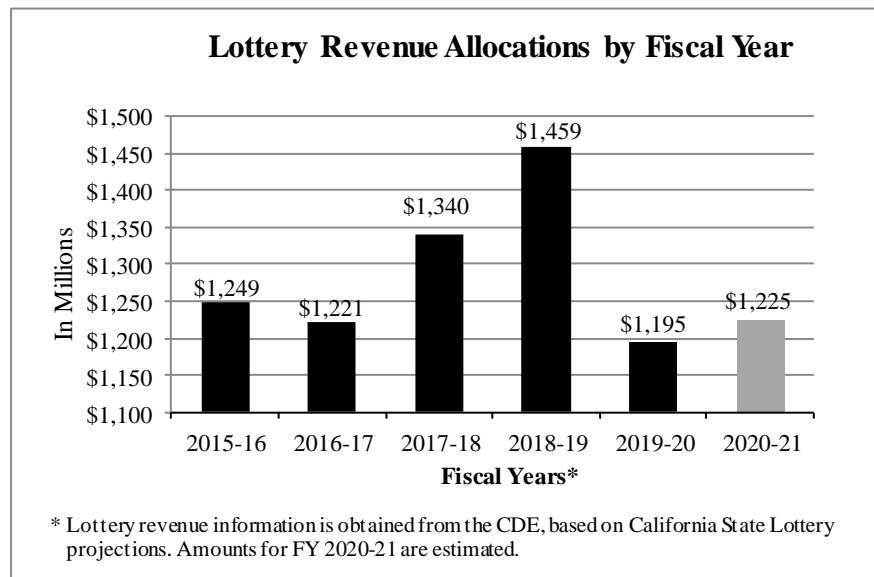
The allocation of Lottery revenues to K-12 schools is based on a percentage of total Lottery sales for the year. Under state law (the California State Lottery Act of 1984), a minimum of 34 percent of Lottery sales must be distributed to school districts, community colleges, and other educational agencies.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

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

Lottery revenue projected to increase

Lottery revenue is projected to increase 2.51 percent, from \$1,195 million in FY 2019-20 to \$1,225 million estimated for FY 2020-21 (Figure 6).

Figure 6



Program Compliance

Overview

The annual audit reports by CPAs are the primary source of information regarding LEA compliance with state and federal requirements. SCO 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, SCO may conduct compliance audits, if resources permit.

Compliance Findings

Independent auditors determine whether 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.

Due to the COVID-19 pandemic, and pursuant to EC section 41020.9(b), all California LEAs received an automatic extension of the annual audit report due date. Reports originally required to be submitted by December 15, 2020, were instead due by March 31, 2021.

This report summarizes financial results of 1,424 of 2,032 (70%) audit reports that were received and reviewed as of May 5, 2021. We will revise these preliminary findings by September 30, 2021, after all the LEAs' reports for FY 2019-20 are received and reviewed.

The FY 2019-20 LEA audit reports submitted by CPAs as of May 5, 2021, reported 481 compliance findings (Appendix C).

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 481 compliance findings, 456 (95 percent) pertained to state programs and requirements and 25 (5 percent) pertained to federal programs and requirements (Figure 7).

The Unduplicated LCFF Pupil Counts compliance requirement accounted for 19 percent of all compliance findings in FY 2019-20. The LEA audit reports disclosed 89 findings related to Unduplicated LCFF Pupil Counts, with the majority (63 findings, or 71 percent) related to the following compliance issues:

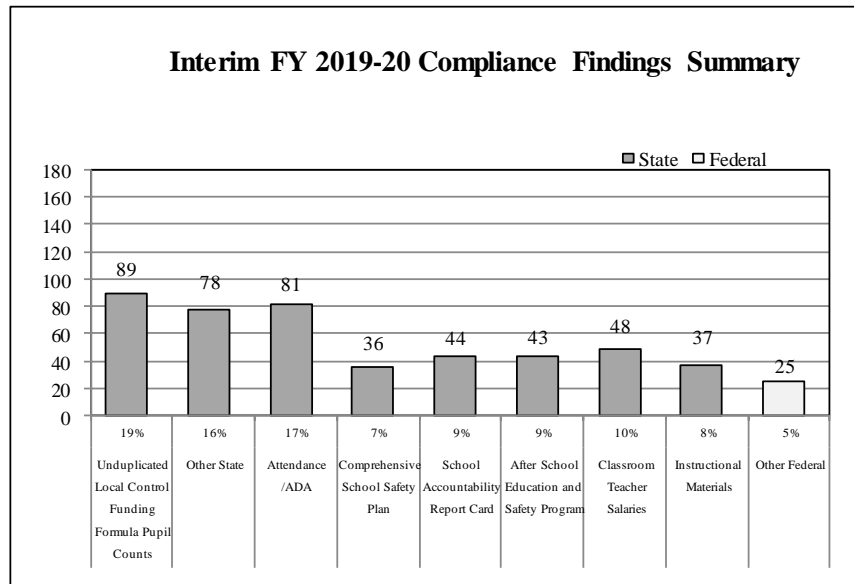
- Overstated Free and Reduced Price Meal and/or English Learner pupil counts; and
- Free and Reduced Price Meal pupils without eligibility documentation.

There were 81 attendance-related findings, which accounted for 17 percent of all compliance findings. The majority of the attendance findings (66, or 81 percent) were related to the following issues:

- ADA was misstated;
- Attendance reports were inaccurate and/or incomplete; and
- Attendance reports did not reconcile to supporting documentation.

The audit reports also disclosed 48 findings pertaining to the Classroom Teacher Salaries Program. All findings were the result of the district’s failure to meet the current expense of education percentage required for payment of classroom teachers’ salaries.

Figure 7



County Offices of Education Audit Resolution Processes

EC section 41020(n) provides that the State Controller shall annually select a sample of COEs in order to perform a follow-up review of the audit resolution processes. The scope of the reviews is limited to determining whether each COE followed its audit resolution process, resolved all of the audit findings, followed up on the district’s corrective action plans, and notified the SSPI and the State Controller of the results.

During FY 2020-21, SCO performed reviews of the audit resolution processes of eight COEs and found that seven COEs followed their audit resolution processes for FY 2016-17, FY 2017-18, and FY 2018-19. One COE had an audit finding related to the late submission of the corrective action, and an inaccurate fiscal year referenced in the certification of corrective action form.

Quality Control

Overview

SCO reviews and certifies the annual independent audit reports submitted by each LEA for compliance with audit guidelines set forth in the *K-12 Audit Guide*. This authority is provided by EC section 14504.

Audit Report Certifications

SCO determines whether audit reports conform to reporting provisions of the *K-12 Audit Guide* and notifies each LEA, independent auditor, and the SSPI whether a report has been accepted or rejected, based on conformity with those provisions.

For FY 2019-20, SCO accepted 79 percent of the 1,424 audit reports reviewed as of May 5, 2021; the remaining 21 percent were rejected upon initial review. EC section 14505 provides that LEAs withhold 10 percent of the audit fee until the State Controller certifies that the audit report conforms to the reporting provisions of EC section 14503(a). 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, SCO may refer the independent auditor to the California Board of Accountancy for professional review.

Number of rejected audit reports decreased

Upon initial review, SCO certified 1,132 (63 percent) of the 1,793 audit reports submitted by LEAs for FY 2019-20, and rejected 292 (Figure 8). The remaining 369 reports received are in various stages of the report certification process.

Figure 8

Number and Percent of Rejected LEA Audit Reports			
Fiscal Year	Reports Submitted	Reports Rejected	Percent Rejected
2015-16	1,885	510	27%
2016-17	1,896	390	21%
2017-18	1,926	596	31%
2018-19	1,951	464	24%
2019-20	1,793	292	16%

Reporting Deficiencies

Reporting deficiencies increased

Based on the FY 2019-20 independent auditor's reports of LEAs received and reviewed as of May 5, 2021, SCO identified 982 reporting deficiencies, an increase to date of 199 from the prior year (Appendix D; summarized in Figure 9). With only 70% of the FY 2019-20 independent auditor's reports included in these results due to the extended due date in response to the COVID-19 pandemic, an increase of 199 deficiencies is significant. We will revise the number of reporting deficiencies by September 30, 2021, after all the LEAs' reports for FY 2019-20 are received and reviewed.

Figure 9

	Fiscal Years	
	2018-19	2019-20
Auditor’s Report on the Financial Statements	60	24
Management’s Discussion and Analysis	4	3
Basic Financial Statements	49	43
Notes to the Financial Statements	181	50
Required Supplementary Information	61	17
Supplementary Information Section	127	93
Schedule of Expenditures of Federal Awards	6	11
Government Auditing Standards Report	36	618
Single Audit Report	10	5
State Compliance Report	52	25
Findings and Recommendations Section	189	67
Other	8	26
Total Number of Reporting Deficiencies	783	982

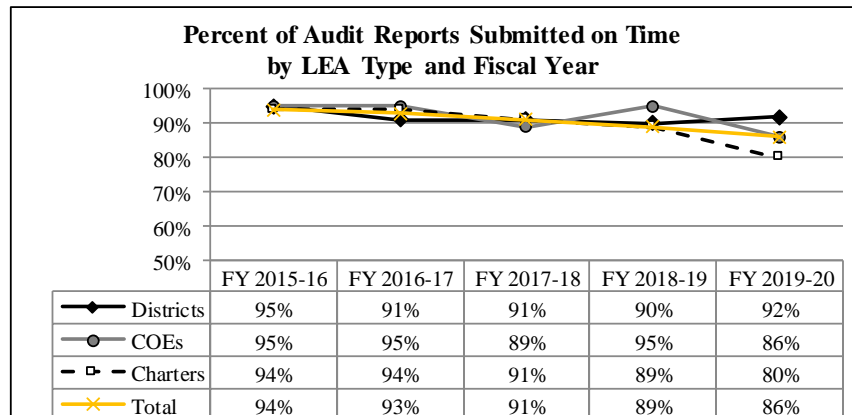
The Government Auditing Standards Report, the Supplementary Information Section, and the Findings and Recommendations Section of the independent audit reports of LEAs show the largest number of reporting deficiencies. The Government Auditing Standards Report shows the largest increase in the number of reporting deficiencies from the prior year, due to a reporting change that occurred late in the year after many reports had already been submitted. The Notes to the Financial Statements and the Findings and Recommendations Section show the largest decrease in the number of reporting deficiencies from the prior year.

On-time Submissions

Annual audit reports submitted on time decreased

Fiscal year 2019-20 audit reports for the preceding fiscal year must be filed with SCO, CDE, and the county superintendent of schools by March 31, 2021. Filing deadline extensions may be granted, but only under extraordinary circumstances.

Figure 10

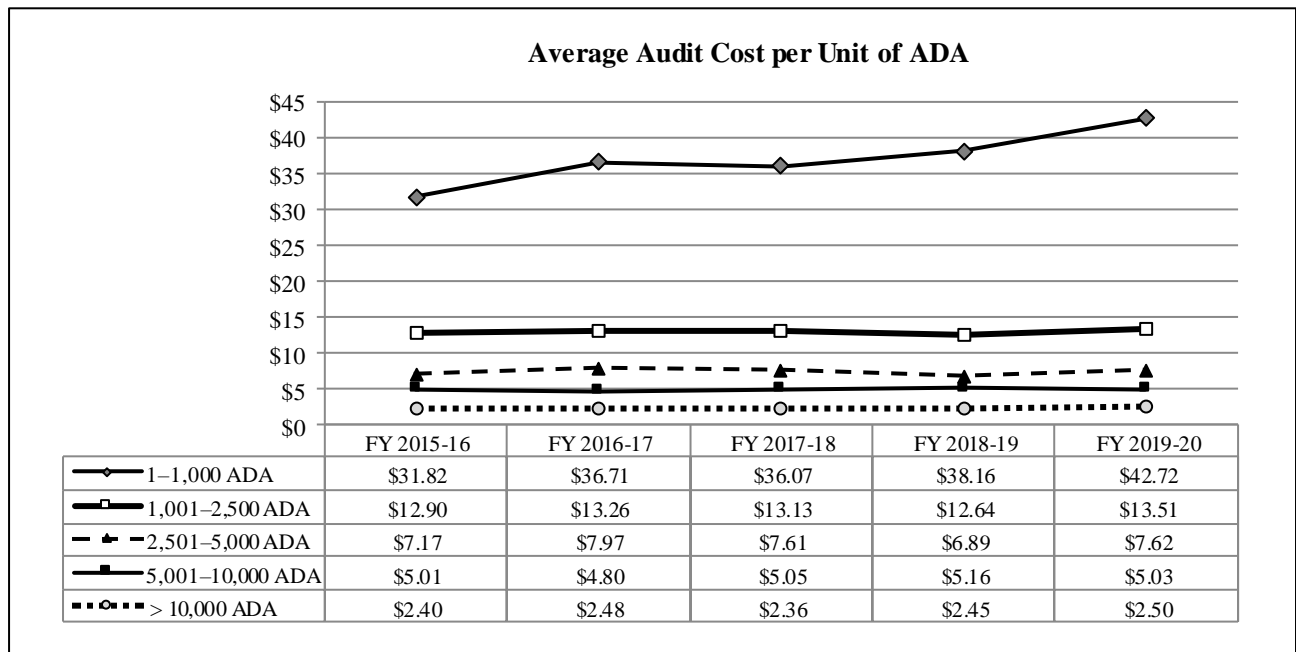


The percentage of school district, COE, and charter annual audit reports submitted by the deadline decreased from the prior year (Figure 10). A total of 1,745, or 86 percent, of the 2,032 required LEA reports were received by the March 31, 2021 deadline. For FY 2019-20, there were 2,079 LEAs. Some of the LEAs, primarily charter schools, were combined for reporting purposes, resulting in 2,032 required LEA reports.

Average Audit Cost per Average Daily Attendance

Each year, SCO asks each COE to provide audit contract information for the COE and all LEAs under its jurisdiction. SCO maintains a database of information pertaining to audit contracts between LEAs and independent auditors. From that database, SCO determined the total audit costs and the cost per unit of ADA for LEA annual audits. The COEs provided FY 2019-20 audit contract information for 25 percent (494 of 1,999) and FY 2018-19 audit contract information for 66 percent (1,281 of 1,944) of the COEs and LEAs (Figure 11).

Figure 11



Quality Control Reviews

EC 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.

EC section 41020(f)(1) requires SCO to publish a directory of CPAs 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 Auditing Standards (GAAS);
- Generally Accepted Government Auditing Standards (GAGAS);
- *K-12 Audit Guide*;
- Title 2, Code of Federal Regulations, Part 200 (Uniform Guidance), as applicable; and
- The California Business and Professions Code.

The SCO 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 SCO 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 SCO 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 SCO conclusion is that the independent auditor complied with some elements of the standards and requirements, but that the majority of auditing standards and state and federal requirements were not met.
- If the audit was not performed in accordance with the standards and requirements, the SCO conclusion is that the independent auditor did not comply with auditing standards and state and federal requirements. SCO may refer the independent auditor to the California Board of Accountancy for a follow-up review.

In FY 2019-20, SCO issued two quality control review reports related to LEAs. The quality control reviews found deficiencies in the following areas:

GAAS Requirements:

- Audit objectives not identified in the engagement letter;
- Deficiencies in the consideration of fraud in a financial statement audit;

- Deficiencies related to the documentation of fraud considered in a financial statement audit;
- Deficiencies in communication with the Governing Board;
- Deficiencies in documenting external confirmations for accounts receivable;
- Journal entries were not tested;
- Inadequate evaluation of internal controls;
- Deficiencies in performing analytical procedures;
- Deficiencies in the audit procedures to identify litigation, claims, and assessments;
- Deficiencies in audit documentation;
- Deficiencies in documentation of audit sampling;
- Deficiencies in documentation and disclosure of related party transactions;
- Inadequate audit procedures performed for investment accounts;
- Inadequate audit procedures and documentation for subsequent events;
- Inadequate documentation for going concern evaluation;
- Deficiencies in the performance of audit procedures in response to assessed risk and evaluation of the audit evidence obtained; and
- Noncompliance with Continuing Professional Education requirements.

Federal Compliance:

- Several required audit procedures were not performed or documented for the federal program.

State Compliance:

- Several required state compliance procedures were not performed or documented; and
- Audit finding not reported as required by the *K-12 Audit Guide*.

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	FY 2019-20 Average Daily Attendance	FY 2020-21 Interim Report		FY2019-20 Interim Report
				First	Second	Second
Alameda County						
1. Hayward Unified	N/A	N/A	18,710	Q		
2. Newark Unified	N/A	N/A	5,483			Q
3. Oakland Unified	N/A	N/A	33,699	Q	Q	Q
4. San Lorenzo Unified	N/A	N/A	9,334		Q	
Butte County						
5. Bangor Union Elem.	N/A	N/A	98			Q
6. Paradise Unified	N/A	N/A	1,601			Q
7. Pioneer Union Elem.	N/A	N/A	N/A			Q
Calaveras County						
8. Calaveras Unified	N/A	N/A	2,700	Q	Q	
9. Mark Twain Union Elem.	N/A	N/A	733	Q		
Contra Costa County						
10. Mt. Diablo Unified	N/A	N/A	N/A	Q	Q	Q
11. Pittsburg Unified	N/A	N/A	10,770	Q		
12. West Contra Costa Unified	N/A	N/A	26,555	Q		Q
El Dorado County						
13. Camino Union Elem.	N/A	N/A	422	Q		Q
14. Gold Oak Union Elem.	N/A	N/A	445	Q		
15. Gold Trail Union Elem.	N/A	N/A	624	Q	Q	Q
Humboldt County						
16. Loleta Union Elem.	N/A	N/A	95			Q
17. Southern Humboldt Jt. Unified	N/A	N/A	720			Q
Kern County						
18. Belridge Elem.	N/A	N/A	36	N	N	N
19. Lost Hills Union Elem.	N/A	N/A	541	Q		Q
20. Pond Union Elem.	N/A	N/A	158	Q		
21. Southern Kern Unified	N/A	N/A	3,312			N

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	FY 2019-20 Average Daily Attendance	FY 2020-21 Interim Report		FY 2019-20 Interim Report
				First	Second	Second
Lake County						
22. Lakeport Unified	N/A	N/A	1,341	Q		
Los Angeles County						
23. Azusa Unified	N/A	N/A	7,318			Q
24. Bassett Unified	N/A	N/A	3,176	Q		Q
25. Charter Oak Unified	N/A	N/A	4,378			Q
26. Compton Unified	N/A	N/A	19,392	Q	Q	
27. Duarte Unified	N/A	N/A	3,276	Q	Q	
28. Lennox Elem.	N/A	N/A	4,765	Q		Q
29. Lynwood Unified	N/A	N/A	N/A	Q		
30. Monrovia Unified	N/A	N/A	5,133	Q		
Marin County						
31. Laguna Jt. Elem.	N/A	N/A	10	Q		Q
Orange County						
32. Capistrano Unified	N/A	N/A	44,604	Q		
College and Career Advantage	N/A	N/A	N/A	Q		
Placer County						
33. Rocklin Unified	N/A	N/A	11,706	Q		
Riverside County						
34. Alvord Unified	N/A	N/A	17,355	Q		Q
35. Banning Unified	N/A	N/A	4,275			Q
36. Menifee Union Elem.	N/A	N/A	10,274	Q		
37. Palo Verde Unified	N/A	N/A	2,728			Q ¹
38. Perris Elem.	N/A	N/A	5,340	Q		
Sacramento County						
39. Elk Grove Unified	N/A	N/A	61,037	N		
40. Folsom-Cordova Unified	N/A	N/A	N/A			Q
41. Sacramento City Unified	N/A	N/A	39,943	N	Q	N

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	FY 2019-20 Average Daily Attendance	FY 2020-21 Interim Report		FY 2019-20 Interim Report
				First	Second	Second
San Bernardino County						
42. Mountain View Elem.	N/A	N/A	2,443	Q		Q
San Diego County						
43. Bonsall Unified	N/A	N/A	2,284			Q
44. Cajon Valley Union Elem.	N/A	N/A	15,656	Q		
45. Dehesa Elem.	N/A	N/A	133			Q
46. Mountain Empire Unified	N/A	N/A	1,612	Q		
47. Oceanside Unified	N/A	N/A	16,290	Q	Q	Q
48. San Diego Unified	N/A	N/A	97,479	Q		Q
49. San Marcos Unified	N/A	N/A	20,063	Q	Q	
50. San Ysidro Elem.	N/A	N/A	4,203	Q		Q
51. South Bay Union	N/A	N/A	6,582	Q	Q	Q
52. Sweetwater Union High	N/A	N/A	36,360	Q	Q	N
53. Vista Unified	N/A	N/A	19,437	Q		Q
San Francisco County						
54. San Francisco COE	N/A	N/A	N/A	Q	Q	
55. San Francisco Unified	N/A	N/A	50,194	Q	Q	
San Luis Obispo County						
56. Paso Robles Jt. Unified	N/A	N/A	6,472	Q		Q
57. Shandon Jt. Unified	N/A	N/A	270	Q		Q
58. Templeton Unified	N/A	N/A	2,314	Q	¹	
San Mateo County						
59. Pacifica Elem.	N/A	N/A	2,983	Q		
60. San Carlos Elem.	N/A	N/A	2,926			Q
Santa Clara County						
61. Alum Rock Union Elem.	N/A	N/A	8,390	Q	Q	Q
62. East Side Union High	N/A	N/A	21484			Q
Santa Cruz County						
63. Pajaro Valley Unified	N/A	N/A	16,641	Q		

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	FY 2019-20 Average Daily Attendance	FY 2020-21 Interim Report		FY 2019-20 Interim Report
				First	Second	Second
Shasta County						
64. Happy Valley Union Elem.	N/A	N/A	462			Q
65. Oak Run Elem.	N/A	N/A	48			Q
66. Shasta Union High	N/A	N/A	N/A	Q		
Sierra County						
67. Sierra-Plumas Jt. Unified	N/A	N/A	N/A	Q		
Solano County						
68. Dixon Unified	N/A	N/A	2,906	Q	Q	Q
69. Travis Unified	N/A	N/A	5,274	Q		Q
70. Vallejo City Unified	N/A	N/A	10,672	Q		
Sonoma County						
71. Santa Rosa City Schools	N/A	N/A	14,773			Q
72. West Sonoma Co. Union High	N/A	N/A	1,695	Q		
Trinity County						
73. Trinity Alps Unified	N/A	N/A	625			Q
Tuolumne County						
74. Jamestown Elem.	N/A	N/A	359	Q		
Yolo County						
75. Woodland Jt. Unified	N/A	N/A	9,381	Q		

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

¹ County Office of Education changed certification.

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

County School District/County Office	1st/2nd Certification	Analysis of Key Indicators for Financial Difficulties								
		Deficit Spending ¹	Other Expenditures ²	Other Revenues ³	LCFF/Revenue Limit ⁴	ADA to Enrollment ⁵	Contributions ⁶	Reserves ⁷	Average Daily Attendance ⁸	Declining Enrollment ⁹
Alameda County:										
1. Hayward Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
2. Oakland Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
3. San Lorenzo Unified	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Calaveras County:										
4. Calaveras Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
5. Mark Twain Union Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
Contra Costa County:										
6. Mt. Diablo Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
7. Pittsburg Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
8. West Contra Costa Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
El Dorado County:										
9. Camino Union Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
10. Gold Oak Union Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
11. Gold Trail Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Kern County:										
12. Belridge Elem.	N / N	✓	✓	✓	✓	✓	✓	✓	✓	✓
13. Lost Hills Union Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
14. Pond Union Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓

Appendix B (continued)

County School District/County Office	1st/2nd Certification	Analysis of Key Indicators for Financial Difficulties								
		Deficit Spending ¹	Other Expenditures ²	Other Revenues ³	LCFF/Revenue Limit ⁴	ADA to Enrollment ⁵	Contributions ⁶	Reserves ⁷	Average Daily Attendance ⁸	Declining Enrollment ⁹
Lake County:										
15. Lakeport Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
Los Angeles County:										
16. Bassett Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
17. Compton Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
18. Duarte Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
19. Lennox Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
20. Lynwood Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
21. Monrovia Unified	Q / P	✓	✓	✓	✓			✓		✓
Marin County:										
22. Laguna Jt. Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
Orange County:										
23. Capistrano Unified	Q / P	✓	✓	✓	✓	✓				✓
24. College and Career Advantage	Q / P	✓	✓	✓				✓		
Placer County:										
25. Rocklin Unified	Q / P	✓	✓	✓	✓	✓		✓	✓	
Riverside County:										
26. Alvord Unified	Q / P	✓	✓	✓	✓	✓		✓	✓	✓
27. Menifee Union Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
28. Perris Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
Sacramento County:										
29. Elk Grove Unified	N / P	✓	✓	✓		✓				✓
30. Sacramento City Unified	N / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓

Appendix B (continued)

		Analysis of Key Indicators for Financial Difficulties								
County	1st/2nd Certification	Deficit Spending ¹	Other Expenditures ²	Other Revenues ³	LCFF/Revenue Limit ⁴	ADA to Enrollment ⁵	Contributions ⁶	Reserves ⁷	Average Daily Attendance ⁸	Declining Enrollment ⁹
School District/County Office										
San Bernardino County:										
31. Mountain View Elem.	Q / P	✓	✓	✓	✓					
San Diego County:										
32. Cajon Valley Union Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
33. Mountain Empire Unified	Q / P	✓	✓	✓		✓	✓	✓	✓	
34. Oceanside Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
35. San Diego Unified	Q / P	✓	✓				✓			✓
36. San Marcos Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
37. San Ysidro Elem.	Q / P	✓	✓	✓		✓	✓	✓	✓	✓
38. South Bay Union	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
39. Sweetwater Union High	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
40. Vista Unified	Q / P	✓	✓	✓	✓		✓		✓	✓
San Francisco County:										
41. San Francisco COE	Q / Q	✓	✓	✓	✓		✓		✓	
42. San Francisco Unified	Q / Q	✓	✓	✓	✓	✓	✓			
San Luis Obispo County:										
43. Paso Robles Jt. Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
44. Shandon Jt. Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
45. Templeton Unified	Q / P	✓	✓	✓	✓		✓	✓		
San Mateo County:										
46. Pacifica Elem.	Q / P	✓	✓	✓			✓	✓		✓
Santa Clara County:										
47. Alum Rock Union Elem.	Q / Q	✓	✓	✓	✓	✓			✓	✓

Appendix B (continued)

County School District/County Office	1st/2nd Certification	Analysis of Key Indicators for Financial Difficulties								
		Deficit Spending ¹	Other Expenditures ²	Other Revenues ³	LCFF/Revenue Limit ⁴	ADA to Enrollment ⁵	Contributions ⁶	Reserves ⁷	Average Daily Attendance ⁸	Declining Enrollment ⁹
Santa Cruz County:										
48. Pajaro Valley Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
Shasta County:										
49. Shasta Union High	Q / P	✓	✓	✓	✓		✓	✓	✓	✓
Sierra County:										
50. Sierra-Plumas Jt. Unified	Q / P	✓	✓	✓	✓	✓	✓	✓		
Solano County:										
51. Dixon Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
52. Travis Unified	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	✓
53. Vallejo City Unified	Q / P	✓	✓	✓	✓	✓	✓		✓	✓
Sonoma County:										
54. West Sonoma Co. Union High	Q / P	✓	✓	✓	✓	✓	✓	✓	✓	
Tuolumne County:										
55. Jamestown Elem.	Q / P	✓	✓	✓	✓	✓		✓	✓	✓
Yolo County:										
56. Woodland Jt. Unified	Q / P	✓	✓	✓		✓		✓		✓

Legend: P=Positive Q=Qualified N=Negative

Appendix B (continued)

Nine key indicators for financial difficulties are as follows:

- ¹ Unrestricted deficit spending has exceeded the standard in any of the current or two subsequent fiscal years.
- ² 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.
- ³ 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.
- ⁴ Projected LCFF revenue for any of the current or two subsequent fiscal years has changed by more than two percent since budget adoption.
- ⁵ Projected second period (P-2) ADA to enrollment ratio for the current and two subsequent fiscal years is not consistent with historical ratios.
- ⁶ Contributions from unrestricted to restricted resources, or transfers to or from the General Fund to cover operating deficits, changed since budget adoption by more than \$20,000 and more than 5% for any of the current or two subsequent fiscal years.
- ⁷ Reserves (available reserves, e.g., reserve for economic uncertainties, unassigned/unappropriated amount) do not meet minimum requirements for the current and two subsequent fiscal years).
- ⁸ Funded ADA for any of the current or two subsequent fiscal years has changed by more than two percent since budget adoption.
- ⁹ Enrollment decreased in both the prior and current fiscal years.

Appendix C— Summary of Interim Audit Report Compliance Findings

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
STATE		
Attendance Requirements		
	ADA overstated by 0-5 ADA	19
	ADA overstated by 10-20 ADA	1
	ADA overstated by over 20 ADA	1
	ADA understated by 0-5 ADA	9
	ADA understated by 10-20 ADA	3
	ADA understated by 5-10 ADA	3
	Absences claimed for apportionment	1
	Attendance registers/Scantrons not signed by teachers	3
	Attendance report does not reconcile to supporting documentation	10
	Attendance report inaccurate/incomplete	20
	Excused absences—problems with verification procedures/documentation	1
	Excused/unexcused absences improperly recorded	1
	Lack of documentation/records	3
	Minimum day requirements not met	2
	Other finding	4
Apprenticeship: Related and Supplemental Instruction		
	Attendance report inaccurate/incomplete	1
Community Day Schools		
	Attendance report inaccurate/incomplete	2
Continuing Education		
	Attendance accounting deficiency	1

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
STATE		
Independent Study		
	Independent study attendance overstated	3
	Contract(s) did not include all required elements	1
	Work samples not maintained	2
	Work samples not signed and dated by teacher	1
Kindergarten		
	Continuance forms were not maintained and/or properly approved	6
	Kindergarten continuance form did not include required elements	1
Middle or Early College High Schools		
	Instructional time requirement not met	1
After School Education and Safety Program		
	Administrative costs exceeded 15% of state funding	1
	Lack of documentation/records	2
	LEA did not establish policy regarding reasonable early daily release of pupils	1
	Noncompliance with matching requirements	3
	Other finding	2
	Reported number of students served not supported by written records or did not reconcile to supporting documents	29
	Reported students served inconsistent with early release policy	5
California Clean Energy Jobs Act		
	Expenditure(s) made for non-qualifying purposes or not in accordance with law	1
	Financial report/claim not filed/not filed timely	4

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
STATE		
Classroom Teacher Salaries	District did not meet the current expense of education percentage required for payment of classroom teacher salaries	48
Determination of Funding for Nonclassroom-Based Instruction	Other finding	3
District of Choice	District did not adopt a resolution indicating the number of transfers it is willing to accept	1
	District did not register as a district of choice as required	1
Comprehensive School Safety Plan	District did not adopt or update its comprehensive school safety plan by March 1	32
	District did not have a comprehensive school safety plan and did not notify CDE by October 15	4
Education Protection Account	Funds not properly disbursed or expended as required by law	1
GANN Limit Calculation	Appropriations limit calculation deficiency	1

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
STATE		
Instructional Materials		
	Board resolution did not address sufficiency of textbooks/instructional materials	2
	Notice of public hearing deficiency	7
	Other Finding	1
	Public hearing on instructional materials not held or held after the required time period	27
Instructional Time		
	Instructional days requirements not met	1
	Instructional minutes requirements not met	4
	Lack of documentation/records	1
Local Control and Accountability Plan (LCAP)		
	LCAP not presented to the parent advisory committee	2
	LCAP not prepared	2
Mode of Instruction		
	ADA not generated in compliance with requirements	1
Other State Program		
	Financial report/claim not filed/not filed timely	1
	Lack of documentation/records	1
	Other finding	8
Ratio of Administrative Employees to Teachers		
	Number of administrators per hundred teachers exceeded the allowable ratio	4

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
STATE		
School Accountability Report Card (SARC)	District did not follow uniform complaint process	4
	Facility Inspection Tool not prepared or missing	5
	Other finding	4
	SARC information inconsistent with availability of sufficient textbooks and other instructional materials	3
	SARC information inconsistent with Facility Inspection Tool or local evaluation instrument	23
	School accountability report card not published	5
Teacher Certifications and Missassignments	Teacher did not possess a valid certification document (teaching credential)	2
Transportation Maintenance of Effort	Maintenance of effort requirement not met	20
Unduplicated Local Control Funding Formula Pupil Counts	English Learner students missing eligibility documentation	8
	Free and Reduced Price Meal and/or English Learner pupil counts overstated	43
	Free and Reduced Price Meal and/or English Learner pupil counts understated	10
	Free and Reduced Price Meal students and English Learner students missing eligibility documentation for at least one designation	8
	Free and Reduced Price Meal students missing eligibility documentation	20
TOTAL STATE FINDINGS		456

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
FEDERAL		
Child Nutrition Cluster		
	Eligibility	1
	Other finding	2
	Procurement, suspension, and debarment	1
	Special tests and provisions	1
Federal Pell Grant Program		
	Special tests and provisions	2
Federal Programs		
	Activities allowed or unallowed	1
	Procurement, suspension, and debarment	2
National School Lunch		
	Procurement, suspension, and debarment	1
Other Federal Programs		
	Other finding	1
Special Education Cluster		
	Other finding	1
	Procurement, suspension, and debarment	2
	Reporting	1

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
FEDERAL		
Title I Grants to LEAs		
	Eligibility	1
	Lack of documentation/records	2
	Matching, level of effort, earmarking	1
	Other finding	2
	Procurement, suspension, and debarment	1
	Special tests and provisions	1
Twenty-First Century Community Learning Centers		
	Reporting	1
TOTAL FEDERAL FINDINGS		25
TOTAL STATE AND FEDERAL FINDINGS¹		481

¹ Totals are based on data available as of May 5, 2021.

Appendix D— Summary of Interim Audit Report Deficiencies

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>FY 2018-19</i>	<i>FY 2019-20</i>
<u>Auditor’s Report on the Financial Statements</u>		
Auditor’s report did not identify the supplementary information, including the Schedule of Expenditures of Federal Awards.	29	6
Report did not include all of the elements in the required supplementary information (RSI) section.	13	3
Report did not refer to the RSI.	3	1
Report did not include a section with the heading “Other Matters.”	3	2
Auditor’s opinion did not state that the financial statements conform with accounting principles generally accepted in the United States of America.	2	1
Reference to a separate report on internal control over financial reporting and on compliance was not included.	2	6
Independent Auditor’s Report on the financial statements was not included.	1	1
Auditor’s report did not reference auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> .	1	1
Report did not include a paragraph describing the matter giving rise to the modified opinion.	1	0
Report did not include a section with the heading “Qualified Opinion,” “Adverse Opinion,” or “Disclaimer of Opinion.”	1	0
Qualified opinion due to material misstatement in financial statements: opinion paragraph was deficient.	1	0
Introductory paragraph of auditor’s report did not clearly identify financial statements covered by auditor’s opinion.	1	1
Auditor’s report did not include an opinion on supplementary information.	1	1
Report did not include a section with the heading “Opinion.”	1	1
Report did not include a statement that an audit includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management.	0	0

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>FY 2018-19</i>	<i>FY 2019-20</i>
<u>Auditor's Report on the Financial Statements (continued)</u>		
Report did not include a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	0	0
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	0
Report did not state that the audit evidence obtained is sufficient and appropriate for the auditor's opinion.	0	0
Report did not state that the responsibility of the auditor is to express an opinion on the financial statements based on the audit.	0	0
Disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence: opinion paragraph was deficient.	0	0
Disclaimer of opinion was issued, but the introductory paragraph did not include required information.	0	0
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	0	0
Report did not include a section with the heading "Auditor's Responsibility."	0	0
Report did not include a section with the heading "Management's Responsibility for the Financial Statements."	0	0
Report did not include a section with the heading "Other Reporting Required by Government Auditing Standards."	0	0
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 <i>Government Auditing Standards</i> .	0	0
Report did not state that management is responsible for the preparation of the financial statements in accordance with Generally Accepted Accounting Principles (GAAP).	0	0
Report did not state that the auditor obtained reasonable assurance about whether the financial statements are free from material misstatement.	0	0
Subtotal	60	24

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>FY 2018-19</i>	<i>FY 2019-20</i>
<u>Management's Discussion and Analysis</u>		
Management's Discussion and Analysis not included.	3	2
Management's Discussion and Analysis was included and the Independent Auditor's Report did not include an explanatory paragraph.	1	1
	<u>4</u>	<u>3</u>
<u>Basic Financial Statements</u>		
Governmental entity: Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities was not presented properly.	11	5
Not-for-profit entity: Statement of Activities was not presented properly.	9	14
Not-for-profit entity: Statement of Financial Position was not presented properly.	8	4
Governmental entity: Statement of Changes in Fiduciary Net Position – Fiduciary Funds was not presented properly.	5	2
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds was not presented properly.	5	10
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position was not presented properly.	3	1
Governmental entity: Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds was not presented properly.	3	1
Not-for-profit entity: Statement of Cash Flows was not presented properly.	2	2
Governmental entity: Statement of Fiduciary Net Position – Fiduciary Funds was not presented properly.	2	2
Governmental entity: Statement of Cash Flows – Proprietary Funds was not presented properly.	1	1
Governmental entity: Statement of Net Position was not presented properly.	0	1
Governmental entity: Statement of Activities was not presented properly.	0	0
Governmental entity: Statement of Fund Net Position – Proprietary Funds was not presented properly.	0	0
Subtotal	<u>49</u>	<u>43</u>

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>FY 2018-19</i>	<i>FY 2019-20</i>
<u>Notes to the Financial Statements</u>		
Not-for-profit entity: Summary of significant accounting policies did not include description of the financial statements presentation and basis of accounting.	84	1
Governmental entity: Other Postemployment Benefits (OPEB) note did not include the OPEB plan description.	18	6
Governmental entity: OPEB note did not disclose the OPEB plan's fiduciary net position information.	16	2
Governmental entity: 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.	10	15
Not-for-profit entity: Notes did not include adequate disclosure of debt and other liabilities.	8	5
Governmental entity: OPEB note did not include the discount rate information.	7	0
Not-for-profit entity: Notes did not include adequate disclosure of related-party transactions and common control.	5	2
Not-for-profit entity: Notes did not include description of net assets and information about the nature and amounts of different types of permanent restrictions or temporary restrictions.	4	0
Governmental entity: OPEB note did not include a schedule of changes in the OPEB liability.	4	1
Governmental entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	4	0
Governmental entity: OPEB note did not properly disclose the employer's OPEB liabilities for the period associated with defined benefit OPEB liabilities to employees.	3	3
Governmental entity: Summary of significant accounting policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary funds.	2	1
Governmental entity: Material prior period restatements or adjustments were not adequately disclosed.	2	9
Governmental entity: Pension obligations disclosures not included.	2	0
Not-for-profit entity: Notes did not include the summary of significant accounting policies.	2	0

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>FY 2018-19</i>	<i>FY 2019-20</i>
<u>Notes to the Financial Statements (continued)</u>		
Governmental entity: Notes did not disclose deficit fund balances or net position of individual funds, not apparent on the face of the financial statements.	2	0
Governmental entity: Nature of the primary government's accountability for related organizations and joint ventures was not included.	1	0
Governmental entity: OPEB plan disclosures not included.	1	1
Governmental entity: Early retirement note did not include all the required disclosures.	1	0
Governmental entity: OPEB note did not include significant assumptions disclosure.	1	0
Not-for-profit entity: Notes did not include adequate disclosure of pension benefits.	1	1
Governmental entity: Early retirement note was not included.	1	0
Governmental entity: 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.	1	0
Not-for-profit entity: Notes did not include description of the nature of the entity's activities.	1	0
Not-for-profit entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	0	3
Governmental entity: Notes did not include the summary of significant accounting policies.	0	0
Subtotal	181	50
<u>Required Supplementary Information</u>		
Schedule of the entity's defined benefit OPEB plan contribution was not included.	49	15
Schedule of the entity's OPEB liability, changes in the net OPEB liability, or entity's proportionate share of the net OPEB liability was not included.	6	1
Schedule of the entity's proportionate share and schedule of contributions for each pension plan was not included.	4	0

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>FY 2018-19</i>	<i>FY 2019-20</i>
<u>Required Supplementary Information (continued)</u>		
Schedule of budgetary comparison data for general fund and major special revenue fund(s) were not included as RSI.	1	1
Schedule of budgetary comparison data was not shown by object.	1	0
Subtotal	61	17
<u>Supplementary Information Section</u>		
Schedule of Charter Schools was deficient.	28	20
Schedule of Instructional Time did not contain all the required information.	26	11
A note to the instructional time schedule that states whether the district participated in Longer Day incentives and whether the district met or exceeded its Local Control Funding Formula target funding was not included.	17	0
Local Education Agency Organization Structure description was deficient.	12	19
Schedule of Average Daily Attendance was deficient.	8	3
Schedule of Average Daily Attendance for charter school did not include total ADA and the ADA generated through classroom-based instruction by grade span, as appropriate.	7	6
Schedule of Financial Trends and Analysis was not included; or schedule was deficient.	6	1
Schedule of Charter Schools was not included.	5	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.	3	6
Schedule of Average Daily Attendance did not display final ADA after audit finding adjustment(s).	3	6
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	3	1
Schedule of Instructional Time was not included.	3	2

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>FY 2018-19</i>	<i>FY 2019-20</i>
<u>Supplementary Information Section (continued)</u>		
Schedule of Instructional Time did not state whether the district complied with the instructional minutes and days provisions.	3	3
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.	1	1
Schedule of Instructional Time indicates noncompliance, but a finding was not included in the audit report.	1	1
Schedule of Average Daily Attendance was not included.	1	1
Local Education Agency Organization Structure description was not included.	0	4
Subtotal	127	93
<u>Schedule of Expenditures of Federal Awards</u>		
Schedule of Expenditures of Federal Awards was deficient.	3	11
Note to the Schedule of Expenditures of Federal Awards was not included or was deficient.	3	0
Subtotal	6	11
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters</u>		
Report on internal control over financial reporting was deficient.	13	327
Report on compliance and other matters did not include a statement regarding test results.	7	1
Report did not state that audit was conducted in accordance with auditing standards generally accepted in the United States of America and <i>Government Auditing Standards</i> .	6	3
Description of the nature of modified opinion on the financial statements was not properly disclosed on the report.	4	2
Report on Internal Control over Financial Reporting and on Compliance and Other Matters (per <i>Government Auditing Standards</i>) was not included.	3	0
Report on internal control and compliance (per <i>Government Auditing Standards</i>) did not include an alert paragraph describing the purpose of the auditor's report.	1	0

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>FY 2018-19</i>	<i>FY 2019-20</i>
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (continued)</u>		
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	1	285
Report on compliance and other matters was deficient.	1	0
Subtotal	36	618
<u>Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by Uniform Guidance</u>		
Report on compliance for each major federal program and on internal control over compliance was deficient.	5	2
Report on internal control over compliance was deficient.	2	0
Significant deficiencies in internal control over compliance were not properly disclosed in the report.	1	0
Report on compliance for each major federal program and on internal control over compliance did not include an alert paragraph describing the purpose of the auditor's report.	1	0
Report on compliance for each major federal program and on internal control over compliance was not included.	1	3
Material weaknesses in internal control over compliance were not properly disclosed in the report.	0	0
Noncompliance that did not result in an opinion modification was not disclosed in the report.	0	0
Report on compliance for each major federal program did not include an opinion on whether the entity complied, in all material respects, with the applicable compliance requirements.	0	0
Subtotal	10	5
<u>State Compliance Report</u>		
Independent Auditor's Report on State Compliance was deficient.	46	17
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.	5	7
Independent Auditor's Report on State Compliance was not included.	1	1
Subtotal	52	25

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>FY 2018-19</i>	<i>FY 2019-20</i>
<u>Findings and Recommendation Section</u>		
State Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	90	23
Audit finding was not coded with the correct five-digit number.	12	6
State compliance finding did not include a statement (which may include questioned costs) consistent with its basis of funding, for any inappropriately reported claim.	11	6
Schedule of Prior Audit Findings was not included.	11	13
Attendance Finding: ADA inappropriately reported for apportionment and an estimate of its dollar value was not included.	11	3
Federal Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	10	1
Summary of Auditor's Results was deficient.	9	4
Schedule of Findings and Questioned Costs was not included.	9	9
Financial statement finding did not include the criteria.	7	0
Financial statement finding did not include the cause.	6	0
Financial statement finding did not include the effect or potential effect.	4	1
Auditee's corrective action plan to eliminate noncompliance was not included.	4	1
Sufficient information for judging the prevalence and consequences of noncompliance was not included.	2	0
Summary of Auditor's Results was not included.	1	0
Financial statement finding did not include the condition.	1	0
Federal Program Finding(s): Questioned costs and/or how they were calculated not included.	1	0
Financial statement finding did not include the views of responsible officials and planned corrective actions.	0	0
Financial statement finding did not include the recommendation.	0	0
Subtotal	189	67

Appendix D (continued)

<i>Description</i>	<i>Number of Deficiencies</i>	
	<i>FY 2018-19</i>	<i>FY 2019-20</i>
<u>Other</u>		
Auditor's reports did not include a manual or printed signature of the auditor's firm and date of the report.	8	26
Subtotal	8	26
Total number of deficiencies	783	982

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250**

www.sco.ca.gov