

ANNUAL FINANCIAL REPORT ON CALIFORNIA K-12 SCHOOLS

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

For the Period of July 1, 2021, through June 30, 2022



MALIA M. COHEN
California State Controller

June 2023



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

June 30, 2023

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 Annual Financial Report on California K-12 Schools for fiscal year (FY) 2021-22.

The report summarizes the financial and program compliance status of the state's school districts, county offices of education, and charter schools for FY 2021-22, unless otherwise specified. For FY 2021-22, there were a total of 2,276 local education agencies (LEAs), including 940 school districts, 58 county offices of education, and 1,278 charter schools.

For FY 2021-22, California LEA revenues exceeded expenditures by \$5.03 billion. The number of LEAs engaged in multi-year deficit spending decreased from 29 to 18. The number of school districts and county offices of education filing negative or qualified first- or second-interim certifications for FY 2022-23 decreased from 32 to 16. Negative or qualified certifications were filed as a result of deficit spending, changes in contributions, or projected changes in operating expenditures, operating revenues, and Local Control Funding Formula revenue.

State and federal compliance findings noted in the independent auditors' reports on LEAs increased from the prior year. Auditors reported 1,163 compliance findings in FY 2021-22, a 97 percent increase from the 589 reported in FY 2020-21. Eighteen percent of the compliance findings were related to deficiencies in attendance, which is the primary basis for the allocation of state funding. In addition, auditors reported 141 audit findings pertaining to Independent Study programs, and 112 audit findings pertaining to the Expanded Learning Opportunities Grant program.

Please direct any comments regarding the content of the report to Acting Chief Operating Officer KC Mohseni at (916) 698-9271.

Sincerely,

Original signed by

Malia M. Cohen



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

June 30, 2023

California State Senate
Erika Contreras, Secretary of the Senate
State Capitol, Room 305
Sacramento, CA 95814

California State Assembly
Sue Parker, Chief Clerk
State Capitol, Room 3196
Sacramento, CA 95814

Dear Senators and Assembly Members:

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The report summarizes the financial and program compliance status of the state's school districts, county offices of education, and charter schools for FY 2021-22, unless otherwise specified. For FY 2021-22, there were a total of 2,276 local education agencies (LEAs), including 940 school districts, 58 county offices of education, and 1,278 charter schools.

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California State Senate
California State Assembly
June 30, 2023
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Executive Summary

The State Controller's Office (SCO) has broad authority to oversee state and federal funding of California's public schools from kindergarten through the 12th grade (K-12). SCO's goal is to promote greater fiscal accountability for local education agencies (LEAs)—including 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.

For fiscal year (FY) 2021-22, there were a total of 2,276 LEAs, including 940 school districts, 58 COEs, and 1,278 charter schools. Some of the LEAs, primarily charter schools, were combined for reporting purposes, resulting in 1,985 required LEA reports.

Most of the information used to prepare this report is compiled from annual audit reports prepared for individual LEAs by independent certified public accountants (CPAs) for FY 2021-22. Additional data was taken from interim financial report certifications submitted by LEAs for FY 2022-23. Information related to the emergency loan apportionments was obtained from various sources, including the California Infrastructure and Economic Development Bank (I-Bank).

This FY 2021-22 report contains the following key findings:

- A total of 18 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 32 to 16. In the second reporting period of FY 2022-23, 10 LEAs filed qualified interim financial reports and three LEAs filed negative interim financial reports. Financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt decreased by \$3.27 billion to a total of \$11.28 billion, a 22 percent decrease from the \$14.55 billion issued in the prior year. In general, LEAs issue debt to fund capital improvements, refinance existing debt, or buy land for future use.
- State and federal compliance findings noted in the independent auditor's reports on LEAs increased from the prior year. Auditors

reported 1,088 compliance findings in FY 2021-22, a 97 percent increase from the 589 reported in FY 2020-21.

- Approximately 18 percent of the compliance findings for FY 2021-22 are related to deficiencies in attendance records. Attendance is the primary factor in determining the amount of funding that an LEA receives from the State. In FY 2020-21, audit findings in this category accounted for 17 percent of all reported state and federal compliance audit findings.
- The LEAs' annual audit reports disclosed 141 audit findings pertaining to Independent Study program compliance requirements. In FY 2020-21, independent auditors reported three findings in this category.
- The audit reports also disclosed 112 audit findings pertaining to the Expanded Learning Opportunities Grant (ELO-G) program, which became subject to annual audits in FY 2021-22. ELO-G audit findings accounted for 10 percent of all compliance findings reported in FY 2021-22.
- SCO rejected 891 of the LEAs' annual audit reports, an increase of 304 from 587 in FY 2020-21. SCO also identified 2,392 reporting deficiencies in the reports, an increase of 975 from 1,417 in FY 2020-21.

Introduction

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

SCO is also responsible for financial oversight of LEAs. Beginning with FY 2005-06, Education Code (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 must 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 or designating a CPA firm to conduct 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 Department of Finance, the State Department of Education, and 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.

² EC section 14501 provides that compliance audits are conducted to determine whether state and federal program funds have been properly disbursed and expended as required by laws and regulations.

Financial Indicators

Overview

The 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 2022-23.

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 SCO and the SSPI.

The number of LEAs that filed qualified or negative certifications decreased

For FY 2022-23, a total of nine of the 998 LEAs required to file interim reports filed a qualified or negative certification for the first-period interim report (seven were qualified and two were negative). Of these nine LEAs, three filed a qualified second-period interim report, three filed a negative second-period interim report, and three LEAs were able to take corrective action. However, seven other LEAs that had filed a positive first-interim certification subsequently filed qualified second-period interim reports, resulting in a total of 10 qualified and three negative certifications for the second-interim reporting period (see Figure 1). Thus, 16 LEAs reported qualified or negative certifications for at least one of the two periods (see Appendix A), and four 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 16 qualified or negative certifications (see Appendix B) were:

- Changes in projected operating expenditures: 16 LEAs (100 percent);
- Deficit spending: 15 LEAs (94 percent);
- Changes in projected operating revenues: 15 LEAs (94 percent);
- Changes in contributions from unrestricted to restricted sources, or transfers to or from the General Fund to cover operating deficits: 13 LEAs (81 percent); and
- Changes in projected Local Control Funding Formula revenue: 13 LEAs (81 percent).

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

Figure 1

Second-Period Interim Report Certifications*					
Five-Year History by Fiscal Year					
Certification	2018-19	2019-20	2020-21	2021-22	2022-23
Positive	970	958	985	980	985
Qualified	26	40	15	17	10
Negative	6	4	2	4	3
Totals	1,002	1,002	1,002	1,001	998

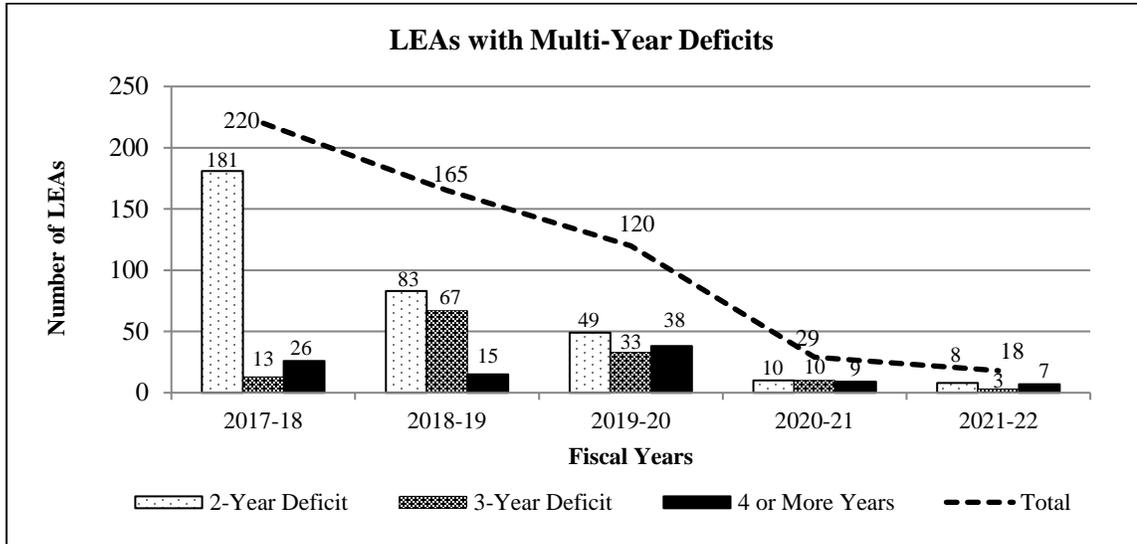
*See Appendixes A and B

Deficit Spending

For FY 2021-22, the overall number of LEAs relying on multi-year deficit spending decreased from 29 to 18 (see Figure 2). Deficit spending patterns are monitored closely by COEs and CDE to determine whether LEAs are facing serious financial problems.

LEA multi-year deficit spending decreased

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 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 Inglewood USD, through CDE, to request cash flow loans up to \$55 million from the General Fund. The total loan balance is \$19.6 million as of June 30, 2023.

Annual payment on the initial emergency loan for Inglewood 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, 2023, the outstanding General Fund loan balances for Oakland USD, Vallejo City USD, and Inglewood USD ranged from \$2.7 million to \$19.6 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, 2023, the outstanding lease revenue bond balances ranged from \$3.3 million to \$7.0 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 USD	100.0	6.1	June 29, 2026	59.6	5.2	August 15, 2023
2003-04	Vallejo City USD	60.0	2.7	August 14, 2024	21.2	3.3	August 15, 2024
2009-10	South Monterey County JUHSD ³	2.0	—	April 14, 2010	14.4	7.0	August 15, 2029
2012-13	Inglewood USD	29.0	19.6	November 1, 2034	—	—	—

¹ General Fund school loans balance information was obtained from the SCO, Local Government Programs and Services Division

² Lease revenue bonds information was obtained from I-Bank.

³ King City JUHSD was renamed South Monterey County JUHSD effective July 1, 2011.

General Fund Revenues and Expenditures

For FY 2021-22, LEA General Fund revenues exceeded expenditures by \$5.03 billion (see Figure 4).

Figure 4

LEA General Fund Revenues and Expenditures by Fiscal Year (in billions)					
Fiscal Year	2017-18	2018-19	2019-20	2020-21	2021-22
Revenues	\$ 77.97	\$ 85.40	\$ 84.29	\$ 85.59	\$ 88.43
Expenditures	(77.04)	(83.22)	(82.72)	(78.32)	(83.40)
Surplus/(Deficit)	\$ 0.93	\$ 2.18	\$ 1.57	\$ 7.27	\$ 5.03

The fund balance or surplus for all LEAs combined totaled \$29.25 billion at the end of FY 2021-22, an increase of \$3.3 billion from the prior year’s total of \$25.95 billion. Federal revenues increased by \$280 million from the prior fiscal year (\$10.07 billion in FY 2021-22, compared to \$9.79 billion in FY 2020-21). 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 average daily attendance (ADA).

Debt Issuance

In general, 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.

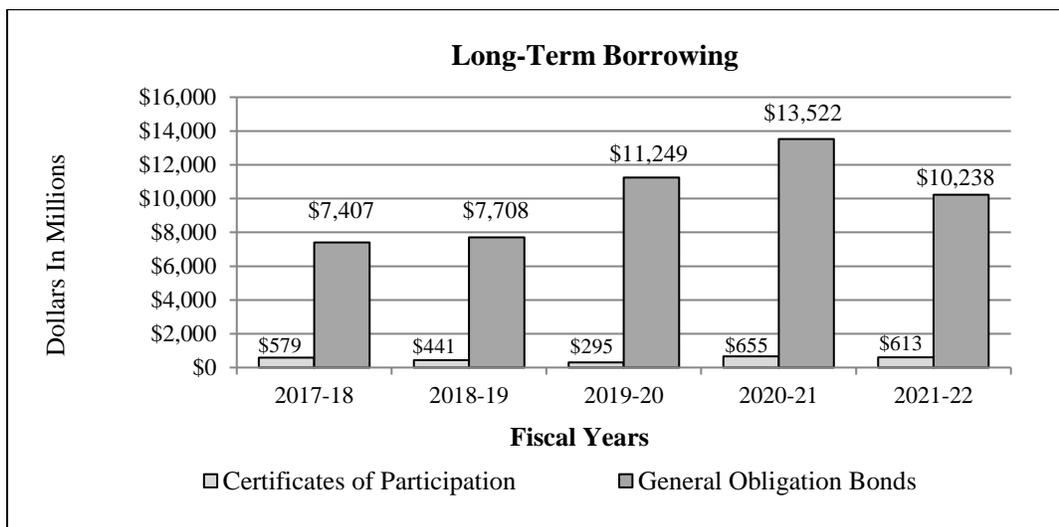
LEA debt issuance decreased

During FY 2021-22, LEAs issued \$11.28 billion in debt, a decrease of \$3.27 billion (22 percent) from the \$14.55 billion issued in the prior year. In FY 2021-22, the total number of LEAs that issued debt decreased by nine percent from the prior fiscal year. LEAs issued the following types of debt:

- **General Obligation Bonds (\$10.24 billion, or 91 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 (\$613 million, or five 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 (\$315 million, or three 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 (\$112 million, or one percent)**—Debt instruments that do not fall into any of the categories listed above.

LEAs issued \$10.85 billion in Certificates of Participation and General Obligation Bonds during FY 2021-22, a decrease of \$3.33 billion (23 percent) from the \$14.18 billion issued in the prior fiscal year (see Figure 5).

Figure 5



LEA financing through Certificates of Participation decreased by \$42 million, and financing through General Obligation Bonds decreased by \$3.28 billion from the prior year.

In FY 2021-22, General Obligation Bonds accounted for 91 percent of LEA debt issuance, a decrease of two percent from the prior year; and Certificates of Participation accounted for five percent of LEA debt issuance, a one percent increase from the prior year.

Lottery Revenues

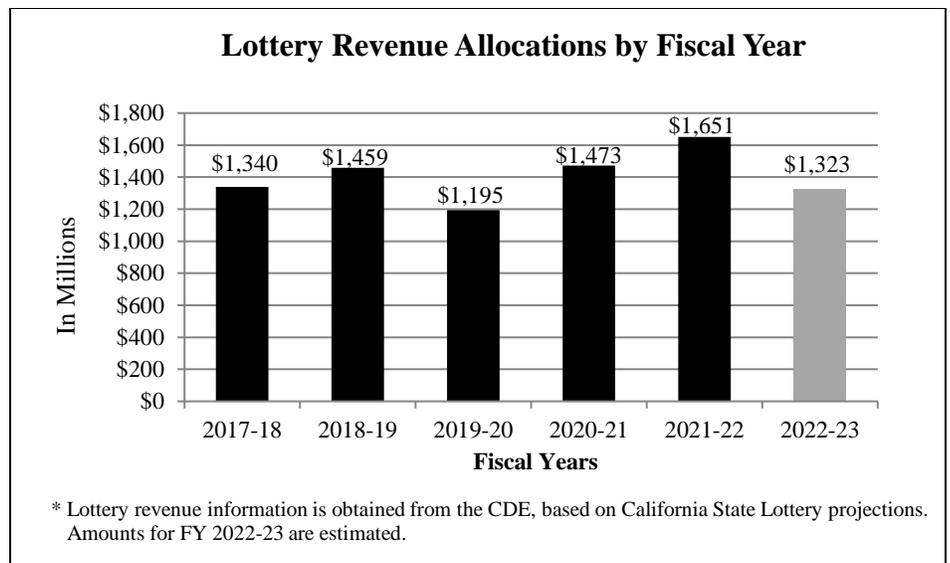
The California State Lottery Act of 1984 (Lottery Act) was enacted to provide supplemental funding to public schools and colleges in California. Revenues from lottery ticket sales are allocated based on percentages specified in the Lottery Act; it requires that no less than 87 percent of total annual revenues be returned to the public as prizes or net revenues to public education, and no more than 13 percent be allocated to administrative expenses. The Lottery Act requires the California Lottery Commission to determine the percentage of total annual revenues that is to be allocated to prizes—but specifies that it must be no less than 50 percent—and the percentage of total annual revenues that is to be allocated to public education.

The amount of lottery revenue distributed to each district is 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 decrease

Lottery revenue distributed to LEAs is projected to decrease by 19.87 percent, from \$1.65 billion in FY 2021-22 to an estimated \$1.32 billion in FY 2022-23 (see 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.

State and federal compliance findings noted in the independent auditors' reports on LEAs increased from the prior year. Auditors reported 1,163 compliance findings in FY 2021-22, a 97 percent increase from the 589 reported in FY 2020-21 (see Appendix C).

Some of the issues 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 1,163 compliance findings, 1,088 (94 percent) pertained to state programs and requirements, and 75 (six percent) pertained to federal programs and requirements (see Figure 7).

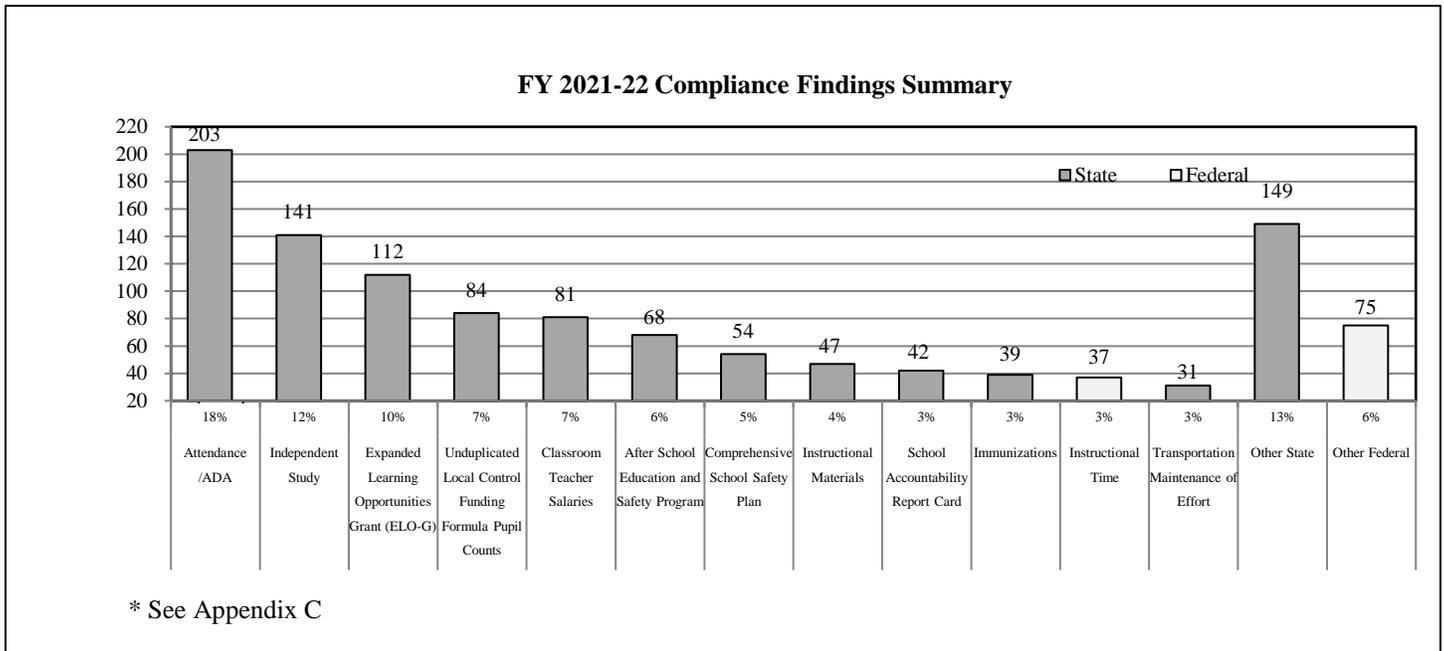
Attendance-related audit findings accounted for 18 percent of all compliance findings in FY 2021-22. The LEA audit reports disclosed 203 attendance-related findings. The majority of the attendance findings (180, or 89 percent) were related to the following issues:

- ADA was misstated;
- Attendance register forms were not signed by teachers; and
- Attendance reports were inaccurate and/or incomplete.

There were 141 findings pertaining to Independent Study programs. The majority of the findings (75 findings, or 53 percent) were related to independent study contracts not including all required elements.

The audit reports also disclosed 112 audit findings pertaining to the ELO-G program, which accounted for 10 percent of all compliance findings. The majority of ELO-G audit findings pertained to LEAs not submitting their ELO-G plans, or not submitting them in a timely manner (90 audit findings, or 80 percent).

Figure 7



County Offices of Education Audit Resolution Processes

EC section 41020(n) provides that SCO 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 SCO of the results.

During FY 2022-23, SCO performed reviews of five COEs and found that all five COEs followed their audit resolution processes for FY 2018-19, FY 2019-20, and FY 2020-21.

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 2021-22, SCO accepted 52 percent of the audit reports submitted; the remaining 48 percent were rejected upon initial review. EC section 14505 provides that LEAs withhold 10 percent of the audit fee until SCO 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 increased

Upon initial review, SCO certified 974 (52 percent) of the 1,865 audit reports submitted by LEAs for FY 2021-22. The number of rejected reports increased by 304, from 587 in the prior year to 891 in the current year (see Figure 8).

Figure 8

Number and Percent of Rejected LEA Audit Reports			
Fiscal Year	Reports Submitted	Reports Rejected	Percent Rejected
2017-18	1,926	596	31%
2018-19	1,951	464	24%
2019-20	1,892	214	11%
2020-21	1,930	587	30%
2021-22	1,865	891	48%

Reporting Deficiencies

In FY 2021-22, SCO identified 2,392 reporting deficiencies (see Appendix D) in the independent auditors' reports on LEAs, an increase of 975 from the prior year (see Figure 9).

Reporting deficiencies increased

Figure 9

	Fiscal Years	
	2020-21	2021-22
Auditor's Report on the Financial Statements	106	172
Management's Discussion and Analysis	1	11
Basic Financial Statements	26	38
Notes to the Financial Statements	55	65
Required Supplementary Information	34	42
Supplementary Information Section	142	169
Schedule of Expenditures of Federal Awards	48	64
Government Auditing Standards Report	501	192
Single Audit Report	53	206
State Compliance Report	299	1,229
Findings and Recommendations Section	141	202
Other	11	2
Total Number of Reporting Deficiencies	1,417	2,392

*See Appendix D

The State Compliance Report, the Single Audit Report, and the Auditor's Report on the Financial Statements of the independent audit reports on LEAs show the largest increases in the number of reporting deficiencies.

On-time Submissions

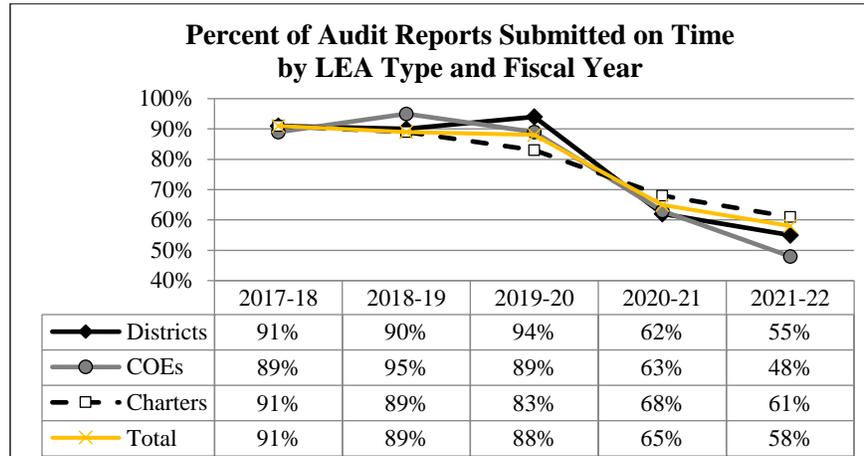
Annual audit reports submitted on time decreased

In general, audit reports for the preceding fiscal year must be filed with SCO, CDE, and the county superintendent of schools by December 15 of each year. Filing deadline extensions may be granted, but only under extraordinary circumstances.

Due to the COVID-19 pandemic, all California LEAs received automatic filing deadline extensions for their FY 2019-20 and FY 2020-21 annual audit reports. FY 2019-20 audit reports were due on March 31, 2021, per EC section 41020.9(b); and FY 2020-21 audit reports were due on January 31, 2022, per EC section 41020(h)(2).

For FY 2021-22, there were 2,276 LEAs. Some LEAs, primarily charter schools, were combined for reporting purposes, resulting in 1,985 required LEA reports. A total of 1,145, or 58 percent, of the required reports were received by the December 15, 2022, deadline. The percentage of annual audit reports submitted by school districts, COEs, and charter schools by the deadline decreased from the prior year (see Figure 10).

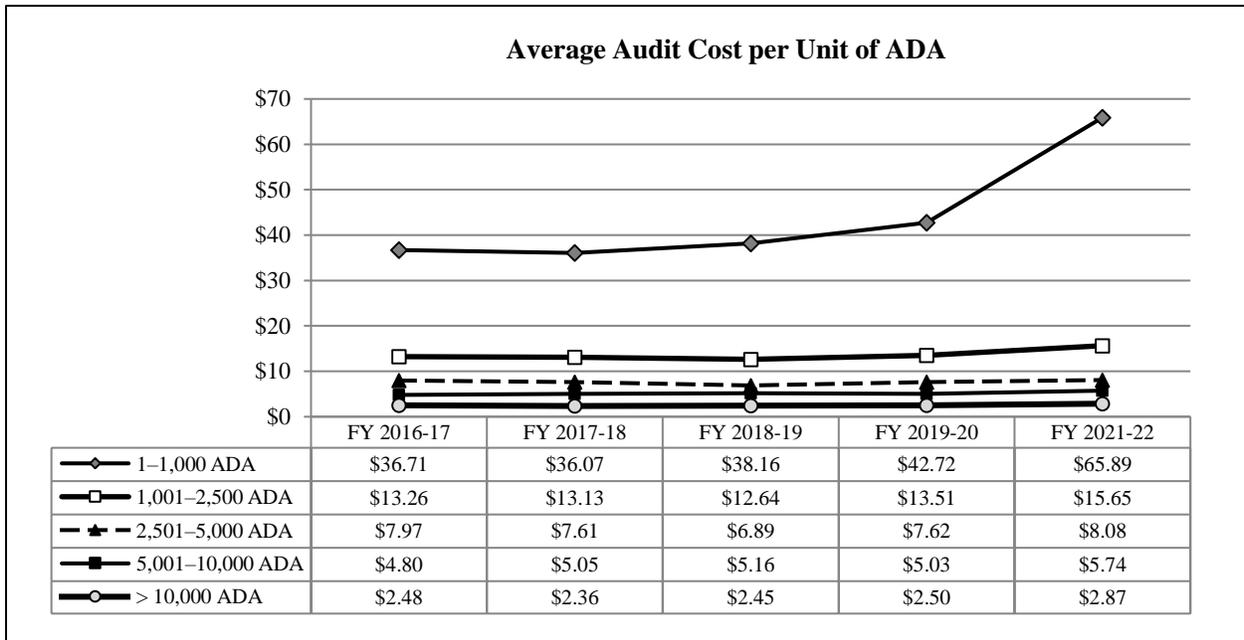
Figure 10



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. COEs provided FY 2021-22 audit contract information for 78 percent (1,577 of 2,011) and FY 2020-21 audit contract information for 15 percent (300 of 2,000) of the COEs and LEAs. Based on information received, audit costs for FY 2021-22 totaled \$44.4 million, an increase of \$16.4 million, or 59 percent, from total audit costs of \$28 million for FY 2020-21. In FY 2020-21, LEAs were not required to report ADA information; therefore, Figure 11 does not include FY 2020-21 data.

Figure 11



Quality Control Reviews

EC section 14504.2 expanded SCO’s quality control review function to include LEAs that have received negative interim report certifications and school districts with going concern issues, 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 Government Auditing Standards;
- Generally Accepted Auditing Standards;
- K-12 Audit Guide;
- Title 2, Code of Federal Regulations, Part 200 (Uniform Guidance); and
- 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 2022-23, SCO issued four quality control review reports related to LEAs. The quality control reviews found deficiencies in the following areas:

Generally Accepted Auditing Standards Requirements

- Audit working papers were not assembled in a timely manner; and
- Documentation for required K-12 audit procedures was not included in the audit file in a timely manner.

State Compliance

- Required state compliance procedures were not performed.

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	2021-22 Average Daily Attendance	2022-23 Interim Report		2021-22 Interim Report Second
				First	Second	
Alameda County						
1. Hayward Unified	N/A	N/A	15,503	P	P	Q
2. Oakland Unified	N/A	N/A	29,379	Q	Q	Q
3. Piedmont City Unified	N/A	N/A	2,258	P	Q	P
4. San Lorenzo Unified	N/A	N/A	7,779	P	P	Q
Butte County						
5. Bangor Union Elem.	N/A	N/A	83	P	P	Q
Calaveras County						
6. Calaveras Unified	N/A	N/A	N/A	P	Q	P
Contra Costa County						
7. Byron Union Elem.	N/A	N/A	1,161	Q	Q	P
8. West Contra Costa Unified	N/A	N/A	23,503	P	Q	N
Fresno County						
9. Pine Ridge Elem.	N/A	N/A	77	Q	P	P
Humboldt County						
10. Loleta Union Elem.	N/A	N/A	101	P	P	N
Los Angeles County						
11. Eastside Union Elem.	N/A	N/A	2,719	P	P	Q
12. Gorman Jt.	N/A	N/A	56	P	P	Q
13. Lynwood Unified	N/A	N/A	N/A	P	P	Q
14. San Antonio Regional Occupational Program	N/A	N/A	N/A	P	Q	P
15. San Gabriel Valley Regional Occupational Program	N/A	N/A	0	Q	P	Q
Marin County						
16. Sausalito Marin City Elem.	N/A	N/A	315	P	P	Q
Mendocino County						
17. Round Valley Unified	N/A	N/A	341	P	Q	P
Placer County						
18. Auburn Union Elem.	N/A	N/A	2,863	P	P	P ¹

Appendix A (continued)

County School District/County Office	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2021-22 Average Daily Attendance	2022-23 Interim Report		2021-22 Interim Report Second
				First	Second	
Sacramento County						
19. Elverta Jt. Elem.	N/A	N/A	228	P	P	Q ¹
20. Sacramento City Unified	N/A	N/A	34,177	P	P	N ¹
San Diego County						
21. Oceanside Unified	N/A	N/A	14,660	P	P	Q
22. San Marcos Unified	N/A	N/A	18,108	P	P	Q
San Mateo County						
23. Cabrillo Unified	N/A	N/A	2,592	Q	Q	P
Siskiyou County						
24. Happy Camp Union Elem.	N/A	N/A	N/A	Q	N	P
25. Junction Elem.	N/A	N/A	N/A	N	N	P
26. Montague Elem.	N/A	N/A	N/A	P	P	Q
27. Weed Union Elem.	N/A	N/A	N/A	P	P	N
Solano County						
28. Vallejo City Unified	N/A	N/A	8,545	P	P	Q
Sonoma County						
29. Cotati-Rohnert Park Unified	N/A	N/A	5,184	P	P	Q
30. Oak Grove Union Elem.	N/A	N/A	759	P	Q	P
31. Old Adobe Union Elem.	N/A	N/A	1,656	P	P	Q
32. Santa Rosa City Schools	N/A	N/A	13,518	Q	P	P
Tulare County						
33. Ducor Union Elem.	N/A	N/A	114	P	Q ¹	P
Ventura County						
34. Ojai Unified	N/A	N/A	2,047	N ¹	N	Q ¹

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

Analysis of Key Indicators for Financial Difficulties

County	1st/2nd Certification	Other Expenditures ¹	Deficit Spending ²	Other Revenues ³	Contributions ⁴	Local Control Funding Formula Revenue ⁵	Salaries and Benefits ⁶	Reserves ⁷	Declining Enrollment ⁸	Average Daily Attendance ⁹
Alameda County:										
1. Oakland Unified	Q / Q	✓	✓	✓	✓	✓	✓		✓	✓
2. Piedmont City Unified	P / Q	✓	✓		✓			✓	✓	
Calaveras County:										
3. Calaveras Unified	P / Q	✓	✓	✓	✓	✓	✓	✓	✓	
Contra Costa County:										
4. Byron Union Elem.	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
5. West Contra Costa Unified	P / Q	✓		✓	✓	✓	✓		✓	
Fresno County:										
6. Pine Ridge Elem.	Q / P	✓	✓	✓	✓	✓	✓	✓		
Los Angeles County:										
7. San Antonio Regional Occupational Program	P / Q	✓	✓	✓			✓	✓		
8. San Gabriel Valley Regional Occupational Program	Q / P	✓	✓	✓			✓			
Mendocino County:										
9. Round Valley Unified	P / Q	✓	✓	✓	✓	✓	✓	✓		
San Mateo County:										
10. Cabrillo Unified	Q / Q	✓	✓	✓	✓	✓		✓	✓	✓
Siskiyou County:										
11. Happy Camp Union Elem.	Q / N	✓	✓	✓	✓	✓	✓	✓		✓
12. Junction Elem.	N / N	✓	✓	✓		✓	✓	✓		✓

Appendix B (continued)

Analysis of Key Indicators for Financial Difficulties

County	<u>1st/2nd</u>	Other	Deficit	Other	Contributions ⁴	Local Control Funding Formula Revenue ⁵	Salaries and Benefits ⁶	Reserves ⁷	Declining Enrollment ⁸	Average Daily Attendance ⁹
<u>School District/County Office</u>	<u>Certification</u>	Expenditures ¹	Spending ²	Revenues ³						
Sonoma County:										
13. Oak Grove Union Elem.	P / Q	✓	✓	✓	✓	✓		✓	✓	✓
14. Santa Rosa City Schools	Q / P	✓	✓	✓	✓	✓	✓		✓	
Tulare County:										
15. Ducor Union Elem.	P / Q	✓	✓	✓	✓	✓	✓			✓
Ventura County:										
16. Ojai Unified	N / N	✓	✓	✓	✓	✓			✓	✓

Legend: P=Positive Q=Qualified N=Negative

- ¹ Projected operating expenditures (e.g., books and supplies) for the current and two subsequent fiscal years changed by more than five percent since budget adoption or first interim.
- ² Unrestricted deficit spending has exceeded the standard in any of the current or two subsequent fiscal years.
- ³ Projected operating revenues (e.g., federal, other state, other local) for the current and two subsequent fiscal years changed by more than five percent since budget adoption or first interim.
- ⁴ 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 five percent for any of the current or two subsequent fiscal years.
- ⁵ Projected Local Control Funding Formula revenue for any of the current or two subsequent fiscal years has changed by more than two percent since budget adoption.
- ⁶ The projected ratio of total unrestricted salaries and benefits to total unrestricted general fund expenditures has not changed by more than the standard for the current and two subsequent fiscal years.
- ⁷ Available reserves (e.g., reserve for economic uncertainties, unassigned/unappropriated amounts) do not meet minimum requirements for the current and two subsequent fiscal years.
- ⁸ Projected enrollment for any of the current or two subsequent fiscal years has not changed by more than two percent since budget adoption.
- ⁹ Funded average daily attendance for any of the current or two subsequent fiscal years has changed by more than two percent since budget adoption.

Appendix C— Summary of Audit Report Compliance Findings

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
STATE		
Average Daily Attendance (ADA)		
	ADA overstated by 0-5 ADA	49
	ADA overstated by 5-10 ADA	6
	ADA overstated by 10-20 ADA	7
	ADA overstated by over 20 ADA	11
	ADA understated by 0-5 ADA	19
	ADA understated by 5-10 ADA	4
	ADA understated by 10-20 ADA	4
	ADA understated by over 20 ADA	7
Attendance		
	Absences were claimed for apportionment	2
	Attendance accounting system not approved by the California Department of Education	1
	Attendance registers/forms not signed by teachers	13
	Attendance report does not reconcile to supporting documentation	15
	Attendance report inaccurate/incomplete	45
	Excused/unexcused absences improperly recorded	2
	Incorrect application of positive/negative attendance accounting	2
	Incorrect reporting of attendance on staff development day	1
	Lack of documentation/records	8
	Minimum day requirements not met	3
	Other finding	4
Continuation Education		
	Attendance accounting deficiency	2
	Other finding	1
Independence Study		
	Attendance overstated	32
	Contract(s) did not include all required elements	75
	Other finding	27
	Ratio of pupils to teachers exceeded maximum allowable	2
	Work samples not maintained	3
	Work samples not signed and dated by teacher	2

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
<i>STATE (continued)</i>		
Juvenile Court Schools	Attendance accounting deficiency	1
Kindergarten	Continuance forms are not maintained and/or properly approved	13
	Other finding	1
Special Education – Nonpublic Schools	Attendance accounting deficiency	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
	Indirect costs overstated	3
	Lack of documentation/records	10
	Local Education Agency (LEA) did not establish policy regarding reasonable early daily release of pupils	4
	Noncompliance with matching requirements	1
	Other finding	13
	Reported number of students served not supported by written records or did not reconcile to supporting documents	26
	Reported students served inconsistent with early release policy	10
Annual Instructional Minutes – Classroom Based	Instructional time requirements not met	4
California Clean Energy Jobs Act	Expenditure(s) made for non-qualifying purposes or not in accordance with law	2
	Financial report/claim not filed/not filed timely	21
Classroom Teacher Salaries	District did not meet the current expense of education percentage required for payment of classroom teacher salaries	81

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
<i>STATE (continued)</i>		
Determination of Funding for Nonclassroom-Based Instruction	Other finding	1
District of Choice	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	48
	District did not have a comprehensive school safety plan and did not notify the California Department of Education by October 15	6
Education Protection Account	Funds not properly disbursed or expended as required by law	6
Educator Effectiveness	Plan was adopted, but not in a subsequent public meeting	2
	Plan was not developed and/or adopted	3
Expanded Learning Opportunities Grant (ELO-G)	ELO-G plan was not adopted in the public meeting within the required time period	11
	ELO-G plan was not submitted/not submitted in a timely manner	90
	School reopening costs or cost of support activities before in-person instructional services are offered exceeded allowed percentage	2
	Unallowable expenditures	9
Gann Limit Calculation	Appropriations limit calculation deficiency	3
	Other finding	2
Immunizations	Immunization dose(s) not received	34
	Other finding	5

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
<i>STATE (continued)</i>		
In Person Instruction Grant	LEA did not provide in-person instruction on or before May 15, 2021	12
	LEA inappropriately reported dates of in-person instruction	11
Instructional Materials	Adopted/nonadopted instructional materials requirements not followed	1
	Board resolution did not address sufficiency of textbooks/instructional materials	3
	Notice of public hearing deficiency	11
	Other finding	1
	Public hearing on instructional materials not held or held after the required time period	31
Instructional Time	Instructional days requirements not met	8
	Instructional minutes requirements not met	26
	Lack of documentation/records	2
	Other finding	1
K-3 Grade Span Adjustment	Average class enrollment exceeded 24 pupils	1
Local Control Accountability Plan (LCAP)	Expenditures not tracked or inconsistent with identified actions or services	2
	LCAP not presented to the parent advisory committee	9
	LCAP not adopted or approved in a public meeting	1
Mode of Instruction	ADA not generated in compliance with requirements	2
	Other finding	1
	Teacher did not possess a valid teaching certification	2
Nonclassroom-Based Instructional/Independent Study	Contract not signed by student	18

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
<i>STATE (continued)</i>		
Other State Program	Expenditures overstated	1
	Financial report/claim not filed/not filed timely	1
	Other finding	7
Ratio of Administrative Employees to Teachers	Number of administrators per hundred teachers exceeded the allowable ratio	6
School Accountability Report Card (SARC)	District did not follow uniform complaint process	1
	Facility Inspection Tool not prepared or missing	6
	Other finding	1
	SARC information inconsistent with availability of sufficient textbooks and other instructional materials	2
	SARC information inconsistent with Facility Inspection Tool or local evaluation instrument	26
	SARC not published	6
Teacher Certification and Misassignments	Teacher did not possess a valid certification document (teaching credential)	6
	Teacher not authorized to instruct limited-English-proficient pupils	1
	Teacher providing instruction outside of credential subject	3
Transportation Maintenance of Effort	Maintenance of effort requirement not met	31
Unduplicated Local Control Funding Formula Pupil Counts	English Learner students missing eligibility documentation	4
	Free and Reduced Price Meal and/or English Learner pupil counts overstated	39
	Free and Reduced Price Meal and/or English Learner pupil counts understated	5
	Free and Reduced Price Meal students and English Learner students missing eligibility documentation for at least one designation	13
	Free and Reduced Price Meal students missing eligibility documentation	21
	Other finding	2
TOTAL STATE FINDINGS		1,088

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
FEDERAL		
Child Nutrition Cluster	Activities allowed or unallowed	1
	Financial report inaccurate/not complete	2
	Financial report/claim not filed/not filed in a timely manner	1
	Other finding	1
	Procurement, suspension, and debarment	2
Elementary and Secondary School Emergency Relief II (ESSER) Fund Program	Equipment and real property management	7
	Lack of documentation/records	2
Federal Program	Activities allowed or unallowed	1
	Allowable costs/cost principles	3
	Equipment and real property management	2
	Multi-funded positions are not supported by time distribution records	1
	Other finding	3
	Procurement, suspension, and debarment	1
	Reporting	3
	Special tests and provisions	1
Head Start	Other finding	1
National School Lunch	Expenditures understated	1
	Procurement, suspension, and debarment	1
	Reported expenditures erroneous/inaccurate	1
	Reporting	1

Appendix C (continued)

<i>Program</i>	<i>Finding Description</i>	<i>Number of Findings</i>
FEDERAL (continued)		
Other Federal Programs		
	Allowable costs/cost principles	4
	Equipment and real property management	1
	Lack of documentation/records	5
	Matching, level of effort, earmarking	3
	Other finding	3
	Reporting	4
	Special tests and provisions	3
School Breakfast Program		
	Allowable costs/cost principles	1
Special Education Cluster		
	Special tests and provisions	2
Special Education		
	Allowable costs/cost principles	1
	Special tests and provisions	1
Title I Grants to LEAs		
	Allowable costs/cost principles	2
	Lack of documentation/records	3
	Matching, level of effort, earmarking	1
	Other finding	1
	Reporting	1
	Special tests and provisions	2
Twenty-First Century Community Learning Centers		
	Reporting	1
TOTAL FEDERAL FINDINGS		75
TOTAL STATE AND FEDERAL FINDINGS		1,163

Appendix D— Summary of Audit Report Deficiencies

Description	Number of Deficiencies FY 2021-22
<u>Auditor’s Report on the Financial Statements</u>	
Report did not include a section with the heading “Opinions.”	23
Basis for Opinions section did not reference auditing standards generally accepted in the USA and <i>Government Auditing Standards</i> .	21
Auditor’s report did not identify the supplementary information, including the Schedule of Expenditures of Federal Awards.	20
Auditor’s Responsibilities section did not include all required elements.	20
Reference to a separate report on internal control over financial reporting and on compliance was not included.	16
Report did not include all of the elements in the required supplementary information section.	9
Opinion paragraph of auditor’s report did not clearly identify financial statements covered by auditor’s opinion.	8
Auditor’s opinion did not state that the financial statements conform with accounting principles generally accepted in the USA.	6
Report did not include a section with the heading “Other Matters.”	7
Report did not include a section with the heading “Other Reporting Required by <i>Government Auditing Standards</i> .”	5
Report did not include a section with the heading “Basis for Opinions.”	5
Report did not state that management is required to evaluate the entity’s ability to continue as a going concern.	5
Independent Auditor’s Report on the financial statements was not included.	5
Auditor’s report did not include an opinion on supplementary information.	6
Basis for Opinions section did not address the auditor’s independence required disclosures.	4
Report did not include a section with the heading “Responsibilities of Management for the Financial Statements.”	3
Basis for Opinions section did not state that the audit evidence obtained is sufficient and appropriate for the auditor’s opinion.	3
Report did not state that management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles, and for the design, implementation, and maintenance of relevant internal controls.	2
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	2
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> .	1
Report did not include a section with the heading “Qualified Opinion,” “Adverse Opinion,” or “Disclaimer of Opinion.”	1
Subtotal	172

Appendix D (continued)

Description	Number of Deficiencies FY 2021-22
<u>Management's Discussion and Analysis</u>	
Management's Discussion and Analysis was not included.	11
Subtotal	11
<u>Basic Financial Statements</u>	
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds was not presented properly.	8
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.	6
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position was not presented properly.	5
Not-for-profit entity: Statement of Financial Position was not presented properly.	3
Not-for-profit entity: Statement of Activities was not presented properly.	3
Governmental entity: Statement of Activities was not presented properly.	2
Governmental entity: Balance Sheet – Governmental Funds was not presented properly.	2
Governmental entity: Statement of Changes in Fiduciary Net Position – Fiduciary Funds was not presented properly.	2
Governmental entity: Statement of Net Position was not presented properly.	2
Governmental entity: Statement of Fund Net Position – Proprietary Funds was not presented properly.	1
Governmental entity: Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds was not presented properly.	1
Governmental entity: Statement of Fiduciary Net Position – Fiduciary Funds was not presented properly.	1
Governmental entity: Statement of Cash Flows – Proprietary Funds was not presented properly.	1
Not-for-profit entity: Statement of Cash Flows was not presented properly.	1
Subtotal	38
<u>Notes to the Financial Statements</u>	
Governmental entity: Summary of significant accounting policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary funds.	18
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.	17
Governmental entity: Other Postemployment Benefits (OPEB) note did not include the OPEB plan description.	9
Governmental entity: Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	2

Appendix D (continued)

Description	Number of Deficiencies FY 2021-22
<u>Notes to the Financial Statements (continued)</u>	
Governmental entity: Material prior period restatements or adjustments were not adequately disclosed.	3
Not-for-profit entity: Summary of significant accounting policies did not include description of the financial statements presentation and basis of accounting.	3
Not-for-profit entity: Notes did not include description of net assets and information about the nature and amounts of different types of donor-imposed restrictions.	2
Not-for-profit entity: Notes did not include description of the nature of the entity's activities.	2
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.	2
Governmental entity: OPEB note did not disclose the OPEB plan's fiduciary net position information.	2
Governmental entity: OPEB plan disclosures not included.	1
Governmental entity: OPEB note did not include a schedule of changes in the OPEB liability.	1
Governmental entity: OPEB note did not properly disclose the employer's OPEB liabilities for the period associated with defined benefit OPEB liabilities to employees.	1
Not-for-profit entity: Notes did not include adequate disclosure of related-party transactions and common control.	1
Not-for-profit entity: Notes did not include adequate disclosure of debt and other liabilities.	1
Subtotal	65
<u>Required Supplementary Information</u>	
Schedule of the entity's defined benefit OPEB plan contribution was not included.	16
Schedule of the entity's proportionate share and schedule of contributions for each pension plan was not included.	13
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.	7
Schedule of budgetary comparison data was not shown by object.	5
Schedule of budgetary comparison data for general fund and major special revenue fund(s) were not included as required supplementary information.	1
Subtotal	42
<u>Supplementary Information Section</u>	
Local Education Agency Organization Structure description was deficient.	30
Schedule of Financial Trends and Analysis: Available reserves are below minimum required; and management's plans and/or going concern note were not included.	20
Schedule of Average Daily Attendance was deficient.	16
Schedule of Average Daily Attendance (ADA) did not display final ADA after audit finding adjustment(s).	16

Appendix D (continued)

Description	Number of Deficiencies FY 2021-22
<u>Supplementary Information Section (continued)</u>	
Schedule of Charter Schools was deficient.	14
Schedule of Instructional Time did not contain all the required information.	14
Schedule of Instructional Time did not state whether the district complied with the instructional days provisions.	9
Local Education Agency Organization Structure description was not included.	7
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.	8
Schedule of Average Daily Attendance was not included.	7
Schedule of Charter Schools was not included.	8
Schedule of Instructional Time indicates noncompliance, but a finding was not included in the audit report.	5
Schedule of Instructional Time was not included.	4
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.	4
Schedule of Financial Trends and Analysis was not included; or schedule was deficient.	3
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	4
Subtotal	169
<u>Schedule of Expenditures of Federal Awards</u>	
Schedule of Expenditures of Federal Awards was deficient.	51
Note to the Schedule of Expenditures of Federal Awards was not included or was deficient.	12
Schedule of Expenditures of Federal Awards was not included.	1
Subtotal	64
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (Government Auditing Standards Report)</u>	
Report on internal control over financial reporting was deficient.	104
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	71
Report on compliance and other matters did not include a statement regarding test results.	7
Report did not state that audit was conducted in accordance with auditing standards generally accepted in the USA and <i>Government Auditing Standards</i> .	4
Report on Internal Control over Financial Reporting and on Compliance and Other Matters was not included.	2

Appendix D (continued)

Description	Number of Deficiencies FY 2021-22
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters (Government Auditing Standards Report) (continued)</u>	
Report on internal control and compliance did not include an alert paragraph describing the purpose of the auditor's report.	1
Report on compliance and other matters was deficient.	2
Description of the nature of modified opinion on the financial statements was not properly disclosed on the report.	1
Subtotal	192
<u>Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance (Uniform Guidance)</u>	
Report on compliance for each major federal program and on internal control over compliance was deficient.	65
Report on compliance for each major federal program and on internal control over compliance was not included.	49
Basis for Opinion on Each Major Federal Program section did not include all required elements.	18
Opinion on Each Major Federal Program section did not include all required elements.	20
Report on internal control over compliance was deficient.	15
Auditor's Responsibilities section did not include all required elements.	15
Responsibilities of Management section did not include all required elements.	11
Noncompliance that did not result in an opinion modification was not disclosed in the report.	5
Noncompliance that resulted in an opinion modification was not properly disclosed in the report.	3
Material weaknesses or significant deficiencies in internal control over compliance were not properly disclosed in the report.	3
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.	2
Subtotal	206
<u>State Compliance Report</u>	
Report on Internal Control over Compliance was deficient.	341
Independent Auditor's Report on State Compliance was deficient.	319
Auditor's Responsibilities for the Audit of Compliance section of the Independent Auditor's Report on State Compliance was deficient.	194
Independent Auditor's Report on State Compliance did not include a section with the heading Opinion.	120
Basis for Opinion section of Independent Auditor's Report on State Compliance was deficient.	97

Appendix D (continued)

Description	Number of Deficiencies FY 2021-22
<u>State Compliance Report (continued)</u>	
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.	93
Opinion section of Independent Auditor's Report on State Compliance did not include all required elements.	53
Independent Auditor's Report on State Compliance was not included.	12
Subtotal	1,229
<u>Findings and Recommendation Section</u>	
State Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	60
Major federal programs were not identified.	46
Summary of Auditor's Results was deficient.	23
State compliance finding did not include a statement (which may include questioned costs) consistent with its basis of funding, for any inappropriately reported claim.	17
Audit finding was not coded with the correct five-digit number.	14
Schedule of Prior Audit Findings was not included.	11
Attendance Finding: ADA inappropriately reported for apportionment and an estimate of their dollar value not included.	9
Federal Program Finding(s): Noncompliance was reported; however, the finding(s) did not include sufficient information.	3
Schedule of Findings and Questioned Costs was not included.	5
Financial statement finding did not include the views of responsible officials or planned corrective actions.	3
Financial statement finding did not include the condition.	2
Financial statement finding did not include the cause.	1
Financial statement finding did not include the effect or potential effect.	1
Financial statement finding did not include the criteria.	1
Financial statement finding did not include the recommendation.	6
Subtotal	202
<u>Other</u>	
Auditor's reports did not include a manual or printed signature of the auditor's firm and date of the report.	2
Subtotal	2
Total number of deficiencies	2,392

**State Controller's Office
Division of Audits
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