

# **MODOC COUNTY OFFICE OF EDUCATION**

Report of Review

## **AUDIT RESOLUTION PROCESS**

*Fiscal Year (FY) 2011-12 and FY 2012-13*



**BETTY T. YEE**  
California State Controller

January 2015



**BETTY T. YEE**  
**California State Controller**

January 28, 2015

Gary L. Jones  
County Superintendent of Schools  
Modoc County Office of Education  
139 Henderson Street  
Alturas, CA 96101

Dear Mr. Jones:

The State Controller's Office reviewed the Modoc County Office of Education's (COE) audit resolution process for local education agency exceptions noted in the annual audit reports. The review covered fiscal year (FY) 2011-12 and FY 2012-13.

Our review found that the Modoc COE followed its audit resolution process for FY 2011-12 and FY 2012-13. As a result, the Modoc COE was in compliance with California Education Code section 41020.

If you have any questions, please contact Carolyn Baez, Chief, Financial Audits Bureau, by telephone at (916) 322-7656.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/kw

cc: Leslie Corder, Chief Business Officer  
Modoc County Office of Education  
Peter Foggiano, Director  
School Fiscal Services Division  
California Department of Education  
Arlene Matsuura, Education Fiscal Services Consultant  
School Fiscal Services Division  
California Department of Education  
Dan Troy, Principal Program Budget Analyst  
Education Systems, California Department of Finance

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# Review Report

## Summary

The State Controller’s Office (SCO) reviewed the Modoc County Office of Education’s (COE) audit resolution process for local education agency (LEA) exceptions noted in the annual audit reports for fiscal year (FY) 2011-12 and FY 2012-13. Our review found that the Modoc COE followed its audit resolution process for FY 2011-12 and FY 2012-13.

## Background

California Education Code section 41020(n) requires the State Controller to annually select a sampling of county superintendents of schools to perform a follow-up review of the audit resolution process. Results of these reviews are reported to the Superintendent of Public Instruction (SPI) and the county superintendents of the schools that were reviewed.

Furthermore, California Education Code section 41020(n) states that the State Controller shall require auditors to categorize audit exceptions in the audit report in such a manner that both the county superintendent of schools and the SPI can discern which exceptions they are responsible for ensuring that LEAs correct.

The Modoc COE provides coordination of educational programs and professional and financial supervision for three LEAs under its direct jurisdiction. In addition, the county superintendent of schools maintains special schools and programs countywide independent of the local education agencies.

County superintendents of schools are required to do the following:

- Review, for each of their school districts, the audit exceptions relating to attendance, inventory of equipment, internal control, and any miscellaneous items, and determine whether the findings have been corrected or an acceptable plan of correction has been developed (California Education Code section 41020(i)(1));
- Review audit exceptions related to instructional materials program funds, teacher misassignments, and school accountability report cards. The county superintendents must also determine whether the exceptions have been corrected or an acceptable plan of correction has been developed (California Education Code section 41020(i)(2));
- Review audit exceptions related to attendance exceptions or issues that shall include, but are not limited to, those related to revenue limits, adult education, and independent study (California Education Code section 41020(j)(1));
- Notify the LEA and request the governing board of the LEA to provide to the county superintendent of schools a description of the correction or plan of correction by March 15 (California Education Code section 41020(j)(2));

- Review the description of the correction or plan of correction and determine its adequacy and, if its response was not adequate, require the LEA to resubmit a portion of its response (California Education Code section 41020(j)(3)); and
- By May 15, certify to the Superintendent of Public Instruction (SPI) and the SCO that the county has reviewed all applicable exceptions, and state that all exceptions have been corrected or an acceptable plan for correction has been submitted by the LEA to the county superintendent, except as noted in the certification. In addition, identify by LEA any attendance-related exceptions or exceptions involving state funds, and require the LEA to submit the appropriate reporting forms to the SPI for processing (California Education Code section 41020(k));
- Review LEAs' unresolved prior year audit exceptions when the California Department of Education defers to the county (California Education Code section 41020(l)); and
- Adjust subsequent local property tax requirements to correct audit exceptions relating to LEA tax rates and tax revenues (California Education Code section 41020(o)).

## **Objective, Scope, and Methodology**

Our review was conducted under the authority of California Education Code section 41020(n). Our review scope was limited to determining whether or not the Modoc COE followed its audit resolution process in resolving audit exceptions. Our review did not include an evaluation of the sufficiency of the action taken by the LEA and the Modoc COE to address each exception, nor did it assess the degree to which each exception was addressed. Specifically, our review was limited to the following procedures.

- Verifying that the Modoc COE addressed all attendance, inventory of equipment, internal control, and miscellaneous exceptions. In addition, we verified whether the Modoc COE addressed any findings on instructional materials program funds, teacher misassignments, and school accountability report cards. However, with respect to exceptions based on sample items, our review did not include a determination of whether or not the exception results were properly quantified and addressed at a districtwide or countywide level;
- Verifying whether the Modoc COE notified LEAs that they must submit completed corrective action forms to the Modoc COE by March 15, 2013, and March 15, 2014, for FY 2011-12 and FY 2012-13, respectively. Our review did not include an assessment of the LEAs' progress with respect to taking corrective action;
- Verifying whether the Modoc COE required the LEAs to submit the appropriate reporting forms to the SPI for any attendance-related exceptions that affect state funding;

- Reviewing the letters of certification due on May 15, 2013, and May 15, 2014, that the Modoc COE sent to the SPI and the SCO with respect to any resolved and unresolved audit exceptions;
- Verifying whether the Modoc COE followed up with unresolved prior year audit exceptions the SPI required the Modoc COE to conduct; and
- Verifying whether the Modoc COE adjusted subsequent local property tax requirements to correct audit exceptions related to LEA tax rates and tax revenues.

**Conclusion**

Our review found that the Modoc COE followed its audit resolution process for FY 2011-12 and FY 2012-13. As a result, the Modoc COE was in compliance with California Education Code section 41020 for FY 2011-12 and FY 2012-13. We made no additional determination regarding the Modoc COE's audit resolution process beyond the scope of the review outlined above.

**Views of  
Responsible  
Officials**

We discussed our conclusion with Leslie Corder, Chief Business Officer Modoc COE, at an exit conference held on December 10, 2014. Ms. Corder generally agreed with the conclusion and authorized issuance of the final report.

**Restricted Use**

This report is intended solely for the information and use of the Modoc COE, the California Department of Education, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not meant to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

January 28, 2015

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