

LOS ANGELES COUNTY OFFICE OF EDUCATION

Review Report

AUDIT RESOLUTION PROCESS

Fiscal Year 2019-20 and Fiscal Year 2020-21



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

March 2025



MALIA M. COHEN
CALIFORNIA STATE CONTROLLER

March 24, 2025

Dr. Debra Duardo, Superintendent
Los Angeles County Office of Education
9300 Imperial Highway
Downey, CA 90242

Dear Dr. Duardo,

The State Controller's Office reviewed the Los Angeles 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) 2019-20 and FY 2020-21.

Our review found that the Los Angeles COE followed its audit resolution process for FY 2019-20 and FY 2020-21. However, the audit resolution process was deficient because it did not include the review of audit exceptions related to the information reported on the school accountability report card required by Education Code section 33126. Except for this deficiency, the Los Angeles COE complied with Education Code section 41020.

If you have any questions regarding this report, please contact Joel James, Chief, Financial Audits Bureau, by telephone at 916-323-1573, or email at jjames@sco.ca.gov. Thank you.

Sincerely,

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

KAT/rs

Dr. Debra Duardo

March 24, 2025

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Review Report

Summary

The State Controller's Office (SCO) reviewed the Los Angeles 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) 2019-20 and FY 2020-21.

Our review found that the Los Angeles COE followed its audit resolution process for FY 2019-20 and FY 2020-21. However, the audit resolution process was deficient because it did not include the review of audit exceptions related to the information reported on the school accountability report card required by Education Code (EC) section 33126. Except for this deficiency, the Los Angeles COE complied with EC section 41020.

Background

EC section 41020(n) directs the SCO to require that auditors categorize audit exceptions in the audit report in such a manner that both the county superintendent of schools and the State Superintendent of Public Instruction (SSPI) can discern which exceptions it is their responsibility to ensure that the LEAs correct.

In addition, EC section 41020(n) requires the SCO to annually select a sample of county superintendents of schools for which the SCO will perform a follow-up review of the audit resolution process. Results of these reviews will be reported to the SSPI and the county superintendents of the schools that were reviewed.

The Los Angeles COE provides coordination of educational programs, and professional and financial supervision for 80 LEAs under its jurisdiction. In addition, the county superintendent of schools maintains special schools and programs countywide, independent of the LEAs.

County superintendents of schools are required to do the following:

- Review, for each of their school districts, audit exceptions relating to attendance, inventory of equipment, internal control, and any miscellaneous items, and determine whether the findings have been corrected or an acceptable plan of correction has been developed (EC section 41020[i][1]);
- Review audit exceptions related to the use of program funds for instructional materials, 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 (EC section 41020[i][2]);
- Review audit exceptions related to attendance, inventory of equipment, internal control, and other miscellaneous exceptions. Attendance exceptions or issues must include those related to local control funding formula allocations pursuant to EC section 42238.02, as implemented by section 42238.03, and independent study (EC section 41020[j][1]);

- Notify the LEA, and request that the governing board of the LEA provide to the county superintendent of schools a description of the correction or plan of correction by March 15 of the subsequent year (EC section 41020[j][2]);
- Review the description of the correction or plan of correction and determine its adequacy and, if the LEA's response was not adequate, require the LEA to resubmit that portion of its response that is inadequate (EC section 41020[j][3]);
- By May 15 of the subsequent year, certify to the SSPI and the SCO that the county has reviewed all applicable exceptions, and state that all exceptions have been corrected, or that an acceptable plan for correction has been submitted by the LEA to the county superintendent, except as noted in the certification. In addition, identify by LEA any attendance-related exceptions or exceptions involving state funds, and require the LEA to submit the appropriate reporting forms to the SSPI for processing (EC section 41020[k]);
- Review LEAs' unresolved prior-year audit exceptions when the California Department of Education defers to the county (EC section 41020[l]); and
- Adjust subsequent local property tax requirements to correct audit exceptions relating to LEA tax rates and tax revenues (EC section 41020[o]).

Review Authority

We conducted this review in accordance with EC section 41020(n), which authorizes the SCO to facilitate correction of the exceptions identified by audits issued pursuant to this section. In addition, Government Code section 12410 provides the SCO with general authority to audit the disbursement of state money for correctness, legality, and sufficient provisions of law for payment.

Objective, Scope, and Methodology

The objective of our review was limited to determining whether the Los Angeles COE followed its audit resolution process for FY 2019-20 and FY 2020-21 for resolving LEA audit exceptions in a manner consistent with EC section 41020. Our review did not include an evaluation of the sufficiency of the action taken by the LEA and the Los Angeles COE to address each exception, nor did it assess the degree to which each exception was addressed.

To achieve our objective, we performed the following procedures:

- We verified that the Los Angeles COE addressed all attendance, inventory of equipment, internal control, and miscellaneous exceptions. In addition, we verified that the Los Angeles COE addressed any findings on program funds for instructional materials, 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 the exception results were properly quantified and addressed at a districtwide or countywide level.

- We verified that the Los Angeles COE notified LEAs that they must submit completed corrective action forms to the Los Angeles COE by March 15, 2021, and April 15, 2022, for FY 2019-20 and FY 2020-21, respectively. Our review did not include an assessment of the LEAs' progress in taking corrective action.
- We verified that the Los Angeles COE required the LEAs to submit the appropriate reporting forms to the SSPI for any attendance-related exceptions that affected state funding.
- We reviewed the letters of certification due on May 15, 2021, and June 15, 2022, that the Los Angeles COE sent to the SSPI and the SCO regarding any resolved and unresolved audit exceptions.
- We verified that the Los Angeles COE followed up with unresolved prior-year audit exceptions that the SSPI had required the Los Angeles COE to conduct.
- We verified that the Los Angeles 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 Los Angeles COE followed its audit resolution process for FY 2019-20 and FY 2020-21. However, the audit resolution process was deficient because it did not include the review of audit exceptions related to the information reported on the school accountability report card required by EC section 33126. Except for this deficiency noted, the Los Angeles COE complied with EC section 41020. We made no additional determination regarding the Los Angeles COE's audit resolution process beyond the scope of the review outlined in this report.

Views of Responsible Officials

We issued a draft review report on December 17, 2024. The Los Angeles COE's representative responded by letter dated December 26, 2024. The Los Angeles COE agreed with the review results. This final review report includes the Los Angeles COE's response as an attachment.

Restricted Use

This report is solely for the information and use of the Los Angeles 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 intended to limit distribution of this report, which is a matter of public record and is available on the SCO website at www.sco.ca.gov.

Original signed by

Kimberly A. Tarvin, CPA
Chief, Division of Audits

March 24, 2025

Finding and Recommendation

**FINDING—
Deficiencies in the
review of local
educational agency
audit exceptions**

Based on our review of the Los Angeles COE's audit resolution process for LEA audit exceptions noted in the annual audit reports for FY 2019-20 and FY 2020-21, we found that the Los Angeles COE audit resolution process did not include the review of audit exceptions related to the information reported on the school accountability report card required by EC section 33126.

We reviewed a sample of 29 LEA audit exceptions for FY 2019-20 and FY 2020-21. Of the 29 sample audit exceptions, we found that the Los Angeles COE did not review three audit exceptions related to the information reported on the school accountability report card required by EC section 33126 to determine whether the exceptions were corrected or an acceptable plan of correction was developed. Los Angeles COE indicated that it is not aware of the oversight responsibility for reviewing the school accountability report card audit exceptions.

EC section 41020(i)(2) states:

Commencing with the 2004-05 audit of local educational agencies pursuant to this section and subdivision (d) of Section 41020.1, each county superintendent of schools shall include in the review of audit exceptions performed pursuant to this subdivision those audit exceptions related to use of instructional materials program funds, teacher misassignments pursuant to Section 44258.9, information reported on the school accountability report card required pursuant to Section 33126 and shall determine whether the exceptions are either corrected or an acceptable plan of correction has been developed.

EC section 33126(d) states:

It is the intent of the Legislature that schools make a concerted effort to notify parents of the purpose of the school accountability report cards, as described in this section, and ensure that all parents receive a copy of the report card; to ensure that the report cards are easy to read and understandable by parents; to ensure that local educational agencies with access to the Internet make available current copies of the report cards through the Internet; and to ensure that administrators and teachers are available to answer any questions regarding the report cards.

Recommendation

We recommend that the Los Angeles COE comply with EC section 41020 by identifying and reviewing all audit exceptions that fall under its oversight responsibility.

**Attachment—
Los Angeles County Office of Education’s Response
to Draft Review Report**



**Los Angeles County
Office of Education**

Debra Duardo
Superintendent

December 26, 2024

**Los Angeles County
Board of Education**

Stanley L. Johnson, Jr.
President

Yvonne Chan

James Cross

Andrea Foggy-Paxton

Betty Forrester

Theresa Montaño

Joel James
Chief, Financial Audits Bureau, Division of Audits,
State Controller's Office,
Post Office Box 942850
Sacramento, California 94250

Dear Mr. James:

Thank you for the review performed of our audit resolution process covering fiscal years 2019-2020 and 2020-2021. We appreciate you bringing to our attention the identified deficiency regarding the lack of addressing audit exceptions reported in the School Accountability Report Card (SARC), as required by Education Code section 33126. Your review confirmed that, except for the deficiency noted above, the Los Angeles County Office of Education complied with necessary Education Codes.

We value your findings and fully agree with the conclusion and recommendation. To address this matter, we have implemented the following as a corrective action. School Financial Services will begin addressing audit exceptions related to the information reported in the SARC, beginning with audit reports for the fiscal year ended June 2024. We have already updated our procedure memos and workpaper documentation to reflect this addition to our existing process.

It was a pleasure working with your team and we look forward to future reviews, wherein we expect to be in complete compliance without exception.

Sincerely,



Karen Kimmel (Dec 27, 2024 09:57 PST)

Karen Kimmel
Chief Financial Officer

NB:ei

**State Controller's Office
Division of Audits
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