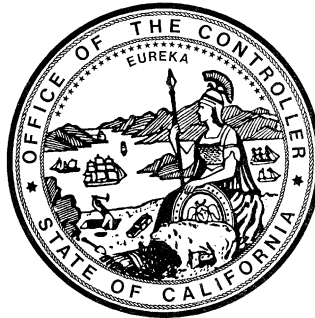


# **SOLANO COUNTY OFFICE OF EDUCATION**

Report of Review

## **AUDIT RESOLUTION PROCESS**

*Fiscal Year (FY) 2002-03 and FY 2003-04*



**JOHN CHIANG**  
California State Controller

April 2007



**JOHN CHIANG**  
California State Controller

April 25, 2007

Dee Alarcón  
County Superintendent of Schools  
Solano County Office of Education  
5100 Business Center Drive  
Fairfield, CA 94534

Dear Ms. Alarcón:

The State Controller's Office reviewed the Solano 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) 2002-03 and FY 2003-04.

Our review disclosed that the Solano COE did not maintain documentation to support that it had an audit resolution process for FY 2002-03. As a result, the Solano COE was not in compliance with *Education Code* Section 41020. In addition, Solano COE was late in submitting the FY 2002-03 certification of corrective action. However, we did find that Solano COE implemented and followed its audit resolution process for FY 2003-04.

If you have any questions, please contact Casandra Moore-Hudnall, Chief, Financial Audits Bureau, at (916) 322-4846.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

JVB/ams:vb

cc: Tommy Welch, Director  
External Business Services, Solano COE  
Leticia A. Allen  
Assistant Superintendent  
Business and Administrative Services, Solano COE  
Scott Hannan, 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, Department of Finance

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# Review Report

## Summary

The State Controller's Office (SCO) reviewed the Solano County Office of Education's (COE) audit resolution process for local education agency exceptions noted in the annual audit reports for fiscal year (FY) 2002-03 and FY 2003-04. Our review disclosed that the Solano COE did not maintain documentation to support that it had on audit resolution process for FY 2002-03. In addition, Solano COE was late in submitting the FY 2002-03 certification of corrective action. However, we found that Solano COE maintained documentation to support its audit resolution process for FY 2003-04. The last day of fieldwork was August 3, 2006.

## Background

*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 and the county superintendents of the schools that were reviewed.

Furthermore, *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 Superintendent of Public Instruction (SPI) can discern which exceptions they are responsible for ensuring correction of by a local education agency.

The Solano COE provides coordination of educational programs and professional and financial supervision for seven local education agencies and one joint powers entity 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:

- 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 (*Education Code* Section 41020(i));
- 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 (*Education Code* Section 41020(j)(1));
- Notify the local education agency and request the governing board of the local education agency to provide to the county superintendent of schools a description of the correction or plan of correction by March 15 (*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 local education agency to resubmit a portion of its response (*Education Code* Section 41020(j)(3)); and
- By May 15, certify to the 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 local education agency to the county superintendent, except as noted in the certification. In addition, identify by local education agency any attendance-related exceptions or exceptions involving state funds, and require the local education agency to submit the appropriate reporting forms to the SPI for processing (*Education Code* Section 41020(k)).

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

Our review was conducted under the authority of *Education Code* Section 41020(n). Our review scope was limited to determining whether the Solano 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 local education agency and the Solano 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 Solano COE addressed all attendance, inventory of equipment, internal control, and miscellaneous exceptions. 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 that the Solano COE notified local education agencies that they must submit completed corrective action forms to the Solano COE by March 15, 2004, and March 15, 2005, for FY 2002-03 and FY 2003-04, respectively. Our review did not include an assessment of the local education agencies' progress with respect to taking corrective action;
- Verifying that the Solano COE required the local education agencies to submit the appropriate reporting forms to the SPI for any attendance-related exceptions that affect state funding; and
- Reviewing the May 15, 2004, and May 15, 2005, letters of certification that the Solano COE sent to the SPI and the SCO with respect to any resolved and unresolved audit exceptions.

**Conclusion**

Our review disclosed that the Solano COE did not maintain documentation to support that it had an audit resolution process for FY 2002-03. As a result, the Solano COE was not in compliance with *Education Code* Section 41020 for FY 2002-03. The Solano COE submitted its FY 2002-03 certification of corrective action to the SPI and the SCO on July 28, 2004. However, we found that Solano COE implemented and followed its audit resolution process for FY 2003-04. We made no additional determination regarding the Solano COE's audit resolution process beyond the scope of the review outlined above.

**Views of  
Responsible  
Officials**

Leticia A. Allen, Assistant Superintendent, Business and Administrative Services, generally agreed with the conclusion and review finding presented in the report. Ms. Allen stated that the Solano COE will maintain documentation to support its audit resolution process and will certify to the State no later than May 15 of each fiscal year.

**Restricted Use**

This report is intended solely for the information and use of the Solano 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  
Chief, Division of Audits

# Finding and Recommendation

**FINDING—  
No documentation to  
support an audit  
resolution process for  
the FY 2002-03 audit  
exceptions**

Solano County Office of Education (COE) did not provide us with any documentation to support that it had an audit resolution process for fiscal year (FY) 2002-03 audit exceptions. We also noted that the certification of corrective action for FY 2002-03 was submitted to the Superintendent of Public Instruction and SCO on July 28, 2004, rather than on its due date of May 15, 2004.

The Solano COE representatives stated that due to staff turnover, the current staff could not explain nor provide documentation to support an audit resolution process for FY 2002-03 audit exceptions. The Solano COE representatives indicated that when the current Director of External Business Services assumed his position in December 2004, he began implementing an audit resolution process that included the FY 2003-04 audit exceptions.

As a result, we could not confirm whether Solano COE complied with *Education Code* Section 41020 for FY 2002-03. However, we did find that the Solano COE maintained documentation to support its audit resolution process for FY 2003-04.

## Recommendation

Solano COE should continue to ensure that it maintains documentation to support its audit resolution process. Furthermore, Solano COE should certify to the State, no later than May 15 of each fiscal year, that it has reviewed all exceptions it is required to review.

## COE's Response

The COE concurred with our finding.

**Attachment—  
Solano COE's Response  
to Draft Report**

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Dee Alarcón, Superintendent of Schools

5100 Business Center Drive, Fairfield, CA 94534-1658 ★ 707.399.4400 ★ www.solanocoe.net

February 26, 2007

Casandra Moore-Hudnall, Chief  
Financial Audits Bureau  
State Controller's Office  
Division of Audits  
Post Office Box 942850  
Sacramento, CA 94250-5874

Ms. Moore-Hudnall,

The Solano County Office of Education (SCOE) received the letter regarding the Report of Review Audit Resolution Process for Fiscal Year 2002-03 and 2003-04 on February 23, 2007. The Solano County Office of Education concurs with the State Controller's that the SCOE did "not maintain documentation to support that it had" [an] "audit resolution process for FY 2002-03. In addition, Solano COE was late in submitting the FY 2002-03 certification of corrective action. However, we found that Solano COE maintained documentation to support its audit resolution process for FY 2003-04."

Please include the following in the final audit report:

**Solano County Office of Education Response:**

Beginning in December 2004, the Solano County Office of Education (SCOE) implemented an audit resolution process that included the FY 2003-04 audit exceptions. The Solano County Office of Education will continue to ensure that it maintains documentation to support its audit resolution process. Further, SCOE will certify to the State, no later than May 15 of each fiscal year, that it has reviewed all exceptions it is required to review and has asked for clarification on corrective actions where appropriate and the status of those requests.

Sincerely,

Leticia A. Allen  
Assistant Superintendent, Business and Administrative Services

LA/sdh

Board of Education

Geneva Watts, President   Mayrene Bates, Vice President   Larry Asera   Jose V. Briseño   Douglas J. Ford   John T. Galvan   Ray Silva

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