

MONO COUNTY OFFICE OF EDUCATION

Report of Review

AUDIT RESOLUTION PROCESS

Fiscal Year (FY) 2006-07 and FY 2007-08



JOHN CHIANG
California State Controller

July 2010



JOHN CHIANG
California State Controller

July 30, 2010

Catherine Hiatt
County Superintendent of Schools
Mono County Office of Education
37 Emigrant Street, P.O. Box 477
Bridgeport, CA 93517

Dear Ms. Hiatt:

The State Controller's Office reviewed the Mono 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) 2006-07 and FY 2007-08.

Our review disclosed that the Mono COE followed up on its respective school districts' audit exceptions for FY 2006-07 and FY 2007-08. As a result, the Mono COE was in compliance with Education Code section 41020. However, the Mono COE does not have a written audit resolution process and was unable to document the activities for the process it followed. The final report with your response is enclosed.

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/sk

cc: Colleen Wright, Assistant Superintendent of Business
Mono County Office of Education
Scott Hannan, Director
School Fiscal Services Division
California Department of Education
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Review Report

Summary

The State Controller's Office (SCO) reviewed the Mono County Office of Education's (COE) audit resolution process for local education agency exceptions noted in the annual audit reports for fiscal year (FY) 2006-07 and FY 2007-08.

Our review disclosed that the Mono COE followed up on its respective school districts audit exceptions for FY 2006-07 and FY 2007-08. However, the audit resolution process is not in writing and the Mono COE was unable to document the activities for the process it followed.

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 Mono COE provides coordination of educational programs and professional and financial supervision for two local education agencies 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 (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 (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 (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 or not the Mono 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 Mono 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 Mono COE addressed all attendance, inventory of equipment, internal control, and miscellaneous exceptions. In addition, we verified that the Mono COE addressed any findings on Instructional Materials Program Funds, teacher missassignments, and school accountability report card. 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 Mono COE notified local education agencies that they must submit completed corrective action forms to the Mono COE by March 15, 2008, and March 15, 2009, for FY 2006-07 and FY 2007-08, respectively. Our review did not include an assessment of the local education agencies' progress with respect to taking corrective action;
- Verifying that the Mono 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, 2008 and May 15, 2009 letters of certification that the Mono COE sent to the SPI and the SCO with respect to any resolved and unresolved audit exceptions.

Conclusion

Our review disclosed that the Mono COE followed its audit resolution process for FY 2006-07 and FY 2007-08. As a result, the Mono COE was in compliance with Education Code section 41020 for FY 2006-07 and FY 2007-08. However, the Mono COE was unable to provide written documentation of the audit resolution process it follows in overseeing the districts within its jurisdiction for FY 2006-07 and FY 2007-08. The Mono COE submitted its FY 2006-07 and FY 2007-08 certifications of corrective action to the SPI on May 15, 2008, and April 29, 2009, respectively. We made no additional determination regarding the Mono COE's audit resolution process beyond the scope of the review outlined above.

**Views of
Responsible
Official**

We provided our conclusion and review finding to the Mono COE for review in a draft report issued May 28, 2010. The Mono COE's response is included in this report. Ms. Wright, Assistant Superintendent of Business, generally agreed with the conclusion and review finding presented in the report.

Restricted Use

This report is intended solely for the information and use of the Mono 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

July 30, 2010

Finding and Recommendation

**FINDING—
Lack of written
documentation to
support the audit
resolution process**

The Mono County Office of Education (COE) was unable to provide written documentation that supports the audit resolution process it followed for the school districts within Mono County for fiscal year (FY) 2006-07 and FY 2007-08. The Mono COE did not document its communications with its school districts to support the corrective actions taken by the districts in resolving audit exceptions. Additionally, the Mono COE was not able to provide documentation that its school districts met the March 15th date for reporting corrective actions or resubmitted both P-2 and Annual reports of attendance for attendance related findings of overstated average daily attendance (ADA).

Education Code section 41020(j) states:

(2) If a description of the correction or plan or correction has not been provided as part of the audit required by this section, then the county superintendent of schools shall notify the local educational agency and request the governing board of the local educational agency to provide the county superintendent of schools a description of the corrections or plan of corrections by March 15.

(3) Review the description of correction or plan of correction and determine its adequacy. If a description of the correction or plan of correction is not adequate, the county superintendent of schools shall require the local educational agency to resubmit that portion of its response that is inadequate.

Education Code section 41020(k) states, in part:

... the county superintendent shall identify, by local educational agency, any attendance-related audit exception or exceptions involving state funds, and require the local educational agency to which the audit exceptions were directed to submit appropriate reporting forms for processing by the Superintendent.

In addition, good business practices and internal controls require the maintenance of written documentation showing that the Mono COE followed an established process and adhered to Education Code requirements.

Recommendation

The Mono COE should develop and document in writing:

- Its audit resolution process;
- To be included in the documented audit resolution process, the districts' notifications of corrective actions that meet the March 15th reporting date;
- To be included in the documented audit resolution process, its method for verifying that its school districts submitted revised P-2 and Annual reports of attendance to the California Department of Education for attendance related findings; and
- Communications with its districts in support of its audit resolution process.

COE's Response

We agreed that although we have verbally followed up with our districts on all their annual audits and complied with Education Code section 41020, our processes have been quite informal and written processes needed to be tightened up.

We have subsequently adopted a written Annual Audit Procedure based upon the FCMAT guidelines, and will continue to use our Audit Report Review Checklist, which was being used at the time of the review. In the future, any communication between the county office and the districts regarding the audit resolution process will also be documented.

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