

# **SAN DIEGO COUNTY OFFICE OF EDUCATION**

Review Report

## **AUDIT RESOLUTION PROCESS**

*Fiscal Year 2017-18 and Fiscal Year 2018-19*



**BETTY T. YEE**  
California State Controller

August 2021



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

August 23, 2021

Paul Gothold, Ed.D., County Superintendent of Schools  
San Diego County Office of Education  
6401 Linda Vista Road  
San Diego, CA 92111

Dear Dr. Gothold:

The State Controller's Office reviewed the San Diego 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) 2017-18 and FY 2018-19.

Our review found that the San Diego COE followed its audit resolution process for FY 2017-18 and FY 2018-19. However, the audit resolution process was deficient because it did not identify Local Control Funding Formula-related audit findings or revised audit findings for review and resolution as part of the San Diego COE's oversight responsibility. Except for the issues noted above, the San Diego COE complied with California Education Code section 41020.

If you have any questions, please contact Joel James, Chief, Financial Audits Bureau, by telephone at (916) 323-1573.

Sincerely,

*Original signed by*

**KIMBERLY TARVIN, CPA**  
Chief, Division of Audits

KT/as

cc: Michael Simonson, Deputy Superintendent  
Chief Business Official, San Diego County Office of Education  
Liliana Enriquez, Executive Assistant III  
Office of the Superintendent, San Diego County Office of Education  
Brent Watson, Executive Director  
San Diego County Office of Education  
Natalie Schuff, Director  
San Diego County Office of Education  
Elizabeth Dearstynne, Director  
School Fiscal Services Division  
California Department of Education  
Keith Smith, Administrator  
School Fiscal Services Division  
California Department of Education  
Christopher Ferguson, Program Budget Manager  
Education Systems Unit  
California Department of Finance

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## **Review Report**

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# Review Report

## Summary

The State Controller's Office (SCO) reviewed the San Diego 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) 2017-18 and FY 2018-19. Our review found that the San Diego COE followed its audit resolution process for FY 2017-18 and FY 2018-19. However, the audit resolution process was deficient because it did not identify Local Control Funding Formula (LCFF)-related audit findings or revised audit findings for review and resolution as part of the San Diego COE's oversight responsibility.

## Background

California Education Code section 41020(n) requires the State Controller 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 State Superintendent of Public Instruction (SSPI) and the county superintendents of the schools that were reviewed.

In addition, 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 SSPI can discern the exceptions for which it is their responsibility to ensure that the LEAs take action to correct.

The San Diego COE provides coordination of educational programs and professional and financial supervision for 42 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 (California Education Code 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 (California Education Code 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 California Education Code section 42238.02, as implemented by section 42238.03, and independent study (California Education Code 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 (California Education Code 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 (California Education Code 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 (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**

The objective of our review was limited to determining whether the San Diego COE followed its audit resolution process for resolving LEA audit exceptions in a manner consistent with California Education Code section 41020. Our review did not include an evaluation of the sufficiency of the action taken by the LEA and the San Diego COE to address each exception, nor did it assess the degree to which each exception was addressed.

The review period was FY 2017-18 and FY 2018-19.

To achieve our objective, we:

- Verified that the San Diego COE addressed all attendance, inventory of equipment, internal control, and miscellaneous exceptions. In addition, we verified that the San Diego 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;
- Verified that the San Diego COE notified LEAs that they must submit completed corrective action forms to the San Diego COE by March 15, 2019, and March 15, 2020, for FY 2017-18 and FY 2018-19, respectively. Our review did not include an assessment of the LEAs' progress in taking corrective action;

- Verified that the San Diego COE required the LEAs to submit the appropriate reporting forms to the SSPI for any attendance-related exceptions that affect state funding;
- Reviewed the letters of certification due on May 15, 2019, and July 15, 2020, that the San Diego COE sent to the SSPI and the SCO regarding any resolved and unresolved audit exceptions;
- Verified that the San Diego COE followed up with unresolved prior-year audit exceptions that the SSPI required the San Diego COE to conduct; and
- Verified that the San Diego COE adjusted subsequent local property tax requirements to correct audit exceptions related to LEA tax rates and tax revenues.

Our review was conducted under the authority of California Education Code section 41020(n).

## **Conclusion**

Our review found that the San Diego COE followed its audit resolution process for FY 2017-18 and FY 2018-19. However, the audit resolution process was deficient because it did not identify LCFF-related audit findings or revised audit findings for review and resolution as part of the San Diego COE's oversight responsibility. Except for the issues noted above, the San Diego COE complied with California Education Code section 41020 for FY 2017-18 and FY 2018-19. We made no additional determination regarding the San Diego COE's audit resolution process beyond the scope of the review outlined above.

## **Views of Responsible Officials**

We issued a draft review report on April 13, 2021. Brent Watson, Executive Director responded by letter dated April 20, 2021 (Attachment), agreeing with the review results except as they relate to the review of revised audit findings. This final review report includes San Diego COE's response.

## **Restricted Use**

This review report is intended solely for the information and use of the San Diego 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 review report, which is a matter of public record and is available on the SCO website at [www.sco.ca.gov](http://www.sco.ca.gov).

*Original signed by*

KIMBERLY TARVIN, CPA  
Chief, Division of Audits

August 23, 2021

# Finding and Recommendation

## **FINDING— Deficiencies in the identification and review of LEA audit exceptions**

Based on our review of the San Diego COE's audit resolution process for LEA exceptions noted in the annual audit reports for FY 2017-18 and FY 2018-19, we noted the following deficiencies:

- For FY 2017-18 and FY 2018-19, the San Diego COE did not identify LCFF-related audit findings as part of its oversight responsibility; and
- For FY 2017-18, the San Diego COE process did not include the review of a revised audit finding related to Instructional Materials.

California Education Code 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.

California Education Code section 41020(j) states, in part:

Upon submission of the final audit report to the governing board of each local educational agency and subsequent receipt of the audit by the county superintendent of schools having jurisdiction over the local education agency, the county office of education shall do all of the following:

- (1) Review audit exceptions related to attendance, inventory of equipment, internal control, and other miscellaneous exceptions. Attendance exceptions or issues shall include, but not be limited to, those related to local control funding formula allocations pursuant to Section 42238.02, as implemented by Section 42238.03, and independent study.

## Recommendation

We recommend that the San Diego COE comply with California Education Code section 41020 by identifying and reviewing all audit exceptions that fall under its oversight responsibility.



**Attachment—  
San Diego County Office of Education’s  
Response to Draft Review Report**

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San Diego County Office of Education **Main Campus**

6401 Linda Vista Road, San Diego, CA 92111

858-292-3500 | [www.sdcoe.net](http://www.sdcoe.net)

April 20, 2021

Michael Reeves, CPA  
Acting Chief, Division of Audits  
State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94250

Dear Mr. Reeves:

We are in receipt of the State Controller's Office (SCO) letter dated April 13, 2021 regarding review of the San Diego County Office of Education's (SDCOE) audit resolution process for fiscal years 2017-18 and 2018-19. We agree with the SCO's findings and recommendations, except as it relates to our review of revised audit findings. SDCOE's audit resolution process includes a review of revised audit findings; however, the process to track revised audit reports was deficient as noted in the SCO report. In this particular instance, the revised audit report was received very late, after we had completed our audit reviews, and staff missed the new finding contained in the revised report. Please see corrective action for changes we have made to our audit review process to avoid this issue in the future.

Corrective Actions

Beginning with SDCOE's review of 2019-20 audit findings, we are implementing an updated review process to include all LCFF related audit findings as part of our COE oversight responsibility. Please see attachment titled "Audit Report Findings Review Sheet\_ Revised" for the highlighted changes we have made to identify these types of findings.

To ensure we review all findings contained in revised audit reports, we have created an Audit Summary Report Tracking sheet (attached) to provide a status of each audit report received. This sheet has been added to the Audit Finding Review Process to allow both staff and management to ensure all versions of an audit report have been reviewed for findings.

If you have any questions, please call me at (858) 295-6702.

Sincerely,

**Brent Watson**

Digitally signed by Brent  
Watson  
Date: 2021.04.20 11:58:35  
-07'00'

Brent Watson  
Executive Director  
District Financial Services

Enclosures (2)

cc: Paul Gothold, Ed.D., County Superintendent of Schools, San Diego County Office of Education  
Michael Simonson, Deputy Superintendent, Chief Business Official, San Diego County Office of Education  
Liliana Enriquez, Executive Assistant III, Office of the Superintendent, San Diego County Office of Education  
Natalie Schuff, Director, Business Advisory Services, San Diego County Office of Education  
Natalie Azzam, Business Advisor, San Diego County Office of Education

**SAN DIEGO COUNTY OFFICE OF EDUCATION  
BUSINESS SERVICES - DISTRICT FINANCIAL SERVICES  
2019-20 AUDIT REPORT FINDINGS REVIEW**

**School District**

**SECTION A**

	<b>County Office Follow-up</b>	DISTRICT #: _____										
NUMBER OF FINDINGS  _____	10000 - Attendance _____ 20000 - Inventory of Equipment _____ 30000 - Internal Control _____ 60000 - Miscellaneous _____ 61000 - Classroom Teacher Salaries _____ 62000 - Local Control Accountability Plan _____ 70000 - Instructional Materials _____ 71000 - Teacher Misassignments _____ 72000 - School Accountability Report Card _____ Management Letter _____	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center;"><b>State &amp; Federal Findings</b></th> </tr> <tr> <td style="width: 80%;">40000 - State Compliance</td> <td style="width: 20%; text-align: right;">_____</td> </tr> <tr> <td>42000 - Charter School Facilities Programs:</td> <td style="text-align: right;">_____</td> </tr> <tr> <td>43000 Apprenticeship: Related and Suppl Instruction</td> <td style="text-align: right;">_____</td> </tr> <tr> <td>50000 - Federal Compliance</td> <td style="text-align: right;">_____</td> </tr> </table> Material Weaknesses? (Y/N) _____	<b>State &amp; Federal Findings</b>		40000 - State Compliance	_____	42000 - Charter School Facilities Programs:	_____	43000 Apprenticeship: Related and Suppl Instruction	_____	50000 - Federal Compliance	_____
<b>State &amp; Federal Findings</b>												
40000 - State Compliance	_____											
42000 - Charter School Facilities Programs:	_____											
43000 Apprenticeship: Related and Suppl Instruction	_____											
50000 - Federal Compliance	_____											
Audit Adjustment(s) Required: _____		Fund(s) Affected: _____										
Adjustment(s) posted (date): _____ SDCOE _____ District		(For Fiscally Independent Districts)										

**SECTION B**

1. Did the district have **current year** findings in areas 10000 through 30000 and/or 60000 through 72000?  
Yes \_\_\_\_\_ No \_\_\_\_\_
2. Did the district have current year findings in area 4000s related to LCFF allocations, independent study and/or state funds?  
Yes \_\_\_\_\_ No \_\_\_\_\_
3. If the district had **current year** findings in question 1 or 2 above, were all of the responses or plans of correction provided by the district adequate? Attach the district's response to this review, whether provided separately or printed in the audit report.  
Yes \_\_\_\_\_ No \_\_\_\_\_  
If "No", provide the applicable audit report finding number(s). \*  
Finding Number(s): \_\_\_\_\_
4. Did the district have unimplemented **prior year** findings in question 1 or 2 above?  
Yes \_\_\_\_\_ No \_\_\_\_\_
5. If the district had unimplemented **prior year** findings in question 1 or 2 above, were all of the responses provided by the district adequate? Attach the district's response to this review, whether provided separately or printed in the audit report.  
Yes \_\_\_\_\_ No \_\_\_\_\_  
If "No", provide the applicable audit report finding number(s). \*  
Finding Number(s): \_\_\_\_\_

\* If the answer to SECTION B, Question 3 or 5 is "No", then you must complete SECTION C.  
Otherwise, STOP HERE. Be sure to sign and date SECTION B.

MANAGER REVIEW: _____	DATE: _____
ADVISOR REVIEW: _____	DATE: _____

Thursday, April 1, 2021

Auditor: \_\_\_\_\_

**SAN DIEGO COUNTY OFFICE OF EDUCATION  
 BUSINESS SERVICES - DISTRICT FINANCIAL SERVICES  
 2019-20 AUDIT REPORT FINDINGS REVIEW  
 School District**

**SECTION C**

**AUDIT REPORT RESPONSES WERE INADEQUATE. FURTHER RESPONSES/CORRECTIVE ACTION PLANS ARE NEEDED FOR THE FOLLOWING FINDINGS**

5. The District did not respond adequately to finding(s) in areas 10000 through 30000, applicable 40000s, and/or 60000 through 72000 for the following audit findings:

**Finding Number:** \_\_\_\_\_ District Contact: \_\_\_\_\_  
 Check if prior year finding: \_\_\_\_\_ Follow-up Contact: \_\_\_\_\_  
 Comments/Response Requested from District: \_\_\_\_\_

Adequate Response Received: \_\_\_\_\_ Finding Resolved: \_\_\_\_\_

**Finding Number:** \_\_\_\_\_ District Contact: \_\_\_\_\_  
 Check if prior year finding: \_\_\_\_\_ Follow-up Contact: \_\_\_\_\_  
 Comments/Response Requested from District: \_\_\_\_\_

Adequate Response Received: \_\_\_\_\_ Finding Resolved: \_\_\_\_\_

**Finding Number:** \_\_\_\_\_ District Contact: \_\_\_\_\_  
 Check if prior year finding: \_\_\_\_\_ Follow-up Contact: \_\_\_\_\_  
 Comments/Response Requested from District: \_\_\_\_\_

Adequate Response Received: \_\_\_\_\_ Finding Resolved: \_\_\_\_\_

**Finding Number:** \_\_\_\_\_ District Contact: \_\_\_\_\_  
 Check if prior year finding: \_\_\_\_\_ Follow-up Contact: \_\_\_\_\_  
 Comments/Response Requested from District: \_\_\_\_\_

Adequate Response Received: \_\_\_\_\_ Finding Resolved: \_\_\_\_\_

*Attach additional sheets if necessary.*

MANAGER REVIEW: \_\_\_\_\_ DATE: \_\_\_\_\_

ADVISOR REVIEW: \_\_\_\_\_ DATE: \_\_\_\_\_

Thursday, April 1, 2021

**Auditor:** \_\_\_\_\_

AUDIT PROCESS STATUS

2019-20 AUDITS SUMMARY

District #	District Name	Received	Updated dBase?	Psoft Audit Adjst?	Auditor	Representative	Audit Rejections SCO		Audit Revision		
							Date	Reason	Date	Reason - List Items Corrected, include page #s (ask Auditor)	Notify: Natalie A.
01	ALPINE UNION	YES	YES								
189	BONSALL UNIFIED	YES	YES								
62	BORREGO SPRINGS UNIFIED	YES	YES								
06	CAJON VALLEY UNION ELEM.	YES	YES								
07	CARDIFF	YES	YES								
63	CARLSBAD UNIFIED	YES	YES								
09	CHULA VISTA UNION ELEM.	YES	YES								
47	CORONADO UNIFIED	YES	YES								
10	DEHESA	YES	YES								
11	DEL MAR UNION	YES	YES								
14	ENCINITAS UNION	YES	YES								
15	ESCONDIDO UNION ELEM.	YES	YES								
40	ESCONDIDO UNION HIGH	YES	YES								
16	FALLBROOK UNION ELEM.	YES	YES								
41	FALLBROOK UNION HIGH	YES	YES								
42	GROSSMONT UNION HIGH	YES	YES								
17	JAMUL-DULZURA UNION	YES	YES								
18	JULIAN UNION ELEM.	YES	YES								
43	JULIAN UNION HIGH	YES	PENDING								
20	LA MESA-SPRING VALLEY	YES	YES								
19	LAKESIDE UNION	YES	YES								
21	LEMON GROVE	YES	YES								
48	MTN. EMPIRE UNIFIED	YES	YES								
23	NATIONAL	YES	YES								
64	OCEANSIDE UNIFIED	YES	YES								
61	POWAY UNIFIED	YES	YES								
49	RAMONA UNIFIED	YES	YES								
28	RANCHO SANTA FE	YES	YES								
50	SAN DIEGO UNIFIED	YES	YES								
45	SAN DIEGUITO UNION HIGH	YES	YES								
65	SAN MARCOS UNIFIED	YES	YES								
31	SAN PASQUAL UNION	YES	YES								
33	SAN YSIDRO	YES	YES								
32	SANTEE	YES	YES								
99	SDCOE	YES	YES								
34	SOLANA BEACH	YES	YES								
35	SOUTH BAY UNION	YES	YES								
36	SPENCER VALLEY	YES	YES								
46	SWEETWATER UNION HIGH	YES	YES								
37	VALLECITOS	YES	YES								
67	VALLEY CENTER-PAUMA UNIF.	YES	YES								
51	VISTA UNIFIED	YES	YES								
66	WARNER UNIFIED	YES	YES								

Received Count: 43 42

#N/A

**State Controller's Office  
Division of Audits  
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Sacramento, CA 94250**

**<http://www.sco.ca.gov>**