

ANNUAL FINANCIAL REPORT OF CALIFORNIA K-12 SCHOOLS

**Report to the State
Superintendent of Public Instruction**

For the Period of July 1, 2014, through June 30, 2015



BETTY T. YEE
California State Controller

June 2016



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The Honorable Tom Torlakson
State Superintendent of Public Instruction
California Department of Education
P.O. Box 944272
Sacramento, CA 94244-2720

Dear Superintendent Torlakson:

I am pleased to present the Annual Financial Report of California K-12 Schools for fiscal year (FY) 2014-15. The report summarizes the financial and program compliance status of the State's school districts, county offices of education, and charter schools for FY 2014-15, unless otherwise specified. For FY 2014-15, there were a total of 2,168 local education agencies (LEA), which included 947 school districts, 58 county offices of education, and 1,163 charter schools.

For FY 2014-15, California LEA revenues exceeded expenditures by \$340 million. The number of LEAs engaged in multi-year deficit spending increased from 282 to 303. The number of school districts and county offices of education filing negative or qualified first- or second-interim certifications for FY 2015-16 decreased from 50 to 25. The filing of negative or qualified certifications occurred because of deficit spending and changes in operating expenditures, operating revenues, contributions, and the Local Control Funding Formula.

State and federal compliance findings noted in the independent auditors' reports of LEAs increased over the prior year. Auditors reported 891 compliance findings in FY 2014-15, a 5% increase over the 848 reported in FY 2013-14. Moreover, 18% of the compliance findings were related to deficiencies in average daily attendance accounting, which is the primary basis for the allocation of state funding. Also, auditors reported 231 audit findings pertaining to the Unduplicated Local Control Funding Formula Pupil Counts compliance requirement.

I hope the report will be useful to you and the California State Legislature in planning California's future education needs. Please direct any comments regarding the content of the report to George Lolas, Chief Operating Officer, State Controller's Office, at (916) 552-8080.

Sincerely,

Original signed by

BETTY T. YEE

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Executive Summary

The State Controller has broad authority to oversee state and federal funding of California's public schools from kindergarten through the 12th grade (K-12). The State Controller's goal is to promote greater fiscal accountability by local education agencies (school districts, county offices of education, and charter schools) and to function as the independent protector of taxpayer dollars.

This oversight responsibility includes reviewing annual local education agency (LEA) audit reports, maintaining a database with financial and statistical data on LEA audit reports, reviewing and certifying the audit reports submitted by independent auditors, tracking financially troubled school districts identified by the interim reporting process, developing and submitting the content of the *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (K-12 Audit Guide) to the Education Audit Appeals Panel, and conducting financial and compliance audits of various LEAs.

Most of the information used to prepare this report is compiled from annual audit reports prepared for individual LEAs by independent certified public accountants for fiscal year (FY) 2014-15. Additional data was taken from interim financial report certifications submitted by LEAs for FY 2015-16. Information related to the emergency loan apportionments was obtained from various sources, including the California Infrastructure and Economic Development Bank (I-Bank).

This FY 2014-15 report contains the following key findings:

- The number of LEAs engaged in multi-year deficit spending increased from 282 to 303. Although some LEAs legitimately may need to engage in multi-year deficit spending (such as for building projects), this practice often is an indication that a district is facing financial difficulties.
- The number of LEAs filing negative or qualified certifications during at least one of the two reporting periods decreased from 50 in FY 2014-15 to 25 in FY 2015-16. In the second reporting period of FY 2015-16, qualified interim financial reports were filed by 14 LEAs, and 2 LEAs filed negative interim financial reports. Financial difficulties may have a negative impact on these LEAs' educational programs.
- Debt issuance increased by \$4.270 billion to a total of \$11.092 billion, a 63% increase over the \$6.822 billion issued in the prior year. Generally, LEAs issue debt to fund capital improvements, refinance existing debt, or buy land for future use.

- The number of state and federal compliance findings contained in the audit reports of LEAs increased over the prior year. Approximately 18% of the compliance findings for FY 2014-15 are related to deficiencies in average daily attendance (ADA) accounting, which is the primary factor in determining the amount of funding an LEA receives from the State.
- The LEAs' annual audit reports disclosed 231 audit findings pertaining to the Unduplicated Local Control Funding Formula Pupil Counts compliance requirement.
- The number of rejected audit reports increased by 80, from 328 to 408.

Introduction

The oversight role in the K-12 fiscal process is administered by the State Controller's Division of Audits. Oversight activities focus primarily on three areas: financial indicators, program compliance, and quality control.

The State Controller also is responsible for financial oversight of LEAs (school districts, charter schools, and county offices of education). Beginning with FY 2005-06, California Education Code section 47634.2(d) rendered charter schools subject to audits, pursuant to California Education Code section 41020. Audits must be conducted in accordance with Title 5, *California Code of Regulations*, section 19810 et seq., which requires that the K-12 Audit Guide must be followed.

Each section of this report specifies the type of LEA being reported on, and the fiscal year for which the data was obtained.

In accordance with California law, the State Controller's responsibilities include:

- Develop, in consultation with the California Department of Finance (DOF), the California Department of Education (CDE), and other school representatives, an annual audit guide that prescribes financial statements and other information that should be included in each LEA's audit report. The K-12 Audit Guide provides guidance to independent auditors who conduct LEA audits.¹
- Review each LEA's audit report submitted to the state and perform the associated follow-up actions, including compliance audits.²
- Track notifications from the school districts that identify substantial fiscal problems at interim reporting periods.

¹ The California Education Code provides that the Controller, in consultation with CDE, DOF, representatives of the California School Boards Association, the California Association of School Business Officials, the California County Superintendents Educational Services Association, the California Teachers Association, and the California Society of Certified Public Accountants, shall recommend the statements and other information to be included in the audit reports filed with the state and shall propose an audit guide to carry out the purposes of this chapter. A supplement to the audit guide may be suggested during the audit year, to address issues resulting from new legislation in that year that changes the conditions of apportionment. The proposed content of the audit guide and any supplement to the audit guide shall be submitted by the Controller to the Education Audit Appeals Panel for review and possible amendment.

² Compliance audits are conducted to determine whether state and federal program funds are expended in accordance with the applicable program laws and regulations.

- Conduct annual financial and compliance audits of school districts receiving emergency state apportionment loans.
- Ensure that satisfactory arrangements for an annual audit have been made for each LEA.
- Perform quality control reviews of independent auditors who conduct annual audits of LEAs.
- Compile pertinent data and report annually to the California State Legislature and CDE.

Financial Indicators

Overview

The California Education Code places school district finances under the control of county offices of education (COE) and CDE. The law protects the public's interest in education by giving COEs specific responsibility for fiscal oversight of school districts within their jurisdictions.

Key financial indicators representing the financial health of LEAs are presented in this section of the report. Data has been taken from interim financial report certifications submitted by school districts for FY 2015-16.

Interim Reporting

School districts in California are required to file interim reports certifying their financial health to the governing board of the district and COE. These interim reports must be completed twice per year by every school district (to cover the periods of July 1 through October 31, and November 1 through January 31) and must be reviewed by the appropriate county superintendent of schools. The interim reports must be in a format or on forms prescribed by the State Superintendent of Public Instruction and be based on Standards and Criteria for Fiscal Stability adopted by the State Board of Education pursuant to California Education Code section 33127. Charter schools are not required to file interim reports.

One of the following three certifications must be designated by the school district or COE when certifying the district's fiscal stability on the interim report.

Positive: A school district or COE that **will** meet its financial obligations for the **current fiscal year and subsequent two fiscal years**.

Qualified: A school district or COE that **may not** meet its financial obligations for the **current fiscal year or subsequent two fiscal years**.

Negative: A school district or COE that **will not be able to** meet its financial obligations for the **current fiscal year or subsequent fiscal year**.

School districts that file qualified or negative interim reports work with their county school superintendent to implement corrective action. Copies of the qualified or negative certifications are forwarded to the State Controller's Office (SCO) and to the State Superintendent of Public Instruction.

Decrease in the number of LEAs that filed qualified or negative certifications

For FY 2015-16, a total of 20 of the 1,005 LEAs required to file interim reports filed a qualified or negative certification for the first-period interim report (16 were qualified and 4 were negative). Of these 20 LEAs, 10 filed a qualified second-period interim report, 1 filed a negative second-period interim report, and 9 LEAs were able to take corrective action. However, an additional 4 LEAs that had filed a positive first-interim certification subsequently filed qualified second-period interim reports, and 1 LEA that had filed a positive first-period interim certification subsequently filed a negative second-period interim report, resulting in a total of 14 qualified and 2 negative certifications for the second-interim reporting period (Figure 1). Thus, 25 LEAs reported qualified or negative certifications for at least one of the two periods (Appendix A), and 11 LEAs remained on the list from the prior year. LEAs that file qualified or negative interim reports for two or more years are monitored closely by SCO through continuous contact with CDE.

The most common causes of fiscal problems cited in the 25 qualified or negative certifications (Appendix B) were:

- Other Expenditures (projected operating expenditure changes): 23 LEAs (92%)
- Other Revenues (projected operating revenue changes): 22 LEAs (88%)
- Contributions (contributions from unrestricted to restricted resources, or transfers to or from the General Fund to cover operating deficits, changed since budget adoption or first-interim report by more than \$20,000 and more than 5% for any of the current or two subsequent fiscal years): 21 LEAs (84%)
- Deficit Spending: 21 LEAs (84%)
- Local Control Funding Formula (LCFF) (projected LCFF changes): 20 LEAs (80%)

An analysis of the five LEAs that changed from a positive first-period interim certification to a negative or qualified second-period interim certification revealed four of the same top five common causes listed above.

Figure 1

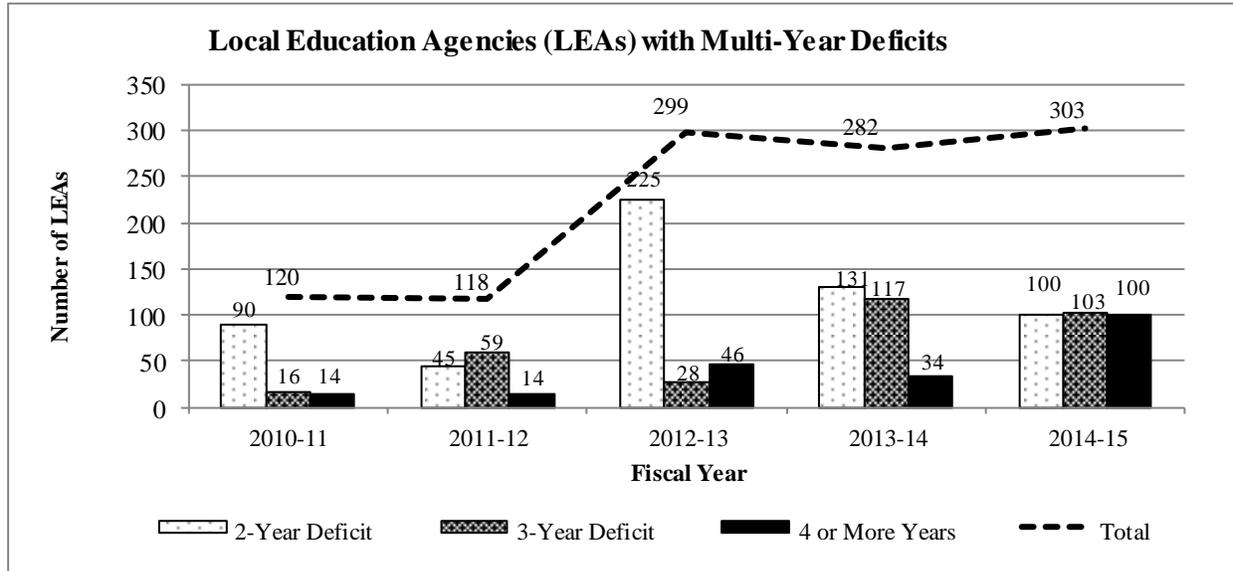
Second-Period Interim Report Certifications					
Five-Year History (Fiscal Year)					
	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Positive	835	924	982	976	989
Qualified	172	84	23	27	14
Negative	<u>13</u>	<u>8</u>	<u>7</u>	<u>4</u>	<u>2</u>
Totals	<u>1,020</u>	<u>1,016</u>	<u>1,012</u>	<u>1,007</u>	<u>1,005</u>
Additional information regarding LEAs that filed qualified or negative interim reports for FY 2015-16 is provided in Appendices A and B.					

Deficit Spending

LEA multi-year deficit spending increased

For FY 2014-15, the overall number of LEAs relying on multi-year deficit spending increased from 282 to 303 (Figure 2). Deficit spending patterns are monitored closely by COEs and CDE to determine whether LEAs are facing serious financial problems.

Figure 2



Emergency Apportionments

When the governing board of a school district determines that the district’s revenues are not sufficient to meet its current year obligations, it may request, through legislation, an emergency apportionment loan. As a condition of acceptance of the loan, the State Superintendent of Public Instruction appoints an administrator or trustee to control, monitor, and review the operation of the district. The administrator or trustee helps the district develop a five-year recovery plan.

The emergency loans are designed to provide an advance of apportionments owed to the districts from the State School Fund. California Education Code sections 41329.50 through 41329.54 and 41329.56 specify the requirements for emergency apportionment financing.

West Contra Costa Unified School District, Oakland Unified School District, and King City Joint Union High School District (renamed South Monterey County Joint Union High School District) are required to use lease financing to repay the emergency apportionments made from the state’s General Fund. The emergency apportionment made to the Vallejo City Unified School District is considered an interim loan and must be repaid with the proceeds from lease financing.

Inglewood Unified School District received a General Fund emergency loan in November 2012. Subsequently, Senate Bill 86 (Chapter 48) was enacted during FY 2012-13 to authorize the Inglewood

Unified School District, through CDE, to request cash flow loans from the General Fund for a total of \$55 million. The total loan balance is \$26,738,035 as of June 30, 2016.

Annual payment on the initial emergency loan for the Oakland Unified School District is due in June. Vallejo City Unified School District received two emergency loans from the General Fund, with payments due in June and August. As of June 30, 2016, the outstanding General Fund loan balances for Oakland Unified School District, Vallejo City Unified School District, and Inglewood Unified School District ranged from \$17.3 million to \$26.7 million, as shown in Figure 3.

The lease financing is made available by I-Bank and the term cannot exceed 20 years. I-Bank issues bonds to reimburse the General Fund for all or a portion of the emergency apportionment loans made to these school districts. The West Contra Costa Unified School District principal bond balance was redeemed on August 17, 2015. The principal payments for Vallejo City Unified School District, Oakland Unified School District, and King City Joint Union High School District bonds are payable annually on August 15. As of June 30, 2016, the outstanding Lease Revenue Bonds balances ranged from \$11.9 million to \$36 million, as identified in Figure 3.

Figure 3

School Districts with Outstanding Loans (in \$Millions)							
Fiscal Year	School District	Initial Loan (General Fund) ¹			Lease Revenue Bonds (I-Bank) ²		
		Loan Amount	Out-standing Balance	Final Repayment Date	Amount Issued	Out-standing Balance	Final Repayment Date
1990-91	West Contra Costa	28.5	\$ —	12/8/2005	15.7	\$ —	8/15/2018 ³
2002-03	Oakland Unified	100.0	19.0	6/29/2026	59.6	36.0	8/15/2023
2003-04	Vallejo City Unified	60.0	17.3	8/14/2024	21.2	12.6	8/15/2024
2009-10	King City JUHSD ⁴	2.0	—	4/14/2010	14.4	11.9	8/15/2029
2012-13	Inglewood Unified	29.0	26.7	11/1/2033	—	—	—

¹ Initial loan General Fund balance information was obtained from SCO's Division of Accounting and Reporting.

² Lease revenue bonds information was obtained from the California Infrastructure and I-Bank.

³ West Contra Costa Unified balance was fully redeemed on August 17, 2015.

⁴ King City JUHSD was renamed South Monterey County Joint Union High School District effective July 1, 2011.

General Fund Revenues and Expenditures

For FY 2014-15, LEA General Fund revenues exceeded expenditures by \$0.340 billion (Figure 4).

Figure 4

LEA General Fund Revenues and Expenditures by Fiscal Year (In \$Billions)					
	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>
Revenues	\$57.665	\$54.879	\$54.421	\$57.902	\$56.893
Expenditures	<u>(55.890)</u>	<u>(54.460)</u>	<u>(54.489)</u>	<u>(57.119)</u>	<u>(56.553)</u>
Surplus/(Deficit)	<u>\$1.775</u>	<u>\$0.419</u>	<u>(\$0.068)</u>	<u>\$0.783</u>	<u>\$0.340</u>

The fund balance or surplus for all LEAs combined totaled \$12.085 billion at the end of FY 2014-15, a decrease of \$0.734 billion from the prior year's total of \$12.819 billion. Federal revenues decreased by \$0.487 billion from the prior fiscal year (\$4.302 billion in FY 2013-14, compared with \$3.815 billion in FY 2014-15). As part of the total fund balance, LEAs are required to maintain reserves as a defense against economic uncertainties. CDE issues guidelines regarding the amount of reserves each district should maintain based on its total average daily attendance.

Debt Issuance

Generally, LEAs issue debt to fund the purchase, construction, or lease of buildings and equipment; refinance existing debt; or buy land for future use. In the past, it was not uncommon for financially troubled LEAs to issue debt in order to finance current operations.

LEA debt issuance increase

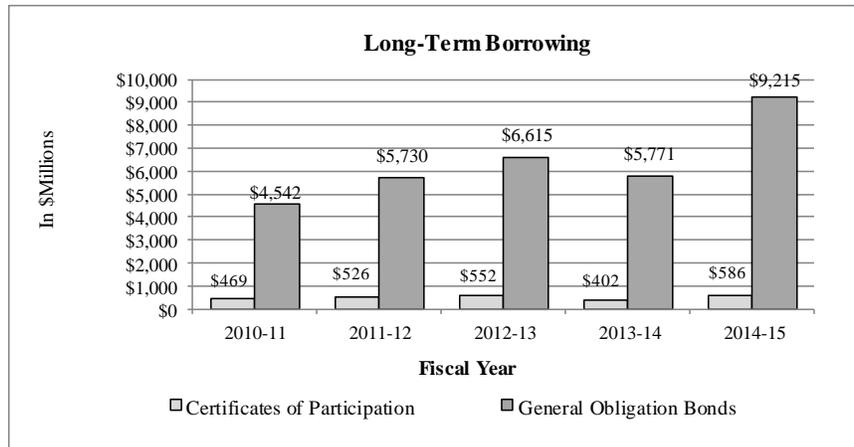
During FY 2014-15, LEAs issued \$11.092 billion in debt, an increase of \$4.270 billion (63%) over \$6.822 billion issued in the prior year. In FY 2014-15, the total number of LEAs that issued debt increased by 62% over the prior fiscal year. LEAs issued the following types of debt:

- **General Obligation Bonds (\$9.215 billion, or 83%)**—Bonds secured by the full faith and credit of the LEA. These long-term obligations generally are issued at more favorable rates than are other types of debt because of their preferred status; that is, they are secured by the taxing authority of the LEA.
- **Limited Tax Obligation Bonds (\$1.162 billion, or 11%)**—A financing technique that provides long-term financing of capital projects. The bonds are repaid from incremental taxes on property in a redevelopment area.
- **Certificates of Participation (\$586 million, or 5%)**—A financing technique that provides long-term financing through leasing of school facilities, such as buildings, with either an option to purchase or a conditional sales agreement.

- **Bond Anticipation Notes (\$129 million, or 1%)**—A financing technique that provides short-term financing for construction, equipment, furnishings, and improvements for school facilities.

LEAs issued \$9.801 billion in Certificates of Participation and General Obligation Bonds during FY 2014-15, an increase of \$3.628 billion (59%) over \$6.173 billion issued in the prior fiscal year (Figure 5).

Figure 5



LEA financing through Certificates of Participation increased by \$0.184 billion, and financing through General Obligation Bonds increased by \$3.444 billion over the prior year.

General Obligation Bonds accounted for 83% of LEA debt issuance in FY 2014-15, a decrease of 1% from the prior year. In comparison, Certificates of Participation accounted for 5% of debt issuance in FY 2014-15, a 1% decrease from the prior year.

Lottery Revenues

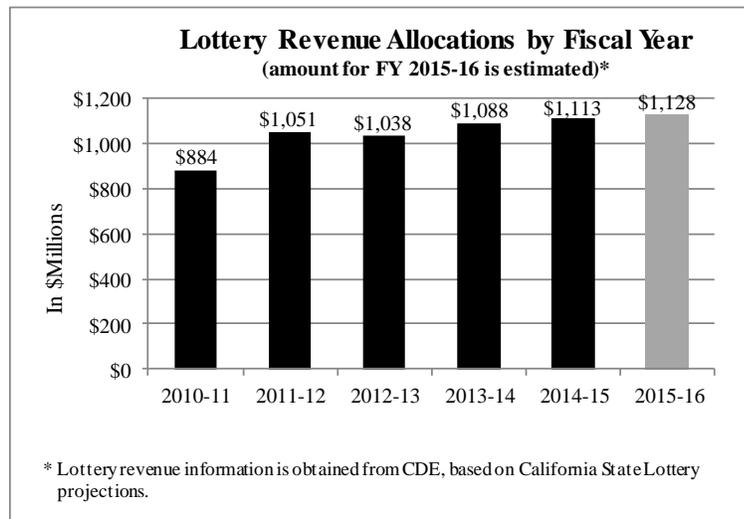
The allocation of Lottery revenues to K-12 schools is based on a percentage of total Lottery sales for the year. Under state law (Proposition 37, California State Lottery Act of 1984), a minimum of 34% of Lottery sales must be distributed to school districts, community colleges, and other educational agencies. The distribution of this 34% between K-12 school districts and community colleges fluctuates annually.

The amount is distributed to each district based on its K-12 average daily attendance. The data regarding sales and allocations are maintained by SCO and the California State Lottery.

Lottery revenue projected to increase

Lottery revenue is projected to increase 1.35%, up from \$1,113 in FY 2014-15 to \$1,128 million estimated for FY 2015-16 (Figure 6).¹

Figure 6



¹ In the 2012-13 Annual Financial Report of California K-12 Schools, the figure for FY 2012-13 was reported incorrectly as \$1,027 million.

Program Compliance

Overview

The annual audit reports by Certified Public Accountants (CPAs) are the primary source of information regarding LEA compliance with state and federal requirements. SCO reports on program compliance issues as part of its review of annual audit reports, the overall certification process, and associated follow-up actions. In addition, SCO may conduct compliance audits, if resources permit.

Compliance Findings

Independent auditors determine whether LEAs, including joint powers entities, have complied with state and federal laws and regulations that may have a material effect on the financial position and operations of the organization or program(s) under audit. The joint powers entities are formed to provide a joint service to a group of districts; the entities are governed by a board consisting of a representative from each member district. When an LEA is not in compliance with applicable laws and regulations, the findings are communicated by the independent auditors in the audit report.

The number of compliance findings reported in FY 2014-15 LEA audit reports submitted by CPAs increased over the prior year. There were 891 compliance findings in FY 2014-15, a 5% increase over the 848 compliance findings reported in FY 2013-14 (Appendix C).

Some of the problems identified in the compliance findings may have a fiscal impact on LEA operations, as they may result in a loss of state and federal funding. Of the 891 audit findings, 795 (89%) pertained to state programs and requirements and 96 (11%) pertained to federal programs and requirements (Figure 7).

The Unduplicated Local Control Funding Formula Pupil Counts compliance requirement comprised the majority of audit findings in FY 2014-15. The LEAs' audit reports disclosed 231 audit findings, with the majority (197 findings, or 85%) related to the following issues:

- Free and Reduced-Price Meal and/or English Learner pupil counts overstated;
- Free and Reduced-Price Meal students missing eligibility documentation; and
- English Learner students missing eligibility documentation.

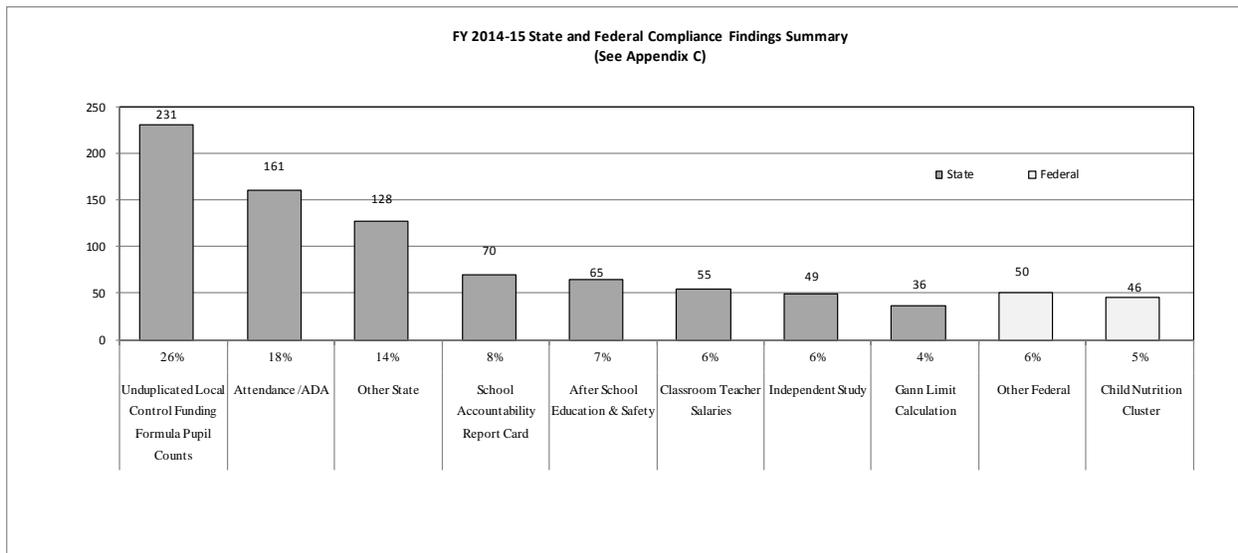
There were 161 attendance-related findings, which accounted for 18% of all compliance findings. The majority of the attendance findings (111, or 69%) were related to the following issues:

- ADA was misstated;
- Attendance registers/Scantron forms were not signed by teachers;
- Attendance reports did not reconcile to supporting documentation; and
- Attendance reports were inaccurate and/or incomplete.

The audit reports also disclosed 70 findings pertaining to the School Accountability Report Card (SARC). The majority of the findings (56, or 80%) pertained to:

- SARC information that was inconsistent with a Facility Inspection Tool (FIT) or local evaluation instrument; and
- A FIT that was either not prepared or missing.

Figure 7



County Offices of Education Audit Resolution Processes

California Education Code section 41020(n) provides that the State Controller shall annually select a sample of COEs in order to perform a follow-up review of the audit resolution processes. The scope of the reviews is limited to determining whether each COE followed its audit resolution process, resolved all of the audit findings, followed up on the district’s corrective action plans, and notified the State Superintendent of Public Instruction and the State Controller of the results.

During FY 2015-16, SCO performed reviews of the audit resolution processes of 11 COEs and found that all 11 COEs followed their audit resolution processes for FY 2012-13 and FY 2013-14, except that one COE did not maintain support for filing the Certificate of Corrective Action with SCO.

Quality Control

Overview

SCO reviews and certifies the annual independent audit reports submitted by each LEA for compliance with audit guidelines set forth in the K-12 Audit Guide. This authority is provided by of California Education Code section 14504.

Audit Report Certifications

SCO determines whether audit reports conform to reporting provisions of the K-12 Audit Guide and notifies each LEA, independent auditor, and the State Superintendent of Public Instruction whether a report has been accepted or rejected, based on conformity with those provisions.

For FY 2014-15, SCO accepted 78% of the audit reports submitted; the remaining 22% were rejected upon initial review. SCO subsequently accepted the rejected audit reports after the independent auditors made the requested corrections. California Education Code section 14505 provides that LEAs withhold 10% of the audit fee until the State Controller certifies that the audit report conforms to the reporting provisions of California Education Code section 14503(a). In addition, if an independent auditor has had a report rejected (and has not subsequently corrected it) for the same LEA for two consecutive years, SCO may refer the independent auditor to the California Board of Accountancy for professional review.

Increase in number of rejected audit reports

Upon initial review, SCO certified 1,433 (78%) of the 1,841 audit reports submitted by LEAs for FY 2014-15. The number of rejected reports increased by 80, from 328 in the prior year to 408 in the current year (Figure 8).

Figure 8

Number and Percent of Rejected LEA Audit Reports by Fiscal Year			
<u>Fiscal Year</u>	<u>Reports Submitted</u>	<u>Reports Rejected</u>	<u>Percent Rejected</u>
2010-11	1,636	485	30%
2011-12	1,699	405	24%
2012-13	1,756	452	26%
2013-14	1,792	328	18%
2014-15	1,841	408	22%

Reporting Deficiencies

In FY 2014-15, SCO identified 810 reporting deficiencies in the independent auditors' reports of LEAs, a decrease of 110 from 920 in the prior year (Figure 9).

Reporting deficiencies decreased

Figure 9

	Fiscal Year	
	<u>2013-14</u>	<u>2014-15</u>
Auditor's Report on the Financial Statements	125	82
Management's Discussion & Analysis	4	0
Basic Financial Statements	31	46
Notes to the Financial Statements	68	83
Required Supplementary Information	2	44
Supplementary Information Section	250	119
Schedule of Expenditures of Federal Awards	11	6
Government Auditing Standards Report	27	14
Single Audit Report	8	17
State Compliance Report	112	155
Findings and Recommendations Section	280	243
Other	<u>2</u>	<u>1</u>
Total Number of Reporting Deficiencies	<u>920</u>	<u>810</u>

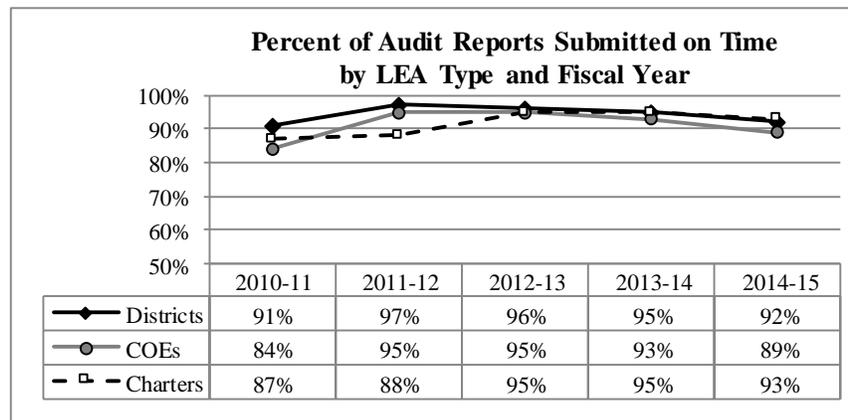
*See Appendix D.

The Supplementary Information and Auditor's Report on the Financial Statements sections of the independent audit reports of LEAs show the largest decreases in the number of reporting deficiencies.

On-Time Submissions

Audit reports for the preceding fiscal year must be filed with SCO, CDE, and the county superintendent of schools by December 15 of each year. Filing deadline extensions may be granted, but only under extraordinary circumstances.

Figure 10



Annual audit reports submitted on time decreased

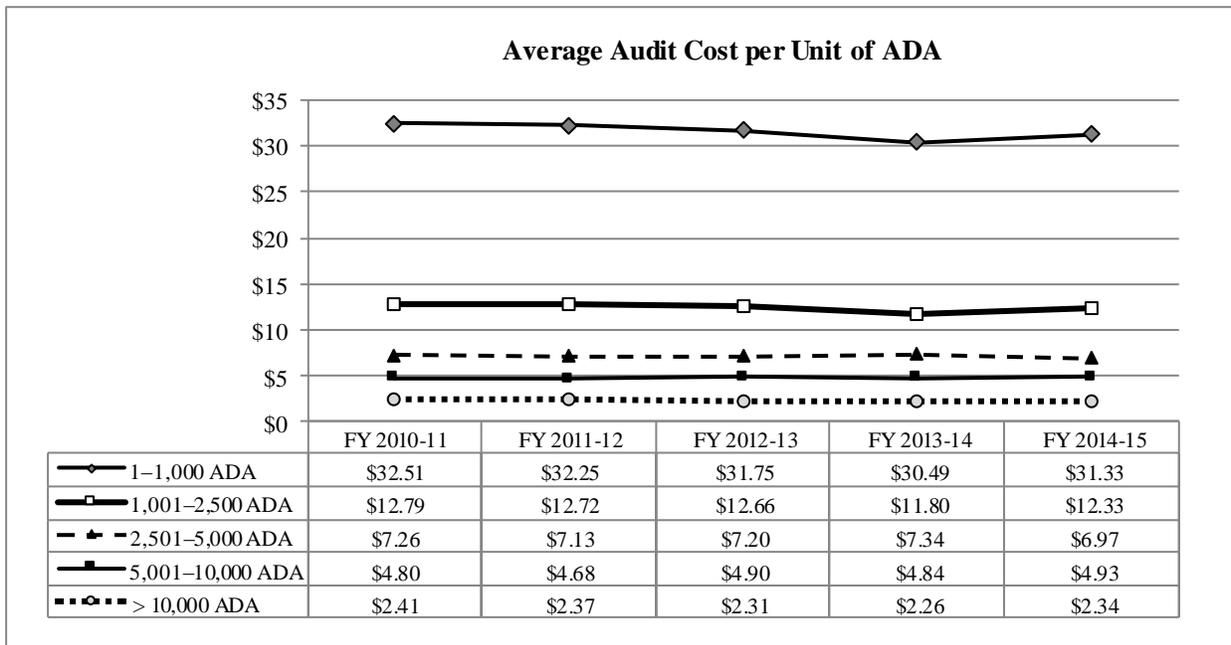
The percentage of school district, COE, and charter annual audit reports submitted by the deadline decreased from for the prior year (Figure 10). A total of 1,709, or 92%, of the 1,850⁴ required LEA reports were received by the December 15, 2015, deadline.

⁴ For FY 2014-15, there were 2,168 LEAs. Some of the LEAs, primarily charter schools, were combined for reporting purposes, resulting in 1,850 required LEA reports.

Average Audit Cost per Average Daily Attendance

Each year SCO asks each COE to provide audit contract information for the COE and all LEAs under its jurisdiction. SCO maintains a database of information pertaining to audit contracts between LEAs and independent auditors. From that database, SCO determined the total audit costs and the cost per unit of ADA for LEA annual audits. The COE provided FY 2014-15 audit contract information for 93% of the COE and LEAs. Based on information received, audit costs for FY 2014-15 totaled \$32.3 million, an increase of \$782,565, or 2%, over total audit costs of \$31.5 million for FY 2013-14.

Figure 11



Quality Control Reviews

California Education Code section 14504.2 expanded the State Controller's quality control review function to include LEAs that have received a negative interim report certification and school districts that have a going concern issue, as determined by the county superintendent of schools.

California Education Code section 41020(f)(1) requires SCO to publish a directory of CPAs deemed qualified to conduct audits of LEAs. This directory is published by December 31 of each year.

Quality control reviews are necessary to ensure that independent auditors are following generally accepted auditing standards and government auditing standards, and are reporting findings regarding financial statement issues and compliance with state and federal laws in their annual independent auditor's reports.

The general objective of the quality control reviews is to determine whether the independent auditors are conducting the annual financial audits of LEAs in accordance with:

- Generally Accepted Government Auditing Standards (GAGAS);
- Generally Accepted Auditing Standards (GAAS);
- K-12 Audit Guide;
- Office of Management and Budget (OMB) Circular A-133, if applicable; and
- The California Business and Professions Code.

SCO's opinion regarding the quality of the audits is classified in one of the following categories, based on whether the independent auditor performed the audit in accordance with auditing standards and state and federal requirements:

- If the audit was performed in accordance with the standards and requirements, SCO's conclusion is that the independent auditor complied with auditing standards and state and federal requirements.
- If the audit was performed in accordance with the majority of the standards and requirements, SCO's conclusion is that the independent auditor complied with the majority of auditing standards and state and federal requirements.
- If the audit was performed in accordance with some elements of the standards and requirements, but the majority of standards and requirements were not met, SCO's conclusion is that the independent auditor complied with some elements of the standards and requirements, but that the majority of auditing standards and federal and state requirements were not met.

- If the audit was not performed in accordance with the standards and requirements, SCO's conclusion is that the independent auditor did not comply with auditing standards and state and federal requirements. Such a conclusion may result in a referral of the independent auditor to the California Board of Accountancy.

In FY 2015-16, SCO issued seven quality control review reports related to LEAs. The quality control reviews found deficiencies in the following areas:

Reporting

- Deficiencies in:
 - Notes to the Financial Statements
 - The Schedule of ADA
 - Notes to the Supplementary Information
 - Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance on Other Matters Based on an Audit of Financial Statements performed in Accordance with GAGAS
 - The Report on State Compliance
 - Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133
 - Findings presentation

State Compliance

- No documentation of audit work performed for some state compliance requirements
- Noncompliance with K-12 Audit Guide requirements

Federal Compliance

- Noncompliance with OMB A-133 requirements

Appendix A— Audit Report and Interim Report Disclosures of Impending Financial Problems

County School District/COE	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2014-15 ADA	2015-16 Interim Report		2014-15 Interim Report Second
				– First	Second	
Alameda County						
1. Oakland Unified	N/A	N/A	N/A	Q	P	Q
Calaveras County						
2. Calaveras Unified	No	Yes ¹	2,924	Q	Q	Q
El Dorado County						
3. Black Oak Mine Unified	No	Yes	1,171	Q	Q	Q
Fresno County						
4. Parlier Unified	No	Yes	3,193	Q	Q	P
Humboldt County						
5. Klamath-Trinity Joint Unified	No	Yes	949	P	Q	P
6. Loleta Union Elementary	No	Yes	109	P	N ²	P
Lake County						
7. Middletown Unified	No	Yes	1,437	Q ²	P	P
Los Angeles County						
8. Castaic Union	Yes	Yes ¹	2,475	N	P	N
9. Hughes-Elizabeth Lakes Union Elementary	No	Yes	237	P	Q ²	P
10. Inglewood Unified	N/A	N/A	N/A	N	Q	N
11. Los Angeles Unified	No	Yes	517,856	Q	Q	Q
Mendocino County						
12. Willits Unified	No	Yes	1,467	P	Q	P
Napa County						
13. Howell Mountain Elem.	No	Yes ¹	91	Q	P	P
Plumas County						
14. Plumas Unified	No	Yes ¹	1,731	Q	P	P
Sacramento County						
15. Galt Joint Union High	No	Yes	2,115	Q	P	P
San Benito County						
16. Aromas/San Juan Unified	Yes	Yes ¹	1,094	Q	P	P
17. Southside Elementary	No	Yes	224	P	Q	Q

Appendix A (continued)

County School District/COE	Full Disclosure in Auditor's Opinion	Full Disclosure in Financial Statement and Accompanying Notes	2014-15 ADA	2015-16 Interim Report		2014-15 Interim Report Second
				– First	Second	
San Bernardino County						
18. Colton Joint Unified	No	Yes	22,107	Q	P	P
San Diego County						
19. Julian Union High	No	Yes	149	N	N	P
20. San Diego Unified	No	Yes	103,964	Q	Q	Q
21. Warner Unified	No	Yes ¹	210	Q	Q	Q
San Luis Obispo County						
22. Shandon Joint Unified	Yes	Yes	281	N	Q	Q
Santa Clara County						
23. Lakeside Joint Elementary	No	Yes	88	Q	P	P
Sonoma County						
24. Kashia Elementary	Yes	Yes ¹	13	Q	Q	N
Ventura County						
25. Moorpark Unified	Yes	Yes ¹	6,389	Q ²	Q	P

¹. Disclosed in the Schedule of Findings and Questioned Costs.

². COE changed certification

Legend: P=Positive Q=Qualified N=Negative N/A=Not Available

Appendix B— Local Education Agencies Filing Qualified or Negative Interim Reports

County School District/COE	Analysis of Key Indicators for Financial Difficulties									
	1st/2nd Certification	Other Expenditures ¹	Other Revenues ²	Contributions ³	Deficit Spending ⁴	LCFF ⁵	Independent Position Control ⁶	Salaries and Benefits ⁷	Enrollment ⁸	Change of CBO or Superintendent ⁹
Alameda County:										
1. Oakland Unified	Q / P	✓	✓	✓					✓	
Calaveras County:										
2. Calaveras Unified	Q / Q	✓	✓	✓	✓		✓	✓		✓
El Dorado County:										
3. Black Oak Mine Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Fresno County:										
4. Parlier Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓	✓	✓
Humboldt County:										
5. Klamath-Trinity Joint Unified	P / Q	✓	✓		✓	✓		✓	✓	
6. Loleta Union Elementary	P / N	✓	✓	✓	✓			✓	✓	
Lake County:										
7. Middletown Unified	Q / P	✓	✓	✓		✓				✓
Los Angeles County:										
8. Castaic Union	N / P		✓	✓	✓	✓	✓	✓	✓	✓
9. Hughes-Elizabeth Lakes Union Elementary	P / Q	✓		✓	✓	✓	✓	✓		
10. Inglewood Unified	N / Q	✓	✓	✓	✓	✓	✓		✓	✓
11. Los Angeles Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓
Mendocino County:										
12. Willits Unified	P / Q	✓	✓		✓		✓	✓		
Napa County:										
13. Howell Mountain Elementary	Q / P	✓	✓	✓	✓	✓		✓	✓	
Plumas County:										
14. Plumas Unified	Q / P	✓	✓	✓		✓	✓	✓	✓	✓
Sacramento County:										
15. Galt Joint Union High	Q / P	✓	✓		✓	✓	✓		✓	✓

Appendix B (continued)

County School District/COE	1st/2nd Certification	Analysis of Key Indicators for Financial Difficulties						Independent Position Control ⁶	Salaries and Benefits ⁷	Enrollment ⁸	Change of CBO or Superintendent ⁹
		Other Expenditures ¹	Other Revenues ²	Contributions ³	Deficit Spending ⁴	LCFF ⁵					
San Benito County:											
16. Aromas/San Juan Unified	Q / P	✓	✓	✓	✓	✓	✓	✓		✓	
17. Southside Elementary	P / Q			✓	✓	✓	✓		✓		
San Bernardino County:											
18. Colton Joint Unified	Q / P	✓		✓	✓	✓	✓	✓			
San Diego County:											
19. Julian Union High	N / N	✓	✓	✓	✓	✓	✓	✓	✓	✓	
20. San Diego Unified	Q / Q	✓	✓	✓	✓			✓			
21. Warner Unified	Q / Q	✓	✓	✓	✓	✓	✓	✓		✓	
San Luis Obispo County:											
22. Shandon Joint Unified	N / Q	✓	✓	✓	✓	✓	✓		✓		
Santa Clara County:											
23. Lakeside Joint Elementary	Q / P	✓	✓	✓	✓	✓			✓	✓	
Sonoma County:											
24. Kashia Elementary	Q / Q	✓	✓		✓	✓		✓	✓	✓	
Ventura County:											
25. Moorpark Unified	Q / Q	✓	✓	✓		✓	✓		✓	✓	

¹ Projected operating expenditures (e.g., books and supplies) for the current and two subsequent fiscal years changed by more than 5% since budget adoption or first interim.

² Projected operating revenues (e.g., federal, other state, other local) for the current and two subsequent

³ Contributions from unrestricted to restricted resources, or transfers to or from the General Fund to cover operating deficits, changed by more than \$20,000 and more than 5% since budget adoption for any of the current or two subsequent fiscal years.

⁴ Unrestricted deficit spending has exceeded the standard in any of the current or two subsequent fiscal years.

⁵ Projected LCFF for any of the current or two subsequent fiscal years changed by more than 2% since budget adoption or first interim.

⁶ Personnel position control is independent from the payroll system.

⁷ Projected ratio of total unrestricted salaries and benefits to total unrestricted general fund expenditures has not changed by more than the standard for the current and two subsequent fiscal years.

⁸ Projected enrollment for any of the current or two subsequent fiscal years changed by more than 2% since budget adoption or first interim.

⁹ There have been personnel changes in the superintendent or chief business official positions within the last 12 months.

Legend: P=Positive Q=Qualified N=Negative

Appendix C— Summary of Audit Report Compliance Findings

Program	Description of Problem	Number of Findings
STATE		
Attendance Requirements		
	ADA overstated by 0-5 ADA	35
	ADA overstated by 10-20 ADA	1
	ADA overstated by 5-10 ADA	3
	ADA overstated by over 20 ADA	1
	ADA understated by 0-5 ADA	16
	ADA understated by 5-10 ADA	4
	ADA understated by over 20 ADA	2
	Absences were claimed for apportionment	11
	Attendance registers/scantrons not signed by teachers	31
	Attendance report does not reconcile to supporting documentation	25
	Attendance report inaccurate/incomplete	20
	Excused absences - problems with verification procedures/documentation	1
	Lack of documentation/records	9
	Teacher not authorized to instruct limited-English-proficient pupils	1
	Enrollment is not reconciled to monthly attendance reports	1
Community Day Schools		
	Attendance report inaccurate	2
Continuation Education		
	Attendance accounting deficiency	7
Independent Study		
	Attendance overstated	7
	Contract(s) did not include all required elements	30
	Ratio of pupils to teachers exceeded maximum allowable	1
	Work samples not maintained	8
	Work samples not signed and dated by teacher	2
	Other finding	1
Juvenile Court Schools		
	Attendance accounting deficiencies	1
Kindergarten Continuation		
	Kindergarten retention form did not include required elements	3
	Retention forms were not maintained and/or properly approved	12
	Student not eligible for admittance to Kindergarten	2
Middle or Early College High Schools		
	Instructional time requirement not met	3
Adult Education Maintenance of Effort		
	Maintenance of effort requirement not met	14
After School Education and Safety Program		
	Administrative costs exceeded 15% of state funding	1
	Lack of documentation/records	3
	LEA did not establish policy regarding reasonable early daily release of pupils	1
	LEA did not establish policy regarding reasonable late daily arrival of pupils	1
	Noncompliance with matching requirements	1

Appendix C (continued)

Program	Description of Problem	Number of Findings
After School Education and Safety Program	Program did not operate a minimum of 15 hours per week	1
	Reported number of students served not supported by written records or did not reconcile to supporting documents	38
	Reported students served inconsistent with early release policy	17
	Other finding	2
Annual Instructional Minutes	Classroom Based: Instructional time requirements not met	1
	Classroom Based: Other finding	1
Child Development	Expenditures overstated	1
Classroom Teacher Salaries	District did not meet the current expense-of-education percentage required for payment of classroom teacher salaries	54
	Other finding	1
Common Core Implementation Funds	Expenditure(s) made for non-qualifying purposes	1
	Plan delineating how implementation funds will be spent was not developed and adopted	1
Determination of Funding for Nonclassroom-Based Instruction	Funding determination not approved	1
Gann Limit Calculation	Appropriations limit calculation deficiency	1
Instructional Materials	Board resolution did not address sufficiency of textbooks/instructional materials	2
	Notice of public hearing deficiency	13
	Public hearing on instructional materials not held or held after the required time	20
	Other finding	1
Instructional Time	Instructional days requirements not met	1
	Instructional minutes requirements not met	7
	Other finding	3
Inventory of Equipment	Inventory of equipment not maintained	5
K-3 Grade Span Adjustment	Average class enrollment exceeded 24 pupils	2
Local Control and Accountability Plan	LEA did not notify members of the public of the opportunity to submit comments to be included in the Local Control Accountability Plan	3

Appendix C (continued)

Program	Description of Problem	Number of Findings
Mode of Instruction	ADA not generated in compliance with requirements	2
	Teacher did not possess a valid teaching certification	7
Other State Programs	Financial report/claim not filed/not filed timely	1
	Other finding	1
Proper Expenditure of Education Protection Account Funds	Funds not properly disbursed and expended as required by law	1
	Other finding	3
Ratio of Administrative Employees to Teachers	Number of administrators per hundred teachers exceeded the allowable ratio	1
Regional Occupational Centers or Programs Maintenance of Effort	Maintenance of effort requirement not met	11
School Accountability Report Card	District did not follow uniform complaint process	4
	FIT not prepared or missing	18
	SARC information inconsistent with availability of sufficient textbooks and other instructional materials	2
	SARC information inconsistent with complaints related to teacher misassignments or vacancies	1
	SARC information inconsistent with FIT or local evaluation instrument	38
	SARC not published	6
	Other finding	1
Teacher Certification and Misassignments	Teacher did not possess a valid certification document (teaching credential)	7
	Teacher misassignment	1
	Teacher not authorized to instruct limited-English-proficient pupils	4
	Teacher providing instruction outside of credential subject	2
Transportation Maintenance of Effort	Maintenance of effort requirement not met	15
Unduplicated Local Control Funding Formula Pupil Counts	English Learner students missing eligibility documentation	35
	Free and Reduced-Price Meal and/or English Learner pupil counts overstated	84
	Free and Reduced Price Meal and/or English Learner pupil counts understated	10
	Free and Reduced-Price Meal students and English Learner students missing eligibility documentation for at least one designation	23
	Free and Reduced-Price Meal students missing eligibility documentation	78
	Other finding	1
TOTAL STATE FINDINGS		795

Appendix C (continued)

Program	Description of Problem	Number of Findings
FEDERAL		
Child Nutrition Cluster		
	Activities allowed or unallowed	10
	Allowable costs/cost principles	5
	Eligibility	7
	Equipment and real property management	1
	Financial report inaccurate/not complete	6
	Special tests and provisions	5
	Other finding	12
Federal Pell Grant Program		
	Special tests and provisions	1
Federal Programs		
	Allowable costs/cost principles	9
	Equipment and real property management	1
	Special tests and provisions	1
National School Lunch Program		
	Eligibility	2
	Special tests and provisions	2
	Other finding	2
Other Federal Programs		
	Allowable costs/cost principles	1
	Cash management	2
	Lack of documentation/records	2
	Other finding	2
School Breakfast Program		
	Special tests and provisions	2
Special Education Cluster		
	Subrecipient monitoring	1
Special Education		
	Allowable costs/cost principles	1
Title I Grants to LEAs		
	Activities allowed or unallowed	1
	Allowable costs/cost principles	6
	Period of availability of federal funds	2
	Special tests & provisions	8
	Other finding	3
Title II, Improving Teacher Quality State Grants		
	Procurement and suspension and debarment	1
TOTAL FEDERAL FINDINGS		96
TOTAL STATE AND FEDERAL FINDINGS		891

Appendix D— Summary of Audit Report Deficiencies

Description	Number of Deficiencies	
	FY 2013-14	FY 2014-15
<u>Auditor's Report on the Financial Statements</u>		
Auditor's report did not include an opinion on supplementary information.	11	15
Auditor's report did not identify the supplementary information, including the Schedule of Expenditures of Federal Awards.	6	14
Report did not include all of the elements in the required supplementary information (RSI) section.	1	12
Report did not refer to the RSI.	1	11
Report did not include a section with the heading "Other Matters."	1	10
Auditor's report did not reference GAAS and GAGAS.	2	6
Introductory paragraph of report did not clearly identify financial statements covered by auditor's opinion.	1	2
Report did not include a section with the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion."	1	2
Report did not include a statement that an audit includes evaluating the appropriateness of accounting policies and reasonableness of significant accounting estimates.	26	1
Report did not include a statement that the auditor does not express an opinion on the effectiveness of the entity's internal control.	22	1
Report did not include a statement that the auditor performed audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements.	1	1
Report did not state that the audit evidence obtained is sufficient and appropriate for the auditor's opinion.	23	1
Report did not state that the auditor obtained reasonable assurance about whether the financial statements are free from material misstatement.	1	1
Report did not include a section with the heading "Other Reporting Required by Government Auditing Standards."	0	1
Report did not include a paragraph describing the matter giving rise to the modified opinion.	0	1
Report did not include a section with the heading "Opinion."	0	1
Qualified opinion due to material misstatement in financial statements: opinion paragraph was deficient.	0	1
Reference to a separate report on internal control over financial reporting and on compliance was deficient.	23	1
Reference to a separate report on internal control over financial reporting and on compliance was not included.	3	0
Independent Auditor's Report on the financial statements was not included.	1	0
Disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence: opinion paragraph was deficient.	1	0
Subtotal	125	82

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2013-14	FY 2014-15
<u>Management's Discussion and Analysis</u>		
Management's Discussion and Analysis was not included and the Independent Auditor's Report did not include an explanatory paragraph.	1	0
Management's Discussion and Analysis was not included.	3	0
Subtotal	4	0
<u>Basic Financial Statements</u>		
Non-profit entity: Statement of Activities was not presented properly.	12	13
Governmental entity: Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to Statement of Activities was not presented properly.	5	10
Non-profit entity: Statement of Financial Position was not presented properly.	2	5
Governmental entity: Balance Sheet – Governmental Funds was not presented properly.	1	4
Governmental entity: Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position was not presented properly.	3	4
Governmental entity: Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds was not presented properly.	2	3
Non-profit entity: Statement of Cash Flows was not presented properly.	2	3
Governmental entity: Statement of Activities was not presented properly.	2	2
Governmental entity: Statement of Changes in Fiduciary Net Position – Fiduciary Funds was not presented properly.	0	1
Governmental entity: Statement of Fiduciary Net Position – Fiduciary Funds was not presented properly.	0	1
Governmental entity: Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds was not presented properly.	1	0
Governmental entity: Statement of Cash Flows – Proprietary Funds was not presented properly.	1	0
Subtotal	31	46
<u>Notes to the Financial Statements</u>		
Notes did not include adequate disclosure of long-term liabilities, including a schedule of changes in long-term debt and a statement of debt service requirements to maturity for outstanding long-term debt.	3	16
Pension obligations note did not include actuarial assumptions disclosure.	0	8
Pension obligations note did not include required disclosures for the discount rate.	0	7
Pension obligations note did not include the discount rate information.	0	7
Pension obligations note did not disclose the pension plan's fiduciary net position information.	0	5
Pension obligations note did not disclose the total of the employer's pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense/expenditures.	0	5

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2013-14	FY 2014-15
<u>Notes to the Financial Statements (continued)</u>		
Notes did not disclose the policy regarding whether committed, assigned, or unassigned amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.	4	5
Summary of significant accounting policies did not include a description of the component units, their relationships to the primary government, and how to obtain separate financial statements for component units.	5	5
Summary of significant accounting policies did not include a description of the government-wide financial statements, noting the exclusion of fiduciary funds.	1	5
Pension obligations note did not include required disclosures for the pension plan.	0	4
Notes did not disclose deficit fund balances or net position of individual funds, not apparent on the face of the financial statements.	0	3
Notes did not include adequate disclosure of capital assets and depreciation, including the method used to compute depreciation.	1	2
Measurement focus and basis of accounting used in the government-wide and fund financial statements was not included.	0	2
Other post-employment benefits were not adequately disclosed.	2	2
Pension obligations disclosures not included.	0	2
Fund balance classification policies and procedures related to committed and assigned fund balances were not disclosed.	1	2
Early retirement note did not include all of the required disclosures.	0	1
Pension obligations note did not include the pension plan description.	0	1
Material prior period restatements or adjustments were not adequately disclosed.	1	1
Notes did not include the basis for stating inventories, including the method of determining cost.	3	0
Notes did not include the summary of significant accounting policies.	2	0
Notes did not disclose the policy regarding whether restricted or unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available.	3	0
Definition of cash and cash equivalents used in the Statement of Cash Flows was not included.	42	0
Subtotal	<u>68</u>	<u>83</u>
<u>Required Supplementary Information</u>		
Schedule of the entity's proportionate share of the net pension liability for each pension plan was not included.	0	26
Schedule of the entity's contributions for each pension plan was not included.	0	16
Schedule of Budgetary Comparison Data for General Fund and major special revenue fund(s) were not included as RSI.	1	1
Schedule of Budgetary Comparison Data was not shown by object code.	1	1
Subtotal	<u>2</u>	<u>44</u>

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2013-14	FY 2014-15
<u>Supplementary Information Section</u>		
A note to the Schedule that states whether the district participated in Longer Day incentives and whether the district met or exceeded its target funding was not included.	152	48
Schedule of Instructional Time did not contain all the required information.	45	15
Schedule of Financial Trends and Analysis: available reserves were below minimum required; and management's plans and/or going concern note were not included.	0	12
Schedule of ADA did not display final ADA after audit finding adjustment(s).	9	11
Local Education Agency Organization Structure description was deficient.	20	9
Schedule of ADA for charter school did not include total ADA and the ADA generated through classroom-based instruction by grade span, as appropriate.	8	6
Schedule of Charter Schools was deficient.	8	6
Schedule of ADA was deficient.	2	3
For a school district or county office of education that included a charter school(s) in the financial statements, the Schedule of ADA did not include the ADA detail for each charter school.	3	3
Schedule of Charter Schools was not included.	2	2
Schedule of Instructional Time did not state whether the district complied with the instructional minutes and days provisions.	0	2
Schedule of Instructional Time indicated noncompliance, but a finding was not included in the audit report.	0	1
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements was not included.	0	1
Local Education Agency Organization Structure description was not included.	1	0
Subtotal	250	119
<u>Schedule of Expenditures of Federal Awards</u>		
Schedule of Expenditures of Federal Awards was deficient.	11	6
Subtotal	11	6
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards</u>		
Report on internal control over financial reporting was deficient.	17	6
Report on compliance and other matters did not include a statement regarding test results.	8	5

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2013-14	FY 2014-15
<u>Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (continued)</u>		
Report on internal control and compliance under GAGAS did not include an alert paragraph describing the purpose of the auditor's report.	1	2
Report did not state that audit was conducted in accordance with GAAS and GAGAS.	0	1
Report on compliance and other matters did not include a statement that the auditor performed tests of compliance.	1	0
Subtotal	<u>27</u>	<u>14</u>
<u>Report on Major Federal Program Compliance and on Internal Control over Compliance Required by OMB Circular A-133</u>		
Report on major federal program compliance and on internal control over compliance was deficient.	1	7
Report on internal control over compliance was deficient.	2	4
Report on major federal program compliance and on internal control over compliance did not include an alert paragraph describing the purpose of the auditor's report.	1	3
Noncompliance that did not result in an opinion modification was not disclosed in the report.	0	2
Noncompliance that resulted in an opinion modification was not properly disclosed in the report.	0	1
Material weaknesses in internal control over compliance were not properly disclosed in the report.	2	0
Report on major federal program compliance did not include an opinion on whether the entity complied, in all material respects, with the applicable compliance requirements.	1	0
Significant deficiencies in internal control over compliance were not properly disclosed in the report.	1	0
Subtotal	<u>8</u>	<u>17</u>
<u>Report on State Compliance</u>		
Independent Auditor's Report on State Compliance was deficient.	88	144
Independent Auditor's Report on State Compliance did not include an opinion on whether the entity complied, in all material respects, with the state compliance requirements.	23	10
Independent Auditor's Report on State Compliance was not included.	1	1
Subtotal	<u>112</u>	<u>155</u>

Appendix D (continued)

Description	Number of Deficiencies	
	FY 2013-14	FY 2014-15
<u>Findings and Recommendations Section</u>		
State Program Finding(s): noncompliance was reported; however, the finding(s) did not include sufficient information.	102	74
Financial statement finding did not include the cause.	55	35
Financial statement finding did not include the criteria.	26	26
Financial statement finding did not include the effect or potential effect.	33	24
Audit finding was not coded with the correct five-digit number.	23	20
State compliance finding did not include a statement (which may include questioned costs) consistent with its basis of funding, for any inappropriately reported claim.	20	15
Summary of Auditor's Results was deficient.	1	13
Attendance Finding: ADA inappropriately reported for apportionment not included.	1	11
Federal Program Finding(s): noncompliance was reported; however, the finding(s) did not include sufficient information.	6	10
Financial statement finding did not include the condition.	0	4
Financial statement finding did not include the recommendation.	2	3
Financial statement finding did not include the views of responsible officials and planned corrective actions.	3	3
Schedule of Prior Audit Findings was not included.	5	2
Sufficient information for judging the prevalence and consequences of noncompliance was not included.	0	1
Federal Program Finding(s): questioned costs and/or how they were calculated not included.	1	1
Schedule of Findings and Questioned Costs was not included.	1	0
Auditee's corrective action plan to eliminate noncompliance was not included.	1	1
Subtotal	280	243
<u>Other</u>		
Auditor's reports did not include a manual or printed signature of the auditor's firm and date of the report.	2	1
Subtotal	2	1
Total number of deficiencies	920	810

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