

FINANCIAL REPORTS AND ACCOUNTABILITY

The County Board of Education (CBE) is committed to ensuring public accountability and the fiscal health of the Santa Cruz County Office of Education (SCCOE). The CBE shall adopt sound fiscal policies, oversee the SCCOE's financial condition, and continually evaluate whether the SCCOE's budget and financial operations support the SCCOE's goals for student achievement.

The County Superintendent of Schools or designee shall ensure that all financial reports are prepared in accordance with law and in conformity with generally accepted accounting principles and financial reporting standards stipulated by the Governmental Accounting Standards Board and the California Department of Education (CDE). He/she shall establish a system of ongoing internal controls to ensure the reliability of financial reporting.

When required by law or the CBE, the County Superintendent or designee shall submit to the CBE reports of the SCCOE's financial status, including, but not limited to, any report specified in this CBE policy or accompanying administrative regulation. When any such report must be approved by the CBE prior to its submission to a local, state, and/or federal agency, the County Superintendent or designee shall provide the report to the CBE in sufficient time to enable the CBE to carefully review the report and meet any applicable submission deadline.

The CBE shall regularly communicate the SCCOE's financial position to the public and shall use financial reports to determine what actions and budget amendments, if any, are needed to ensure the SCCOE's financial stability.

If SCCOE conditions predict fiscal distress or indicate that the SCCOE might not be able to meet its fiscal obligations, the CBE and County Superintendent or designee shall act quickly to identify and resolve these conditions. The CBE shall work cooperatively with the County Superintendent of Schools to improve the SCCOE's fiscal health and may contract with an external individual or organization to advise the SCCOE on fiscal matters.

Unaudited Actual Receipts and Expenditures

On or before October 15, the Board shall approve and file with the County Superintendent a statement of the SCCOE's unaudited actual receipts and expenditures for the preceding fiscal year. The Superintendent or designee shall prepare this statement using the state's standardized account code structure (SACS) as prescribed by the Superintendent of Public Instruction (SPI). (Education Code 42100)

Gann Appropriations Limit Resolution

On or before September 15, the CBE shall adopt a resolution identifying, pursuant to Government Code 7900-7914, the SCCOE's estimated appropriations limit for the current fiscal year and the actual appropriations limit for the preceding fiscal year. Documentation used to identify these limits shall be made available to the public on the day of the CBE meeting. (Education Code 42132; Government Code 7910)

Interim Reports/Certification of Ability to Meet Fiscal Obligations

The County Superintendent or designee shall submit two interim fiscal reports to the CBE, the first report covering the SCCOE's financial and budgetary status for the period ending October 31 and the second report covering the period ending January 31. The reports and supporting data shall be made available by the SCCOE for public review. (Education Code 42130)

Within 45 days after the close of the period reported, the CBE shall approve the interim report and certify, on the basis of the interim report and any additional financial information known by the CBE, whether the SCCOE will be able to meet its fiscal obligations for the remainder of the fiscal year and, based on current forecasts, for the two subsequent fiscal years. The certification shall be classified as one of the following: (Education Code 42130, 42131)

1. "Positive certification" indicating that the SCCOE will meet its financial obligations for the current fiscal year and two subsequent fiscal years
2. "Qualified certification" indicating that the SCCOE may not meet its financial obligations for the current fiscal year or two subsequent fiscal years
3. "Negative certification" indicating that the SCCOE will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year

The County Superintendent or designee shall submit a copy of each interim report and certification to the California Department of Education (CDE) using the state's SACS software, as prescribed by the SPI. (Education Code 1240)

If the SCCOE's certification is subsequently changed by the CDE from a positive to a qualified or negative certification, or from a qualified to a negative certification, the CBE may appeal the decision to the SPI within five days of receiving the notice of change. (Education Code 42131)

Whenever the SCCOE receives a qualified or negative certification from the CDE, the SCCOE shall cooperate in the implementation of any remedial actions taken or prescribed by the County Superintendent under the authority granted to him/her pursuant to Education Code 42131.

If the second interim report is accompanied by a qualified or negative certification, the CBE shall, no later than June 1, provide to the SDE, the State Controller, and the SPI a financial statement as of April 30 ("third interim report") that projects the SCCOE's fund and cash balances through June 30. (Education Code 42131)

At any time during the year when the CDE conducts a comprehensive review of the SCCOE's financial and budgetary conditions after he/she has determined that the SCCOE's budget does not comply with state criteria and standards for fiscal stability, the CBE shall review the CDE's recommendations at a public CBE meeting. Within 15 days of receiving the report, the SCCOE shall notify the CDE and the SPI of its proposed actions on the recommendation. (Education Code 42637)

Audit Report

By April 1 of each year, the CBE shall provide for an annual audit of the SCCOE's books and accounts. (Education Code 41020)

To conduct the audit, the CBE shall select a certified public accountant or public accountant licensed by the State Board of Accountancy from among those deemed qualified by the State Controller. (Education Code 41020, 41020.5)

The CBE shall not select any public accounting firm to provide audit services if the lead or coordinating audit partner having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for the SCCOE in each of the six previous fiscal years. (Education Code 41020)

No later than December 15, the report of the audit for the preceding fiscal year shall be filed with the CDE and the State Controller. (Education Code 41020)

Prior to December 15 whenever possible, but in no case later than January 31, the CBE shall review, at an open meeting, the annual SCCOE audit for the prior year, any audit exceptions identified in that audit, the recommendations or findings of any management letter issued by the auditor, and any description of correction or plans to correct any exceptions or any issue raised in a management letter. (Education Code 41020.3)

The CBE shall have an opportunity at the meeting to ask questions of the auditor and request further information about the audit findings.

Audit Committee

The CBE may appoint an audit committee composed of staff knowledgeable about fiscal matters, other staff, and representatives of the community.

The committee shall serve in an advisory capacity and may:

1. Make recommendations regarding the selection of the external independent auditor in accordance with Education Code 41020 and 41020.5
2. Review the plan for the audit process with the independent auditor to determine the adequacy of the nature, scope, and timetable of the audit
3. Review the results of the audit and participate with the independent auditor and management in preparing final recommendations and responses
4. Participate with the independent auditor in presenting the audit report to the CBE
5. Review CBE policies and administrative regulations to recommend any revisions needed to ensure effective financial reporting

6. Provide input on the effectiveness of the independent auditor
7. Periodically report to the CBE regarding the status of previous audit recommendations for improving the accounting and internal control systems

Legal Reference:

EDUCATION CODE

1240 Duties of county superintendent of schools
14500-14508 Financial and compliance audits
17150-17150.1 Public disclosure of non-voter-approved debt
17170-17199.5 California School Finance Authority
33127 Standards and criteria for local budgets and expenditures
33128 Standards and criteria; inclusions
33129 Standards and criteria; use by local agencies
35035 Powers and duties of superintendent
41010-41023 Accounting system
41326 Emergency apportionment
41344 Repayment of apportionment significant audit exceptions
41344.1 Appeals of audit findings
41455 Examination of financial problems of local districts
42100-42105 Requirement to prepare and file annual statement
42120-42129 Budget requirements
42130-42134 Financial reports and certifications
42140-42142 Public disclosure of fiscal obligations
42637 County superintendent review of district's financial and budgetary conditions
42652 Revocation or suspension of warrant authority
48300-48316 Student attendance alternatives
52060-52077 Local control and accountability plan

GOVERNMENT CODE

3540.2 School district; qualified or negative certification; proposed agreement review and comment
7900-7914 Appropriations limit
16429.1 Local agency investment fund
53646 Reports of investment policy and compliance

CODE OF REGULATIONS, TITLE 5

15060 Standardized account code structure
15070 Submission of reports using standardized account code structure
15440-15451 Criteria and standards for school district budgets
15453-15464 Criteria and standards for school district interim reports
19810-19816.1 Audits

UNITED STATES CODE, TITLE 31

7501- 7507 Single audits of federal program funds

Management Resources:

CSBA PUBLICATIONS

Maximizing School Board Governance: Fiscal Accountability, 2006

CALIFORNIA DEPARTMENT OF EDUCATION COMMUNICATIONS

New Financial Reporting Requirements for Postemployment Benefits Other than Pensions,
February 26, 2007

Audit Resolution Process: Repayment Plans, December 8, 2000

FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM PUBLICATIONS

Fiscal Oversight Guide for AB 1200, AB 2756 and Subsequent Related Legislation, September
2006

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions, March 2009

Statement 45, Accounting and Financial Reporting by Employers for Post-employment Benefits
Other Than Pensions, June 2004

Statement 34, Basic Financial Statements and Management's Discussion and Analysis - For State
and Local Governments, June 1999

STATE CONTROLLER PUBLICATIONS

Standards and Procedures for Audits of California K-12 Local Educational Agencies (annual
publication)

**U.S. GOVERNMENT ACCOUNTABILITY OFFICE AND PRESIDENT'S COUNCIL ON
INTEGRITY AND EFFICIENCY (PCIE) PUBLICATIONS**

Government Auditing Standards, 2011

Financial Audit Manual, revised 2008

U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULARS

A-133 Audits of States, Local Governments, and Non-Profit Organizations

WEB SITES

CSBA: <http://www.csba.org>

California Association of School Business Officials: <http://www.casbo.org>

California County Superintendents Educational Services Association: <http://www.ccsesa.org>

California Department of Education, Finance and Grants: <http://www.cde.ca.gov/fg>

Education Audit Appeals Panel: <http://www.eaap.ca.gov>

Fiscal Crisis and Management Assistance Team: <http://www.fcmat.org>

Governmental Accounting Standards Board: <http://www.gasb.org>

School Services of California: <http://www.sscal.com>

State Controller's Office: <http://www.sco.ca.gov>

U.S. Government Accountability Office: <http://www.gao.gov>

U.S. Office of Management and Budget: <http://www.whitehouse.gov/omb>

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