



Santa Barbara County Education Office

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Susan C. Salcido, Superintendent of Schools

February 22, 2021

SBAS-9405

TO: K-12 School Districts
Santa Barbara County SELPA
Charter Schools

Action Required

ATTENTION: Chief Business Officials

FROM: Denice Cora, Administrator

SUBJECT: **Financial Audit Report**

In accordance with Education Code Section 41020(h), school districts and joint powers agencies (SELPA) are required to file the annual financial audit report for the preceding fiscal year with the Santa Barbara County Education Office (SBCEO), the State Controller's Office (SCO), and the California Department of Education (CDE) by Dec. 15. **Senate Bill (SB) 98 extended the deadline for submission of the 2019-20 annual audit for this year only. Pursuant to Education Code Section 41020.9(b), local education agencies shall file the annual audit report by March 31, 2021.**

This memo outlines the annual audit timeline, the process for resolution of audit exceptions, and the recording of audit adjustments.

Audit Timeline

School Business Advisory Services has included an annual financial audit process calendar (Addendum A) which contains important deadlines related to the district's annual audit report.

On or before **April 30**, Education Code Section 41020.3 requires that the governing board review the following at a public meeting:

1. the annual audit report for the prior fiscal year,
2. audit exceptions identified in that report (including recommendations or findings included in a management letter), and
3. a detailed written description of actions that have been (or will be) taken to correct audit exceptions and management letter issues, if applicable.

Review of the annual audit report shall be placed on the agenda of the meeting pursuant to Education Code Section 35145. Please submit the *Annual Financial Audit Certification* (form attached) to evidence the governing board's review and acceptance of the audit report, *as well as a detailed corrective plan for each exception identified* (see Corrective Plan below).

Certification of the governing board's review and acceptance, along with the district's corrective plans, are due to our office as soon as possible following the district's April board meeting but no later than the deadline of **April 30**.

Audit Exceptions

Corrective plans must be prepared for all audit exceptions. The district's external auditor can provide recommendations for resolution of your findings. District financial advisors are also available to assist with developing comprehensive corrective plans for any findings identified in the annual financial audit and management letter.

A corrective plan is a detailed, action-oriented procedure that will be implemented to correct the audit finding and resolve the underlying cause of the condition. If properly developed, a corrective plan will prevent future findings and promote a strong, cost-effective system of internal controls. Well-developed procedures, coupled with strong internal controls, reduce financial risks to the district and promote compliance with applicable rules, regulations, and policies.

The district's response to the audit finding should include the following components:

- finding number and title,
- a detailed description stating who, what, when, and how the particular finding will be corrected,
- implementation timeline or date of completion,
- titles of persons responsible for implementing the corrective plan, and
- evidence of implementation (i.e., board minutes, amended reports, revised procedures, agendas, staff training, etc.), if applicable.

When preparing corrective plans, it is important that the district provide complete and detailed information. Plans should not include general comments such as "will implement," "accepted the auditor's recommendation," or "will discuss at a later date." ***If inadequate explanations are provided, Education Code Section 41020(j)(3) requires the district resubmit to our office that portion of its response that is not adequate.***

Audit Adjustments

Financial information presented in the audit report may differ from the information reported in the district's Unaudited Actuals. These differences are presented as a schedule in the audit report, *Reconciliation of Annual Financial and Budget Report with Audited Financial Statements*. Reconciling items identified for each fund must be posted in the district's financial accounting records to ensure that the current year beginning balances are correctly stated.

In order to post the district's audit adjustment, the district will need to identify the specific revenue, expenditure, or balance sheet accounts that require adjustment. Please contact your auditor to obtain this information if it was not provided at the time of the auditor's exit conference. Once you have this coding information, please feel free to contact your district financial advisor if you would like assistance preparing the adjusting journal entries.

Audit adjustments must be submitted in the Escape financial system by each district no later than **April 30**. This will ensure that the adjusted beginning fund balances are correctly stated in preparation for the 2021-22 Adopted Budget.

Charter Schools

In accordance with Education Code Section 47605(m), charter schools are required to submit a copy of their annual financial audit report for the preceding fiscal year to the chartering authority, SCO, CDE, and SBCEO by Dec. 15 of each year. This subdivision does not apply if the audit of the charter school is encompassed in the audit of the chartering entity pursuant to Section 41020. With the enactment of SB 98 and Education Code Section 41020.9(b), the deadline for submission of the 2019-20 annual financial report is extended to Mar. 31, 2021.

The sponsoring agency should review the charter school's annual financial audit report to assess the fiscal condition of the charter school, to monitor compliance with rules and regulations, and to ensure that sufficient policies and procedures are employed.

If the charter school has engaged an auditor to issue a separate independent audit, please complete the *Charter School Audit Review Certification* form for each charter school you sponsor and return a signed copy to your district financial advisor no later than April 30. If the charter school is included in the district's audit report, you do not need to complete a certification.

Please feel free to contact your district financial advisor if you have any questions.

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attachment

Addendum A

Santa Barbara County Education Office Fiscal Year 2019-20 Annual Financial Audit Process		
Date	Responsible Party	Activity
December 15 * * Extension to Mar. 31, 2021 permitted for 2019-20 report ONLY	Auditor	On or before this date, the school district’s auditor shall submit to the CDE, SCO, and county education office the audit report and management letter, if any (EC Section 41020(h)). * Pursuant to EC Section 41020.9(b), LEAs shall submit to the CDE, SCO, and county education office the 2019-20 audit report and management letter, if any, by Mar. 31, 2021.
TBD – NO UPDATES PROVIDED BY CDE*	District	On or before Jan. 31, each governing board shall review, at a public meeting, the district’s audit report, any audit exceptions and/or adjustments contained therein, the recommendations of the auditor, and the district’s corrective plans (EC Section 41020.3).
April 1	District	On or before this date, the district shall submit to the county education office verification that its governing board has approved a contract for audit services (EC Section 41020(b)(3)).
April 30	District	On or before this date, the district shall submit to the county education office the Financial Audit Certification form, indicating the date that the board reviewed and approved the audit and any necessary corrective plans.
April 30	District	On or before this date, the district shall submit to the county education office the board-approved corrective plans related to the audit findings.
May 1	County Office	The county education office shall provide for an audit contract for any district that has not secured an auditor for the current fiscal year (EC Section 41020(b)(1)).
July 15	County Office	The county education office shall certify to the Superintendent of Public Instruction (SPI) and the State Controller’s Office (SCO) that all district audits were reviewed and corrections were made, except as noted, or that an acceptable plan was submitted (EC Section 41020.9(b)).
	SPI	In accordance with EC Section 41020(m), the Superintendent of Public Instruction (SPI) shall be responsible for assuring that school districts have either corrected or developed a plan for correction for any or all of the following: <ol style="list-style-type: none"> 1. All federal and state compliance audit exceptions identified in the audit. 2. Any exceptions that the county superintendent certifies as of May 15 have not been corrected. 3. Any repeat audit exceptions that are not assigned to a county superintendent to correct.
	State Controller	In accordance with EC Section 41020(n), the controller annually shall select a sampling of county superintendents of schools and perform a follow-up of the audit resolution process and report the results of that follow-up to the SPI and the county superintendents of schools that were reviewed.