



**CERTIFICATION OF CORRECTIVE ACTION**

**2018-19 AUDIT FINDINGS AND RECOMMENDATIONS**

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District Name \_\_\_\_\_  
Sonoma County, California

- 2018-19 Certification of Corrective Action is hereby filed by the Governing Board of the school district.

\_\_\_\_\_  
Clerk/Secretary of the Governing Board

\_\_\_\_\_  
Date of Meeting

- 2018-19 Certification of Corrective Action

The Superintendent certifies that all corrective action(s) specified in the attached page(s) have been reviewed by the district's Governing Board and assures that corrective procedures have been implemented and will be used in the ensuing years.

\_\_\_\_\_  
District Superintendent

\_\_\_\_\_  
Date

\_\_\_\_\_  
For additional information

Contact: \_\_\_\_\_

Phone: \_\_\_\_\_

Submit original of the Certification of Corrective Action together with each Audit Finding Corrective Action form and corresponding documentation by **March 15, 2020** to your **SCOE Advisor** at:  
Sonoma County Office of Education  
5340 Skylane Boulevard  
Santa Rosa, CA 95403

## 2018-19 AUDIT FINDING CORRECTIVE ACTION

### Santa Rosa City Schools

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#### Finding #1 - 2019-001: Capital Assets (20000)

**Criteria:** Generally accepted accounting principles (GAAP) and Education Code Section 35168 require the District to maintain records that properly account for capital assets. Capital asset records serve as a management tool and have an important bearing on management decisions, such as long-range acquisition and abandonment projections.

**Condition:** We noted that there were completed projects still listed as construction in progress and that certain completed projects did not capture the full cost of the asset. Depreciation related to these assets was also unreliable. The errors noted were immaterial to the financial statements as a whole, but significant enough to be reported as a finding.

**Effect:** The District's capital asset balances could incorrectly include or exclude capital projects, buildings, improvements and depreciation related to these asset classes. In addition, capital assets are incorrectly classified between these categories.

**Cause:** The District hired a third party to inventory capital assets, but the reports produced by the inventory company did not include reconciled balances for construction in progress and buildings and improvements. It appears the District did not have the time needed to review, reconcile and compare the reports provided to internal records. District staff had expected construction in progress to be included in the reports.

**Recommendation:** We recommend the District ensure that internal control procedures are followed throughout the year to adequately track additions, deletions, completion of projects, and accumulated depreciation in the District's capital asset program. The District should review the asset valuation that was performed to ensure that it is accurate and that an up-to-date capital asset listing of all assets of \$5,000 is maintained throughout each fiscal year.

**Corrective Action Plan:** The District agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2019-20 to address the causes of the condition(s) noted, including but not limited to reconciling and monitoring the third party capital assets reports.

In the summer of 2019 the district contracted with AssetWorks to overhaul our capital assets inventory and financial statement. Through this work significant progress has been made to bringing our capital assets position into a complete and updated status. We have moved this year into an unmodified opinion for our capital assets financial report from the prior year modified opinion, which is significant. During the audit of our new capital assets inventory and financial statement we completed with AssetWorks, it was found that the four high school track and turf projects needed to move out of construction in progress into completed and the Arts Charter projected needed to be updated for accuracy. We believe these are the only items that need to be addressed but this finding allows us to continue working with the auditor to ensure the capital assets are completely updated, accurate and current.

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**Finding #2 - 2019-002; 50000 – Allowable Costs/Cost Principles – Supplanting with Title III & EIA-LEP**

**Federal Program Information:** 84.365 - Title III, English Learner Student Program

**Federal Grantor Agency:** 84.365 – ESEA (ESSA): U.S. Department of Education

**Pass-Through Grantor Agency:** 84.365 - Special Education: California Department of Education

**Criteria or Specific Requirements:** Pursuant to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), Title III funds can only be used to supplement, not supplant federal, state, and local public funds that, in the absence of such availability, would have been expended for programs for English learners and immigrant children and youth, and in no case to supplant such federal, state, and local public funds.

**Condition:** During the fiscal year, the District was chosen by the California Department of Education (CDE) to undergo a review of its Title III program as part of the CDE's federal program monitoring (FPM) process. The review resulted in findings related to supplanting with Title III and EIA-LEP federal funds. The FPM review noted the following requirements that were not met:

1. General fund resources must be used to provide services and programs for English learners, including English language development (ELD) and access to the core curriculum. The provision of such services and programs must not be contingent on the receipt of state or federal supplementary funds.
2. Each LEA must use EIA-LEP carryover funds only to supplement, not supplant federal, state and local public funds. (20 U.S.C. § 6825(9); EC§54025[c]: *Castaneda v. Pickard* (5th Cir. 1981) 648 F.2d 989, 1010, 1012-1013)
3. For LEAs with EIA-LEP carryover, an LEA must utilize no less than 85 percent of those apportionments at school sites for direct services to students. (EC §§ 63000[d], 63001)
4. Each LEA must use Title III funds only to supplement, not supplant federal, state, and local public funds that, in the absence of such availability, would have been expended for programs for English learners and immigrant children and youth and in no case to supplant such federal, state, and local public funds. (20 U.S.C. § 6825(9); *Castaneda v. Pickard* (5th Cir. 1981) 648 F.2d 989, 1010, 1012-1013)
5. The use of Title III funds must meet the following requirements:
  1. An LEA utilizes no less than 98 percent of Title III EL apportionments on direct services to English Learners and may not use more than 2 percent of such funds for the administration of this program for a fiscal year. (20 U.S.C. § 6825[b])
  2. An LEA assesses for reasonable Title III EL and immigrant alignment with the federal supplement, not supplant requirement. (20 U.S.C. § 6825(9); *Castaneda v. Pickard* (5th Cir. 1981) 648 F.2d 989, 1010, 1012-1013)

**Questioned Costs:** The net questioned costs related to this finding were \$452,471.

**Context:** The District should maintain controls to prevent noncompliance with Uniform Guidance or detect and correct noncompliance with Uniform Guidance in a timely manner.

**Effect:** The District was not in compliance with Title III supplanting requirements and reversed \$452,471 in FY19 expenditures to unearned revenue. As a result of this audit, \$452,471 was reclassified from unearned revenue to accounts payable until allowable expenditures are incurred in FY20.

**Cause:** The District's grant monitoring controls were ineffective and District staff were not aware of Title III and EIA-LEP supplanting requirements.

**Recommendation:** We recommend that the District track federal grants by resource and CFDA and include items such as grant award, amount expended, general ledger account code, grant period, supplanting requirements and other compliance requirements for each grant. This tracker should be shared with pertinent employees in each department and updated routinely during the year. This can be done as a part of the budgeting process as well.

**Corrective Action Plan:** The District agrees with the recommendations and will implement the recommended practices to ensure that incurred expenditures are allowable and supplement, rather than supplant federal funds, in order to be in compliance with Uniform Guidance for all federal programs.

Our Student & Family Services, State & Federal Department for the 2019-20 year has modified positions to create a new Coordinator to oversee all Title III spending and this new program organization and oversight will more significantly support compliance.

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### **Finding #3 - 2019-003; 50000 – Internal Controls over Compliance**

**Federal Program Information:** 10.555 & 10553 - Child Nutrition Cluster

**Federal Grantor Agency:** 10.555 & 10553 - U.S. Department of Education

**Pass-Through Grantor Agency:** 10.555 & 10553 - California Department of Education

**Criteria or Specific Requirements:** Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements pursuant to Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

**Condition:** We noted the following deficiencies in internal control over compliance:

- The District did not have proper documentation of the preparation and review of the paid lunch equity calculation prior to the school year starting to ensure proper compliance.
- The District did not document the proper review performed over basic claims prepared in the Child Nutrition Information and Payment System (CNIPS) submission. It was also noted that the manual rosters for the two non-district sites the District prepares Basic Claims for had reduced and free student statuses reversed, which resulted in incorrect Basic Claims being submitted for those two sites.
- The District does not have documentation indicating review of site applications by someone knowledgeable about the program.
- During our examination of the Child Nutrition program income, we noted that the contracts with other school districts to provide meals did not agree with amounts charged. We noted

that the signed contracts with Mark West Union, Bellevue Union School District, Gavenstein Union School District, Piner-Olivet, and Sebastopol Union did not match the invoicing prices used to actually invoice because new rates were agreed upon without updated contracts.

**Questioned Costs:** The control deficiencies did not result in any material questioned costs.

**Context:** The District should maintain controls to reduce the risk of noncompliance and detect noncompliance with Uniform Guidance or detect and correct noncompliance with Uniform Guidance in a timely manner.

**Effect:** Insufficient internal controls over federal program compliance increases the risk of noncompliance with Uniform Guidance and the risk that material misstatements may exist in the financial statements.

**Cause:** Due to personnel changes, the District did not have sufficient staffing to ensure that controls over compliance were properly designed and operating as designed in relation to the Child Nutrition Program.

**Recommendation:** We recommend the District assign specific personnel to monitor the Child Nutrition Program's compliance with uniform guidance, especially in the areas noted to be deficient. This should be done at regular intervals during the year, not at the end of the year when it may be too late to identify and correct possible noncompliance.

**Corrective Action Plan:** The District agrees with the recommendations and will take measures to implement proper internal controls over compliance.

Our Child Nutrition Services Department for the 2019-20 year hired a new Director and this new leadership will more significantly support compliance.

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#### **Finding #4 - 2019-004: Unduplicated Pupil Counts (40000) - Repeat of finding 2018-004**

**Criteria or Specific Requirements:** Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:

- Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (EC sections 2574(b)(2) and 42238.02(b)(1)).
- Divided by total enrollment in the LEA (EC sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day.

**Condition:** During our testing of the EL students and the CALPADS reporting, we noted 8 out of 40 students tested were incorrectly classified as EL in CALPADS. During our testing of the FRM students and the CALPADS reporting, several students tested were noted as incorrectly classified as FRM in CALPADS because the correct status in the point of sale system was not loaded to CALPADS in a timely manner. As a result of our testing, we performed additional analytical procedures to test the entire population of FRM students. The results of our testing for EL and FRM

students concluded that a total of 172 students were considered incorrectly listed as “unduplicated pupils” in CALPADS.

**Questioned Costs:** The dollar impact of this finding is as follows:

| School                                      | Impact            |
|---|-------------------|
| Abraham Lincoln Elementary                  | \$ 3,468          |
| Helen M. Lehman Elementary                  | \$ 3,468          |
| Hidden Valley Elementary                    | \$ 8,670          |
| James Monroe Elementary                     | \$ 3,468          |
| Luther Burbank Elementary                   | \$ 1,734          |
| NPS School Group for Santa Rosa Elementary  | \$ 1,734          |
| Proctor Terrace Elementary                  | \$ 1,734          |
| Steele Lane Elementary                      | \$ 5,202          |
| Elsie Allen High                            | \$ 5,360          |
| Herbert Slater Middle                       | \$ 6,432          |
| Hilliard Comstock Middle                    | \$ 2,680          |
| Lawrence Cook Middle                        | \$ 1,072          |
| Maria Carrillo High                         | \$ 4,288          |
| Montgomery High                             | \$ 12,864         |
| Piner High                                  | \$ 10,720         |
| Ridgway High (Continuation)                 | \$ 9,648          |
| Rincon Valley Middle                        | \$ 4,288          |
| Santa Rosa High                             | \$ 7,504          |
| Santa Rosa Middle                           | \$ 8,576          |
| Cesar Chavez Language Academy               | \$ 6,581          |
| Santa Rosa Accelerated Charter              | \$ 972            |
| Santa Rosa Charter School for the Arts      | \$ 1,486          |
| Santa Rosa French-American Charter (SRFACS) | \$ 2,458          |
| <b>Total</b>                                | <b>\$ 114,407</b> |

**Effect:** The unduplicated pupil counts reported in the CALPADS 1.17 and 1.18 reports should be adjusted for the following changes as a result of the procedures performed:

| School                     | Per CALPADS Report | Adjustment | Adjusted Total |
|----------------------------|--------------------|------------|----------------|
| Abraham Lincoln Elementary | 262                | (2)        | 260            |
| Helen M. Lehman Elementary | 439                | (2)        | 437            |

|   |             |              |             |
|---|-------------|--------------|-------------|
| Hidden Valley Elementary                    | 183         | (5)          | 178         |
| James Monroe Elementary                     | 372         | (2)          | 370         |
| Luther Burbank Elementary                   | 286         | (1)          | 285         |
| NPS School Group for Santa Rosa Elementary  | 10          | (1)          | 9           |
| Proctor Terrace Elementary                  | 148         | (1)          | 147         |
| Steele Lane Elementary                      | 351         | (3)          | 348         |
| Elsie Allen High                            | 800         | (10)         | 790         |
| Herbert Slater Middle                       | 373         | (12)         | 361         |
| Hilliard Comstock Middle                    | 385         | (5)          | 380         |
| Lawrence Cook Middle                        | 379         | (2)          | 377         |
| Maria Carrillo High                         | 324         | (8)          | 316         |
| Montgomery High                             | 679         | (24)         | 655         |
| Piner High                                  | 796         | (20)         | 776         |
| Ridgway High (Continuation)                 | 191         | (22)         | 169         |
| Rincon Valley Middle                        | 191         | (8)          | 183         |
| Santa Rosa High                             | 773         | (15)         | 758         |
| Santa Rosa Middle                           | 309         | (16)         | 293         |
| Cesar Chavez Language Academy               | 258         | (3)          | 255         |
| Santa Rosa Accelerated Charter              | 17          | (2)          | 15          |
| Santa Rosa Charter School for the Arts      | 159         | (3)          | 156         |
| Santa Rosa French-American Charter (SRFACS) | 140         | (5)          | 135         |
| <b>Total</b>                                | <b>7825</b> | <b>(172)</b> | <b>7653</b> |

No changes to enrollment were identified as a result of testing the unduplicated pupil counts.

**Cause:** The District did not properly review uploaded student information from the District's system to CALPADS to ensure proper classification of EL and FRM status. In addition, the District did not review the CALPADS data for accuracy during the adjustment window annually.

**Recommendation:** The District upload student data into CALPADS in a timely manner and review CALPADS to ensure that the data was properly uploaded. Additionally, we recommend the District review all CALPADS data for accuracy during the adjustment window annually and establish a system of review that provide adequate oversight of this reporting process and ensures appropriate communication between the District Office and various sites.

**Corrective Action Plan:** The District agrees with the auditor's recommendation and will implement policies and procedures during fiscal year 2019-20 to address the causes of the condition(s) noted.

In regards to our FRM student reporting, our Child Nutrition Services Department for the 2019-20 year hired a new Director and this new leadership will more significantly support compliance.

Additionally starting in 2019-20 the district implemented a new cafeteria point of sale computer software program Titan that will more effectively support compliance as well.

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**Finding #5 - 2019-005; 40000 – After School Education and Safety Program**

**Criteria:** Education Code Section 8484 requires submission of program attendance data. Proper controls should be designed and implemented to ensure that the attendance reported on the semi-annual attendance reports are accurate.

**Condition:** During our testing of attendance for the after school education and safety program, we noted that the District was unable to provide written documentation for 37 students listed in attendance for the entire first half of the semi-annual attendance.

**Effect:** The District’s controls do not sufficiently limit risk of error related to attendance reporting for the after school education and safety program. There is no financial impact from the conditions noted since the program is not directly funded based upon attendance, however, a reduction in attendance may result in a future grant reduction. After extrapolating the results for the entire year, the total effect on the attendance reported is as follow:

|                |  |
|----------------|--|
| 113,080        | Total annual attendance reported Elementary and Secondary    |
| -3,799         | Less overstatement of attendance for missing written support |
| <u>109,281</u> | Adjusted annual attendance                                   |

**Questioned Costs:** None

**Cause:** The District does not have proper policies and procedures in place in order to ensure accurate reporting of attendance for the after school education and safety program.

**Recommendation:** We recommend that the District establish policies and procedures to ensure that all sites have written support for student attendance.

**Corrective Action Plan:** The District agrees with the auditor’s recommendation and has already changed its program service provider beginning fiscal year 2019-20 to address the causes of the condition(s) noted.

For the 2019-20 school year, the district contracted with Boys and Girls Club to perform our ASES program in lieu of Creative Brain that was contracted in 2018-19 in order to have a more effectively ran program.