The following findings represent significant deficiencies and material weaknesses related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2022-001 60000 – Going Concern (Material Weakness)

Criteria or Specific Requirements

Financial statement preparers have a responsibility to evaluate whether there is substantial doubt about a government's ability to continue as a going concern for 12 months beyond the financial statement date.

Condition

As discussed in Note 17 to the financial statements, the General Fund's trend of deficit spending in conjunction with unsustainable increases in expenditures, declining enrollment, and inadequate cash flow have adversely affected the District's financial condition and its ability to meet future financial obligations.

Questioned Costs

There were no questioned costs associated with the condition noted.

Context

The condition was identified during the final year-end audit procedures of the unaudited actuals along with the assessment of known conditions impacting the District's immediate future operation given the District's ending reserve balance reported in its General Fund.

Effect

The District's deficit spending, lack of new revenue sources, and the inability to generate sufficient cash flow raises substantial doubt about the District's ability to continue as a going concern.

Cause

The significant factors contributing to the District's financial condition (as noted in Note 17) include:

- Unsustainable increase in expenditures that create significant and structural deficit spending.
- Declining local enrollment of students annually
- Inadequate cash flow to meet obligations throughout the upcoming year without temporary external borrowing.

Repeat Finding

No.

Recommendation

The District must progressively monitor its budget to actual results to ensure that the District can maintain its fiscal solvency. More importantly, the District must develop an aggressive fiscal/budget stabilization plan that identifies a viable correction plan to ensure that fiscal solvency can be sustained. The stabilization plan must incorporate adequate expenditure mitigation objectives that can create a layer of financial "cushion" beyond the minimum reserve requirement stipulated by the State. This would allow the District to accommodate future uncertainties in operational variance without impairing the District's fiscal solvency. Furthermore, the District must continue to analyze its cash flows to ensure that adequate cash is available to meet obligations that become due as part of its regular operations until the District's budget stabilization plan takes effect.

Corrective Action Plan and Views of Responsible Officials

The district is working on a fiscal stabilization plan to ensure a fiscally sound budget. At the March 8, 2023 the Board approved staffing reductions of 27.02 FTE for certificated positions and 10.45 FTE for classified positions effective July 1, 2023. In addition, the district is recruiting for a Chief Business Official to support the district in developing and monitoring budgets, financials, cash and staffing adjustments to ensure fiscal solvency, including adequate reserves.

2022-002 20000, 30000 – Inventory of Equipment, Capital Assets (Material Weakness)

Criteria or Specific Requirements

California Education Code Section 35168 requires the District to establish and maintain an inventory of all capital assets. Accounting principles generally accepted in the United States of America and GASB Statement No. 34 require the accounting for capital assets in excess of the District's capitalization threshold of $5,000. In order to ensure the accurate reporting of capital assets, the District must establish procedures to track and monitor capital asset activity on an annual basis, including acquisitions, dispositions, depreciation, and construction in process activities.

Condition

The following conditions were noted:

1. There is no personnel at the District that has been assigned to maintain the capital assets listing.
2. The construction in progress account has not been reconciled to ensure that expenditures are properly accounted for in the various construction in progress projects.
3. Detailed information is not available for the valuation of completed projects transferred to the depreciable asset categories. This results in uncertainty regarding the ending balance in the depreciable asset categories and the construction in progress accounts.
4. A physical equipment inventory count has not been conducted in recent years. This would allow staff to ensure that all equipment reported is still under the District's control.

Questioned Costs

There were no questioned costs associated with the condition noted.

Context

The condition was identified through inquiry with staff and through review of available District records related to the capital asset activities.

Effect

Amounts recorded for capital assets in the District's governmental activities financial statements could be misstated. In addition, by not performing physical inventory counts of capital assets, the District could be unaware of loss or theft of equipment.

Cause

The condition identified was caused by the lack of documented procedures related to capital asset record keeping and the lack of staff assigned to the tasks.

Repeat Finding

Yes, see prior year finding 2021-002.

Recommendation

The District should assign capital asset record keeping to staff responsibilities. If the District chooses to hire a consultant for the task, the consultant's work must be supervised and reviewed by a qualified staff member.

The District should establish and practice formal procedures related to monitoring capital asset activities. Such procedures include the tracking of expenditures by project, maintaining supporting documentation for the valuation of projects, adding completed projects to the depreciable asset categories in a systematic way, monitoring and recording disposals, and calculating depreciation at yearend.

Corrective Action Plan and Views of Responsible Officials

The district will assign capital asset management and reporting to the Executive Director of Fiscal Services. All assets and work-in-progress accounts will be reconciled back to the last reconciliation period to ensure all assets and work-in-progress are properly accounted. In addition, a physical equipment inventory will be conducted annually as part of the year-end check-out process for principals and department managers before the leave for the summer.

2022-003 30000 – Adjustment and Financial Statement Preparation (Material Weakness)

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of all adjusting entries, reclassifying entries, and conversion entries used in the preparation of the District's financial statements. The District should ensure that all applicable accounting principles are adhered to when preparing the financial statements.

Condition

During the course of our engagement, we identified material misstatements of balances within the District's 2021-2022 unaudited actuals financial report. Through review of supporting records, we noted misstatements in the General Fund, Cafeteria Fund, Building Fund, Bond Interest and Redemption Fund, and in the Aggregate Non-Major Governmental Funds.

General Fund's fund balance was understated by $131,231, as a result of the following:

- A balance of $269,376 in the clearing bank account that was not reflected in the general ledger.
- A failure to reconcile activity of the payroll liability accounts resulted in an understatement of those liabilities in the amount of 400,607.
- The District overstated receivables and unearned revenue of the General Fund by $149,372. The overstatement of these balances has no effect on the ending fund balance of the General Fund.

Cafeteria Fund's fund balance was understated by $4,474, as a result of the following:

- A balance of $10,934 in the clearing bank account that was not reflected in the general ledger.
- The cash in county treasury was overstated by $6,460, as a result of the District not recording the investment at fair market value.
- The District had misclassified various revenues between federal, state, and local which required reclassification journal entries to be made.

Building Fund's fund balance was overstated by $179,662, as a result of the following:

- The cash in county treasury was overstated by $179,662, as a result of the District not recording the investment at fair market value accurately.

Bond Interest and Redemption Fund's fund balance was overstated by $71,084, as a result of the following:

- The cash in county treasury was overstated by $71,084, as a result of the District not recording the investment at fair market value.

Non-Major Governmental Fund's fund balance was understated by $177,398, as a result of the following:

- A balance of $216,228 in the student body bank accounts was not recorded in the Student Activity Fund.
- The cash in county treasury balance of the Student Activity Fund was overstated by $632, as a result of the District not recording the investment at fair market value.
- The cash in county treasury balance of the Adult Education Fund was overstated by $8,442, as a result of the District not recording the investment at fair market value.
- The cash in county treasury balance of the Capital Facilities Fund was overstated by $24,495, as a result of the District not recording the investment at fair market value.
- The receivables of the Capital Facilities Fund was overstated by $5,261 due to a duplicate posting.

Questioned Costs

There were no questioned costs associated with the condition noted.

Context

The conditions were identified through review of available District records related to the financial account balances as reported in the Unaudited Actuals reporting package.

Effect

Due to the condition identified, the District's General Fund has been overstated by $131,231, the Cafeteria Fund has been understated by $4,474, the Building Fund has been overstated by $179,662, the Bond Interest and Redemption Fund has been overstated by $71,084, and the Non-Major Governmental Funds have been understated by $177,398.

Cause

The cause of the conditions identified appear to be due to inadequate review processes related to the District's financial information.

Repeat Finding

Yes, see prior year finding 2021-001.

Recommendation

In light of the condition identified, the District should exercise care during its annual year-end closing process and implement a process to review all balances during its year-end closing process to determine the proper cut-off period. In addition, a thorough review of the District's financial statements, including all adjusting entries, reclassifying entries, and conversion entries should take place before the financial statements are finalized by the District's business department.

Corrective Action Plan and Views of Responsible Officials

During the year-end process, the Chief Business Official and Executive Director of Fiscal Services will review all general ledger accounts and balances to ensure accruals are properly accounted for the reporting year. In addition, they will ensure all proper adjusting, reclassifying and conversion entries are made prior to closing the financial statements.

2022-004 30000 – Lack of Source Documents (Significant Deficiency)

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of financial account balances to ensure that they agree to corresponding supporting records.

Condition

District staff was unable to provide a detail inventory listing that agreed to the amount shown on the balance sheet.

Questioned Costs

There were no questioned costs associated with the condition noted.

Context

The conditions were identified through review of available District records related to the financial account balances as reported in the Unaudited Actuals reporting package.

Effect

We are unable to substantiate the inventory balance of $52,924 recorded in the District's General Fund.

Cause

The cause of the conditions identified appear to be due to inadequate review processes related to the District's yearend general ledger balances. It appears that staff did not complete a physical inventory count as of June 30, 2022, and reconcile the results of the count with the general ledger balance.

Repeat Finding

No.

Recommendation

Management should review financial account balances to ensure that balances have been correctly reported. Balances should be traced to supporting records to verify the accuracy and completeness of reported information.

Corrective Action Plan and Views of Responsible Officials

The Chief Business Official and Executive Director of Fiscal Services will ensure an inventory is performed annually, before June 30, and physical inventory reconciled to the stores account in the financial system to ensure accurate and proper fiscal reporting.

2022-005 30000 – Internal Control (Significant Deficiency)

Criteria or Specific Requirements

The Child Nutrition program should be self-supporting. Internal controls should be established to ensure that the monthly Claims for Reimbursement are filed timely and accurately and are deposited in the correctly accounts promptly after receipt.

Condition

The Cafeteria Fund has significant interfund liability balances as of June 30, 2022, including a loan from the restricted balance in the Building Fund. As detailed in Note 5 to the financial statements, the Cafeteria Fund owes over $700,000 to the General Fund and $50,000 to the Building Fund.

Questioned Costs

There were no questioned costs associated with the condition.

Context

The conditions were noted during our audit of the financial statements.

Effect

The Cafeteria Fund was unable to finance its own operations and required a loan for cash flow.

Cause

The conditions identified above appear to be caused by delays in filing the monthly Claims for Reimbursement and delays in depositing the reimbursements once received and costs in excess of revenues.

Repeat Finding

No.

Recommendation

Internal controls should be established to ensure that the monthly Claims for Reimbursement are filed timely and accurately and are deposited in the correctly accounts promptly after receipt. The District should examine cutting costs in the program and ensuring that all eligible meals are claimed for reimbursement.

Corrective Action Plan and Views of Responsible Officials

The Chief Business Official and Director of Nutrition Services will establish procedures to ensure the accurate and timely filing of the cafeteria claims. The business office staff is being trained on processes and procedures to make, at minimum, weekly deposits to the local clearing account and immediately submitting those deposits to the county treasury. The district will be reviewing the cafeteria fund revenues and expenditures in an effort to analyze if the fund can be self-sustaining or if the district will need an annual contribution.

2022-006 30000 – Internal Control (Significant Deficiency)

Criteria or Specific Requirements

The audit process includes agreeing financial statements balances to source documents and to reconciliations prepared by District staff.

Condition

The backup for samples selected during the scheduled audit week was not provided timely. These included items selected for testing receivables, capital assets, accounts payable, accrued liabilities, revenue, expenditures, state compliance, and federal compliance.

Delays in receiving items requested as part of the audit process caused a delay in the issuance of the audited financial statements.

Questioned Costs

There were no questioned costs associated with the condition.

Context

The conditions were noted during our audit of the financial statements.

Effect

Due to the conditions identified, there was a delay in the completion of the audit and a lack of efficiency in the audit process.

Cause

The conditions identified above appear to be caused by the lack of formal procedures related to these processes, in addition to recent changes to District's Business Office personnel.

Repeat Finding

Yes - See prior-year finding 2021-002.

Recommendation

To facilitate the completion of the audit in a timely manner, all requested backup documentation should be prepared in advance of the scheduled audit date, and all subsequent requests for documentation should be provided timely upon request.

Corrective Action Plan and Views of Responsible Officials

The Business Office staff will be trained on supporting documentation needed by the auditors and will work diligently to prioritize workload to ensure the documentation is provided timely.

The following findings represent material weakness and instances of noncompliance including questioned costs that are required to be reported by the *Uniform Guidance.* The finding has been coded as follows:

Five Digit Code	AB 3627 Finding Type
50000	Federal Compliance

2022-007 50000 – Reporting (Material Weakness, Noncompliance)

Federal Program Affected

Federal Agency: U.S. Department of Agriculture
Pass-Through Entity: California Department of Education (CDE)
Program Name: Child Nutrition Cluster
Assistance Listing Number: 10.553, 10.555
Compliance Requirement: L (Reporting)

Criteria or Specific Requirements

Per Title 7, Code of Federal Regulations, Subtitle B, Chapter II, Subchapter A, Parts 210.8 and 220.11, School Food Authorities (SFA) must establish internal controls which ensure the accuracy of meal counts prior to the submission of the monthly Claim for Reimbursement. Prior to submission of a monthly Claim for Reimbursement, each school food authority shall review the breakfast and lunch count data for each school under its jurisdiction to ensure the accuracy of the monthly Claim for Reimbursement. The objective of this review is to ensure that monthly claims include only the number of free, reduced price and paid breakfasts and lunches served on any day of operation to children currently eligible for such meals. SFA staff shall maintain on file each month's Claim for Reimbursement and all data used in the claims review process, by school.

The above-noted CFR section also states that the SFA shall compare each school's daily counts of meals serve against the product of the number of children in that school currently eligible for free, reduced price and paid lunches, respectively, times an attendance factor.

Per Title 7, Code of Federal Regulations, Subtitle B, Chapter II, Subchapter A, Parts 210.8 and 220.11, SFA must submit monthly claims for reimbursement for meals and snacks served to eligible students within 60 days following the last day of the month covered by the claim.

Conditions

The District did not have sufficient controls in place to ensure that monthly Claims for Reimbursement accurately reflected the numbers of meals served. We noted discrepancies between the daily meal counts and the monthly Claims for Reimbursement. It is not clear what records were used to file the monthly Claims for Reimbursement, as the worksheet provided to the auditors did not include the month of July 2021 and appeared to be incomplete for several other months and/or sites.

During the audit year, the District did not use a point-of-sale (POS) system to track meals served. There was no analytical review or edit check performed to determine reasonableness of meal counts, such as comparing the number of students enrolled to the number of meals served on a daily basis by site. Such analysis would allow staff to identify possible errors timely and in advance of filing a claim. Although not required, a POS system would automate these analyses, allowing for greater staff efficiencies and accuracy.

Three monthly Claims for Reimbursement were filed more than 60 days following the last day of the month covered by the claim.

Questioned Costs

Based on the records provided, it appears that 23,195 more meals were claimed than are supported by daily meal counts. Using the reimbursement rates in place and the categories of the meals served, the District received $79,869 in excess of the amount supported by the meal counts maintained.

Context

The condition was identified through inquiry with District personnel and through review of available supporting documentation for the monthly Claims for Reimbursement.

Effect

The District has not complied with the requirements identified in Title 7, Code of Federal Regulations, Subtitle B, Chapter II, Subchapter A, Parts 210.8 and 220.11.

Cause

The condition identified appears to have materialized due to the District's lack of established procedures to ensure compliance with the requirements under Title 7, Code of Federal Regulations, Subtitle B, Chapter II, Subchapter A, Parts 210.8 and 220.11.

Repeat Finding

No.

Recommendation

The District should review the requirements stated in Title 7, Code of Federal Regulations, Subtitle B, Chapter II, Subchapter A, Parts 210.8 and 220.11 and implement procedures to address the control deficiencies currently identified. Suggestions include the return to a POS system that tracks meals served. This will allow for an electronic, permanent, and auditable record of the meals served at each site. It will also allow for a reasonableness or edit check of the meals served data.

Corrective Action Plan and Views of Responsible Officials

Effective 2022-23 fiscal year, the district purchased a point-of -sale system for nutrition services at all schools, except the Legacy High School (LHS), to ensure accurate reporting for reimbursable meals/snack. The Director of Nutrition Services has trained the LHS staff on the use of a bar code meal count roster to scan students that receive a reimbursable meal/snack. The roster is turned in weekly to the Matilija Middle School Cafeteria Manager, who will process the meals counts for LHS. All meal count rosters are forwarded to the Director of Nutrition Services at the end of the month for review.

2022-008 **50000 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Material Weakness, Noncompliance)**

Federal Program Affected

Federal Agency: U.S. Department of Agriculture
Pass-Through Entity: California Department of Education (CDE)
Program Name: Child Nutrition Cluster
Assistance Listing Number: 10.553, 10.555
Compliance Requirement: A/B (Activities Allowed or Unallowed and Allowable Costs/Cost Principles)

Criteria or Specific Requirements

Per Title 2, Code of Federal Regulations, Subtitle A, Part 200, Subpart E, Section 200.403(a), in order for costs to be allowable under Federal awards, they must be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.

Per Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(1)(vii), Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. A semi-annual certification may be completed if 100% of an employee's time if charged to one Federal award.

Conditions

The District did not have sufficient controls in place to ensure that expenditures charged to the Child Nutrition program were allowable in accordance with federal requirements. The District uses the program administrator's signature on invoices to document the administrator's approval to charge expenditures to specific accounts, including those for child nutrition funds. We noted the following:

- Three of 20 non-payroll items selected for allowability testing, in the amount of $6,421, did not have the food service director's signature indicating approval of the expenditure.
- Two of 20 non-payroll expenditures, in the amount of $1,233, were not allowable for the child nutrition program. Both were for HVAC projects not related to food service facilities.

- One of 20 did not include an itemized receipt, in the amount of $95, which prevented us from determining if the expenditure was allowable.

The District did not have sufficient controls in place to ensure that employees who were charged to Child Nutrition program completed time accounting documentation in accordance with federal requirements. The District was not able to provide time accounting documentation for one of 40 employees selected for testing.

Questioned Costs

There were no questioned costs associated with the identified condition.

Context

The condition was identified through inquiry with District personnel and through review of available supporting documentation.

Effect

The District has not complied with the requirements identified in Title 2, Code of Federal Regulations, Subtitle A, Part 200, Subpart E, Section 200.403(a) and Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(1)(vii).

Cause

The condition identified appears to have materialized due to the District's lack of established procedures to ensure compliance with the requirements under Title 2, Code of Federal Regulations, Subtitle A, Part 200, Subpart E, Section 200.403(a) and Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(1)(vii).

Repeat Finding

No.

Recommendation

The District should review the requirements stated in Title 2, Code of Federal Regulations, Subtitle A, Part 200, Subpart E, Section 200.403(a) and Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(1)(vii) and implement a procedure to address the control deficiency currently identified with the District's time accounting documentation as it relates to employees working on multiple activities or cost objectives.

Corrective Action Plan and Views of Responsible Officials

The Executive Director of Fiscal Services will implement forms and procedures to ensure the Federal Time and Effort reporting requirement for salary and wage is documented to accurately reflect the work performed.

2022-009 50000 – Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Material Weakness, Noncompliance)

Federal Program Affected

Federal Agency: U.S. Department of Education
Pass-Through Entity: California Department of Education (CDE)
Program Name: Education Stabilization Fund
Assistance Listing Number: 84.425D, 84.425U
Compliance Requirement: A/B (Activities Allowed or Unallowed and Allowable Costs/Cost Principles)

Criteria or Specific Requirements

Per Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(1)(vii), Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. A semi-annual certification may be completed if 100% of an employee's time if charged to one Federal award.

Conditions

The District uses the HRA form to document the administrator's approval to charge employee costs to specific accounts, including those for restricted funds. We noted the following:

- HRAs for two of the 31 employees selected for the test of payroll charged to ESF did not include the resource code to which the employees were charged.
- One HRA did not document the employee's authorized step and column placement on the salary schedule.
- The salary paid an employee was not properly documented on the HRA and could not be traced to a salary schedule.

The District did not have sufficient controls in place to ensure that employees who were charged to Education Stabilization Fund programs completed time accounting documentation in accordance with federal requirements. The District was not able to provide time accounting documentation for one of 31 employees selected for testing.

Questioned Costs

There were no questioned costs associated with the identified condition.

Context

The condition was identified through inquiry with District personnel and through review of available supporting documentation.

Effect

The District has not complied with the requirements identified in Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430(i)(1)(vii).

Cause

The condition identified appears to have materialized due to the District's lack of established procedures to ensure compliance with the requirements under Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430 (i)(1)(vii).

Repeat Finding

No.

Recommendation

The District should review the requirements stated in Title 2, Code of Federal Regulations, Part 200, Subpart E, Section 200.430 (i)(1)(vii) and implement a procedure to address the control deficiency currently identified with the District's time accounting documentation as it relates to employees working on multiple activities or cost objectives.

Corrective Action Plan and Views of Responsible Officials

The Executive Director of Fiscal Services will implement forms and procedures to ensure the Federal Time and Effort reporting requirement for salary and wage is documented to accurately reflect the work performed.

The following findings represent instances of noncompliance or questioned costs and significant deficiencies that are required to be reported by the *2021-2022 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. The findings have been coded as follows:

Five Digit Code	AB 3627 Finding Type
61000	Classroom Teacher Salaries
72000	School Accountability Report Card

2022-010 61000 – Classroom Teacher Salaries

Criteria or Specific Requirements

California Education Code Section 41372 requires that the payment of classroom teacher salaries and benefits meet or exceed 55% (as required for elementary districts) of total current expense of the district, as calculated using Form CEA of the Standardized Account Code Structure Financial Reporting Software, Version 2022.2.0 (SACS Software.

Condition

The District's current expense of education totaled $29,593,989. The District spent 48.40%, or $14,324,881 on classroom teacher salaries and benefits. This is below the 55% requirement.

closing sites

Questioned Costs

There are no questioned costs associated with the finding.

Context

In reviewing the Form CEA, the auditor noted no available reductions (overrides in Column 4b). The resulting calculation indicated the District did not meet the minimum required 55% of General Fund expenditures for classroom teacher salaries.

Effect

The deficiency is calculated to be $1,953,203, or 6.60% of the District's Current Expense-Part II, as calculated on Form CEA.

Cause

It is possible that the significant sources of new funding from state and federal sources caused the District's ratio not to be maintained. These one-time funding sources were not eligible for exclusion from the calculation.

Repeat Finding

No.

Recommendation

The District should file for a waiver with the county. The District may also want to consider reviewing the calculation during budget preparation to ensure compliance will be achieved next year. It is not anticipated that this noncompliance will be an ongoing issue as COVID-19 related expenditures are not ongoing.

Corrective Action Plan and Views of Responsible Officials

The Executive Director of Fiscal Services will review the 2021-22 Current Expense of Education (SACS Form CEA) to ensure that one-time funding sources were excluded from the calculation as the district received a significant amount of federal and state funding that may not have been excluded. In addition, the district will file a waiver with the Ventura County Office of Education for consideration to be exempt from Education Code 41372.

2022-011 **72000 – School Accountability Report Card**

Criteria or Specific Requirements

In accordance with *California Education Code* section 33126(b), the school accountability report card (SARC) shall include assessment of the following school conditions: Safety, cleanliness, and adequacy of school facilities, including any needed maintenance to ensure good repair.

School districts use the "Facility Inspection Tool (FIT), School Facility Conditions Evaluation" developed by the Office of Public School Construction and approved by the State Allocation Board, or a local evaluation instrument that meets the same criteria, to document the condition of school facilities.

The auditor is required to compare the SARCs to the facilities inspection documents for consistency.

Condition

The District was unable to provide FITs that agreed to three of the five SARCs available online for 2021-2022. These SARCs provide information on conditions in place for the 2020-2021 reporting year.

Questioned Costs

There are no questioned costs associated with the finding.

Context

We noted the deficiency during our audit of the school accountability report cards for the sites selected for attendance audits.

Effect

The result is inconsistency between the SARCs and the facilities inspection documents.

Cause

The cause is unknown.

Repeat Finding

No.

Recommendation

The District should ensure that documents used to prepare the school accountability report cards posted online are retained to ensure compliance with *California Education Code* section 33126(b).

Corrective Action Plan and Views of Responsible Officials

The Director of Maintenance and Operations (???not sure if title is correct) will perform annual site facility inspections, using the Facility Inspection Tool (FIT), during the summer to report on the safe, clean, and adequate facilities for student use. The Chief Business Official will review the site FIT forms for proper reporting and ensure the documents are provided to the site principals to be included in the annual School Accountability Report Card (SARC).

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

2021-001 30000 – Internal Control

Criteria or Specific Requirements

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Such internal controls should include a review of financial account balances to ensure that they agree to corresponding supporting records.

Condition

During the course of our engagement, we identified material misstatements of balances within the District's 2020-2021 unaudited actuals financial report. Through review of supporting records, we noted misstatements in the General Fund, the Building Fund and in the Non-Major Governmental Funds.

Specifically, in the General Fund the receivables balance was understated by $101,262. A failure to clear the beginning balances in accounts payable and the failure to accrue a material amount at June 30, 2021, netted to an overstatement of the balance in the amount of $90,870. In the Building Fund, the accounts payable balance was overstated by $700,995, and the fair market value of the deposit in the county treasury was overstated by $31,757. In the Non-Major Governmental Funds, the Adult Education Fund receivable was overstated by $25,298 and the Cafeteria Fund inventory balance was not adjusted to reflect the inventory on hand at year end, causing an overstatement of that account in the amount of $6,701.

Questioned Costs

There were no questioned costs associated with the condition noted.

Context

The conditions were identified through review of available District records related to the financial account balances as reported in the Unaudited Actuals reporting package.

Effect

Due to the condition identified, the District's General Fund has been understated by $192,132, the Building Fund has been understated by $339,238, and the Non-Major Governmental Funds have been overstated by $31,999.

Cause

The cause of the conditions identified appear to be due to inadequate review processes related to the District's financial information.

Recommendation

Management should review financial account balances to ensure that balances have been correctly reported. Balances should be traced to supporting records to verify the accuracy and completeness of reported information.

Current Status

Not implemented. See current year finding 2022-002.

2021-002 **30000 – Internal Control**

Criteria or Specific Requirements

Generally accepted accounting procedures (GAAP) require the reconciliation of bank accounts, capital assets, and other subsidiary ledgers prior to the annual closing of the books.

The audit process includes agreeing financial statements balances to the reconciliations and to source documents.

Condition

During the course of the audit of the year-end financial statements, we noted that management had not completed several items prior to the closing of the 2020-2021 fiscal year as would be expected. The District's bank accounts had not been reconciled for the year end June 30, 2021, as of the scheduled audit date in November 2021. The capital assets records had not been compiled as of the scheduled audit date in November 2021. These records were finalized in March 2022.

In addition, the backup for samples selected during the scheduled audit week in November 2021 was not provided in a timely manner. These included items selected for testing accounts payable, journal entries, and revenue.

Delays in receiving items requested as part of the audit process caused a delay in the issuance of the audited financial statements.

Questioned Costs

There were no questioned costs associated with the condition.

Context

The conditions were noted during our audit of the financial statements.

Effect

Due to the conditions identified, there was a delay in the completion of the audit process.

Cause

The conditions identified above appear to be caused by the lack of formal procedures related to these processes, in addition to recent changes to District's Business Office personnel.

Recommendation

All bank accounts should be reconciled monthly, shortly after the bank statement is available from the bank. This ensures that errors and fraudulent activity may be identified promptly and corrected. Bank account reconciliations should be signed and dated by the preparer and reviewer.

Capital assets represent a material balance in the government-wide financial statements. Tracking the activity in the governmental funds and recording the activity in the capital assets records can be time consuming. We recommend that these tasks take place periodically throughout the year. Prior to the preparation of the unaudited actuals reporting package, a final reconciliation of the expenditures in the relevant accounts and all additions to the capital asset accounts should be performed to confirm that all capital assets have been included in the records. At that point the annual depreciation can be calculated, and the Form ASSET can be completed.

To facilitate the completion of the audit in a timely manner, all requested backup documentation should be prepared in advance of the scheduled audit date, and all subsequent requests for documentation should be provided timely upon request.

Current Status

Not implemented. See current year findings 2022-002 and 2022-006.