

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Education
Nevada County Superintendent of Schools
Grass Valley, California

Report on Compliance for Each Major Federal Program

I have audited Nevada County Superintendent of Schools' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Nevada County Superintendent of Schools' major federal programs for the year ended June 30, 2018. Nevada County Superintendent of Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of Nevada County Superintendent of Schools' major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Nevada County Superintendent of Schools' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of Nevada County Superintendent of Schools' compliance.

Opinion on Each Major Federal Program

In my opinion, Nevada County Superintendent of Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of Nevada County Superintendent of Schools, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered Nevada County Superintendent of Schools' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Nevada County Superintendent of Schools' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in the internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



MICHELLE M. HANSON
Certified Public Accountant

December 26, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Board of Education
Nevada County Superintendent of Schools
Grass Valley, California

I have audited Nevada County Superintendent of Schools' compliance with the types of compliance requirements described in the *2017-2018 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* that could have a direct and material effect on each of Nevada County Superintendent of Schools' State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws and regulations.

Auditor's Responsibility

My responsibility is to express an opinion on compliance with State laws and regulations of Nevada County Superintendent of Schools' State government programs based on my audit of the types of compliance requirements referred to below. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting*. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the applicable State laws and regulations listed below occurred. An audit includes examining, on a test basis, evidence about Nevada County Superintendent of Schools' compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion. However, my audit does not provide a legal determination of Nevada County Superintendent of Schools' compliance with those requirements.

In connection with the audit referred to above, I selected and tested transactions and records to determine the County Office's compliance with the state laws and regulations applicable to the following items:

<u>Description</u>	<u>Procedures Performed</u>
Local Education Agencies Other Than Charter Schools:	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	No (see next page)
Continuation Education	Not Applicable
Instructional Time	Not Applicable
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Not Applicable
Classroom Teacher Salaries	Not Applicable
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Yes
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort (MOE)	Not Applicable
Apprenticeship: Related and Supplemental Instruction	Not Applicable)

<u>Description</u>	<u>Procedures Performed</u>
School Districts, County Office of Education and Charter Schools:	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Charter Schools:	
Attendance	Yes
Mode of Instruction	Yes
Non-Classroom-Based Instruction/Independent Study	Yes
Determination of Funding for Non-Classroom-Based Instruction	Yes
Annual Instructional Minutes - Classroom Based	Yes
Charter School Facility Grant Program	Yes

Procedures were not performed for Independent Study attendance because the average daily attendance generated by the program was below the level required for testing.

Opinion on Each State Government Program

In my opinion, Nevada County Superintendent of Schools, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its State government programs for the year ended June 30, 2018.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of my testing of compliance and the results of that testing based on the requirements of the 2017-2018 *Guide for Annual Audits of K-12 Local Educational Agencies and State Compliance Reporting* published by the Education Audit Appeals Panel. Accordingly, this report is not suitable for any other purpose.



MICHELLE M. HANSON
 Certified Public Accountant

December 26, 2018

FINDINGS AND QUESTIONED COSTS SECTION

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
 SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
 JUNE 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified
 that are not considered to be material
 weakness? Yes None reported

Noncompliance material to financial
 statements noted? Yes No

Federal Awards

Internal control over financial reporting:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified
 that are not considered to be material
 weakness? Yes None reported

Type of auditor's report issued on
 compliance for major programs Unmodified

Any audit findings disclosed that are
 required to be reported in accordance
 with Section 2 CFR 200.516(a)? Yes No

Identification of major programs

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.027, 84.027A, 84.173, 84.173A 93,778	Special Education Cluster Title XIX, Medicaid Cluster

Dollar threshold used to distinguish
 between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

State Awards

Internal control over state programs:
 Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified
 that are not considered to be material
 weakness? Yes None reported

Type of auditor's report issued on compliance
 for state programs: Unmodified

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

Section II - Financial Statements Findings

2018 - 001 - CASH RECEIPTS-CHARTER SCHOOLS - 30000

Criteria: Sound cash management procedures including internal control procedures for handling cash from the time the cash is collected to the time it is deposited into the bank account discourage theft of funds and protect those who handle the cash. Cash receipt control procedures provide evidence the cash was handled appropriately. Without this evidence, those involved in the process will not have the information to provide that fraud did or did not occur.

Statement of Condition: During testing of internal controls over cash receipts at the charter schools the following weaknesses were noted (specific charter school(s) identified below each weakness):

1. There is inconsistent or no evidence showing the proceeds from fund raisers or collection of fees are being reconciled to the actual goods sold, services provided or other amounts collected.
 - This was found at Bitney College Prep High and Twin Ridges Home Study Charter.

Cause: Individual charter school controls over cash receipts are inadequate to ensure all cash received is accounted for.

Effect or Potential Effect: Deficiencies in internal control limit management's control over assets and facilitates an environment where misappropriation of assets may go undetected.

Questioned Costs: The conditions referred to above were the result of my testing attributes of the control system. There are no questioned costs.

Recommendation: Cash control procedures should be implemented at each charter school including requirements for:

1. A record of the items sold, fees collected or services provided and the amount received reconciled to the amount being deposited.

These procedures should be communicated to employees involved and periodic monitoring should be performed throughout the year in addition to the annual independent audit.

Views of Responsible Official: The County Office will continue to work with the Charter Schools to implement cash control procedures.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

Section II - Financial Statements Findings (Concluded)

2018 - 002 - CASH DISBURSEMENTS - CHARTER SCHOOLS - 30000

Criteria: Sound accounting practices require the use of purchase orders, purchase requisitions, or other evidence as management tools to document prior approval for purchases by an appropriate charter school official.

Statement of Condition: During my testing of controls over cash disbursements at Bitney College Prep High School Charter, Twin Ridges Home Study Charter, and Sierra Montessori Charter School, I noted there was inconsistent evidence showing prior approval for purchases by an appropriate charter school official, with "appropriate" being someone other than the person making the purchase and entering the bill for payment.

Cause: The charter school's procedures requiring prior authorization for purchases were not followed.

Effect or Potential Effect: Lack of proper authorization limits management's controls over expenditures and creates an environment where unauthorized disbursements may be made and not detected.

Questioned Costs: The condition referred to above was the result of my testing an attribute of the control system. There are no questioned costs.

Recommendation: To improve internal controls, all charter school expenditures should be supported by a completed purchase requisition, purchase order or contract, prepared, approved and dated in advance of the purchase.

Views of Responsible Official: The County Office will continue to work with the Charter Schools to implement cash control procedures.

Section III - Federal Award Findings and Questioned Costs

No matters are reported.

Section IV - State Award Findings and Questioned Costs

No matters are reported.

NEVADA COUNTY SUPERINTENDENT OF SCHOOLS
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2018

2017 - 001: Cash control procedures should be implemented at each charter school including requirements for:

1. A record of the items sold, fees collected or services provided and the amount received reconciled to the amount being deposited.
2. All payments should be counted by more than one person with the dual count documented by signatures or initials of each person performing the count.
3. Money received by any charter school employee should be brought to the person responsible for deposits at least weekly or more frequently if a large amount of money has been received or the money is not being stored in a secure location.

These procedures should be communicated to employees involved and periodic monitoring should be performed throughout the year in addition to the annual independent audit.

Current Status:

Accepted

Partially Implemented

Explanation If Not Fully Implemented:

See repeat finding, 2018-001

2017 - 002: All charter school expenditures should be supported by a completed purchase requisition, purchase order or contract, prepared, approved and dated in advance of the purchase.

Current Status:

Accepted

Not Implemented

Explanation If Not Fully Implemented:

See repeat finding, 2018-002

2017 - 003: The Sierra Montessori Charter School should enter eligibility data annually, based on appropriate, timely documentation received and not roll forward student eligibility in the reporting software from the prior year. Additionally, prior to submission of the Fall certified counts, the data entered should be compared to the underlying records to ensure accuracy.

Current Status:

Accepted

Implemented