



Santa Barbara County Education Office

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July 7, 2004

Honorable Clifford R. Anderson, III
Presiding Judge
Santa Barbara County Superior Court
P.O. Box 21107
Santa Barbara, CA 93121-1107

Santa Barbara Grand Jury,

The Santa Barbara County Education Office has reviewed the Santa Barbara County Grand Jury report on "The Learning Curve: Business Practices in the Santa Barbara School Districts" dated 5/27/04 and is sending this response in accordance with the grand jury request.

The Santa Barbara School Districts (SBSD) have been fiscally accountable since 1985. At the time the districts applied, an extensive study was performed by the audit firm Vavrink, Trine, Day and Company. The school districts developed a comprehensive implementation and operational plan and established a job description for the position of disbursing officer, in accordance with Education Code section 42650.

In addition, as part of the granting of fiscal accountability, the fiscal accountability contract between the SBSB and the SBCEO requires an annual review of the fiscal management and internal controls necessary to maintain fiscal accountability. Each year, the SBCEO sends out a survey to the county auditor and SBCEO department heads requesting items that should be added to the annual fiscal accountability review. The SBCEO sends a comprehensive fiscal accountability checklist to the districts' audit firm with a cover letter outlining any additional concerns we would like reviewed relative to fiscal accountability.

Over the years, the process of SBSB following their implementation plan and the annual review by a CPA firm has worked fairly well. The primary concerns of the SBCEO have arisen out of resignations of top business staff and reorganization of the SBSB business office. The SBCEO has worked with the school districts to ensure that the position of an independent disbursing officer is present at the SBSB at all times. In addition, over the last few years the districts' CPA firm has identified the need for the districts to strengthen their internal audit function.

Over time, we have met with the SBSB Chief Business Official (CBO) regarding these findings. There have been some glitches in resolving issues due to staff changes at the CBO position. Our

most recent meeting was with the current CBO, Mary Stark, and the SBSB auditor external audit firm partner, Matt Miller. At that meeting, the school districts indicated they were moving forward with the hiring of an existing vacant accounting technician position to strengthen the internal audit functions. Further, Ms. Stark said the districts plan to work with the board to explore the creation of an internal auditor position. Our office will continue to work with the SBSB to ensure the independent position of disbursing officer continues to be in place and the annual fiscal accountability checklist and auditor's report shows adequate internal controls and procedures to enable the school districts to perform their fiscal accountability duties.

In the Grand Jury report, finding 1 states "Fiscal Accountability status requires that there be an internal auditor on staff to objectively access the Districts' finances. SBSB leadership has failed to provide for an internal auditor, despite repeated requests from the County Office of Education to do so." This office partially disagrees with this finding. The Feb. 28, 1985 Contract for Fiscal Accountability signed by the SBSB board and the Santa Barbara County Superintendent of Schools does not specifically require an internal auditor position. The contract does, however, allow the SBCEO to conduct reviews of the SBSB fiscal management and internal controls necessary to maintain fiscal accountability. To date, this review has been conducted annually by a Certified Public Accounting firm approved to conduct school district audits in the state of California. Our office provides the CPA firm with a comprehensive checklist of items to be used by the audit firm in its review. Our office reviews the auditors' report and follows up on areas of concern; we ensure any issues noted are either resolved or involve a level of operation minor enough that our office is comfortable with allowing the district to continue with Fiscal Accountability.

The Grand Jury report contains a recommendation "The County Office of Education should rescind Fiscal Accountability status if an internal auditor is not put in place." The recommendation requires further analysis. Over the next three months our office will meet with the SBSB and their external audit firm to determine the appropriate level of internal audit staff required to ensure our office can allow continuing authority for the districts to be fiscally accountable.

Sincerely,

Gary J. Pickavet, Assistant Superintendent
Administrative Services