



SAN JOAQUIN COUNTY OFFICE OF EDUCATION
Troy A. Brown, Ed.D., County Superintendent of Schools

**CERTIFICATION OF CORRECTIVE ACTION
AUDIT FINDINGS AND RECOMMENDATIONS
2020-2021**

**Tracy Unified School District - Includes Tracy Independent Study Charter
School**
San Joaquin County, California



Certification of Corrective Action is hereby filed by the governing board of the school district.

Signature of Clerk/Secretary of the Governing Board

4/12/22
Date of Meeting



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.

Signature of District Superintendent

4/12/22
Date

FOR ADDITIONAL INFORMATION

District
Contact: Reed Call

Phone: (209) 830-3235 x 1125

Submit the **original and one copy** of the Certification of Corrective Action, together with each Audit Finding Corrective Action form and corresponding documentation to:

San Joaquin County Office of Education
Peter Foggato, Division Director, District Business Services
2922 Transworld Drive
Stockton, CA 95206

Your response must be submitted by April 15, 2022.



AUDIT FINDING CORRECTIVE ACTION

2020-2021

Tracy Unified School District - Includes Tracy Independent Study Charter School

San Joaquin County, California

FINDING CATEGORY Internal Controls - Material Audit Adjustment

FINDING # 1

PAGE: #94

Describe below specific corrective action used in resolving audit finding:

Specifically address each individual item within the finding. Be certain that your responses are clear and concise. You will need to provide all documentation which supports the specific action taken toward resolving the finding; i.e., copies of amended reports, corrective action plans, etc.

Attach all pertinent documentation. Number of attachments for this finding: 3

The Accounting Supervisor will review the ASB accounts downloaded from the ASB accounting software and recorded to the student activity fund for accuracy prior to recording in the general ledger. The Coordinator of Financial will also verify accuracy. This is an informal internal controls process and has been added to the year-end checklist (see attached).

The following finding represents a material weakness related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

Five Digit Code
30000

AB 3627 Finding Type
Internal Control

2021-001 Material Audit Adjustment

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are being prepared for the audit free from material misstatement, whether due to error or fraud.

Condition

We proposed a material audit adjustment to the student activity fund trial balance which was recorded and included in this report. The District's student activity fund associated student body (ASB) revenues and expenditures were not accurately recorded.

Cause

This was the first year of GASB Statement No. 84, *Fiduciary Activities*, implementation. To determine the ASB accounts beginning balances, the District downloaded the trial balances from the ASB accounting software. Those accounts included cash balances that were included in the general fund miscellaneous clearing account. This resulted in inaccurate amounts recorded in the student activity fund.

Effect

A material audit adjustment was necessary to properly implement GASB Statement No. 84, *Fiduciary Activities*, and to present the financial statements in accordance with Generally Accepted Accounting Principles. Control deficiencies could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation

We recommend that management review the design of the District's internal controls over reconciliation of the student activity fund transactions to ensure all ASB transactions are recorded in the proper general ledger accounts.

Repeat Finding
No.

Corrective Action Plan and Views of Responsible Officials

We concur with this finding. Our school sites have operated student body funds for many years with District oversight. We have designed a control procedure to ensure ASB accounts downloaded from the ASB accounting software and recorded to the student activity fund are reviewed and verified for accuracy prior to the general ledger (also see page 96 below).



TRACY
UNIFIED SCHOOL DISTRICT

*"The future belongs
to the educated"*

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2021-001 Material Audit Adjustment

Corrective Action Plan and Views of Responsible Officials

We concur with this finding. Our school sites have operated student body funds for many years with District oversight. We have designed a control procedure to ensure ASB accounts downloaded from the ASB accounting software and recorded to the student activity fund are reviewed and verified for accuracy prior to recording in the general ledger.

Name and Contact Information

Lori Nelson, Budget Analyst
Email : lnelson@tusd.net

2021-002 Material Audit Adjustment and Restatement

Corrective Action Plan and Views of Responsible Officials

We agree with the finding. Tracy Unified School District will perform a more in-depth analysis of the conversion entry to ensure compliance with GASB. With the Auditor's clarification it is unlikely that TSFFA debt service principal and interest payments will be incorrectly reported in the future.

Name and Contact Information

Reed Call, Director of Financial Services
Email : rcall@tusd.net



AUDIT FINDING CORRECTIVE ACTION 2020-2021

Tracy Unified School District - Includes Tracy Independent Study Charter School

San Joaquin County, California

FINDING CATEGORY Internal Controls - Material Audit Adjustments and Restatement

FINDING # 2

PAGE: #95

Describe below specific corrective action used in resolving audit finding:

Specifically address each individual item within the finding. Be certain that your responses are clear and concise. You will need to provide all documentation which supports the specific action taken toward resolving the finding; i.e., copies of amended reports, corrective action plans, etc.

Attach all pertinent documentation. Number of attachments for this finding: 5

The Director of Financial Services and Budget Analyst will perform a more in-depth analysis of the conversion entry to ensure compliance with GASB. This is an informal internal controls process and has been added to the year-end checklist (see attached).

2021-002 Material Audit Adjustments and Restatement

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are being prepared for the audit free from material misstatement, whether due to error or fraud.

Condition

As of June 30, 2020, the District recognized a long-term liability for the long-term advance to its blended component unit. If the internal advance had been appropriately accounted for in the fund level statements, the internal advance should have been eliminated on the government-wide/governmental activities financial statements. As a result, the opening net position of governmental activities was restated to remove the previously reported long-term liability for the internal advance. In addition, as of June 30, 2020, the District did not appropriately account for the long-term debt of its blended component unit, TSFFA. As a result, the District restated opening net position of governmental activities to reflect the outstanding balance of the Qualified School Construction Bonds (QSCB) in the amount of \$13,895,000. Lastly, as of June 30, 2020, the District incorrectly recorded \$2,595,000 principal repayments on the Measure B, 2014 Election, Series 2019 bonds as interest expense rather than reducing the principal balance.

We proposed a material audit adjustment to correct the errors noted above. These adjustments resulted in a restatement of the beginning net position in the government-wide financial statements. Additionally, we were requested to draft the financial statements and accompanying notes to the financial statements.

Cause

The District's internal control system designed to provide for the preparation and fair presentation of the financial statements was not operating at an optimal level.

Effect

Material audit adjustments were necessary to present the financial statements in accordance with Generally Accepted Accounting Principles.

Recommendation

We recommended corrections to appropriately account for the TSFFA activity. The District made revisions to the financial statements as of June 30, 2021. We recommend management improve controls over the financial statement preparation process to ensure transactions are properly recorded and that all activities presented are correct.

Repeat Finding

No.

Corrective Action Plan and Views of Responsible Officials

We agree with the finding. Tracy Unified School District will perform a more in-depth analysis of the conversion entry to ensure compliance with GASB. With the Auditor's clarification it is unlikely that TSFFA debt service principal and interest payments will be incorrectly reported in the future.



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2021-001 Material Audit Adjustment

Corrective Action Plan and Views of Responsible Officials

We concur with this finding. Our school sites have operated student body funds for many years with District oversight. We have designed a control procedure to ensure ASB accounts downloaded from the ASB accounting software and recorded to the student activity fund are reviewed and verified for accuracy prior to recording in the general ledger.

Name and Contact Information

Lori Nelson, Budget Analyst
Email : lnelson@tusd.net

2021-002 Material Audit Adjustment and Restatement

Corrective Action Plan and Views of Responsible Officials

We agree with the finding. Tracy Unified School District will perform a more in-depth analysis of the conversion entry to ensure compliance with GASB. With the Auditor's clarification it is unlikely that TSFFA debt service principal and interest payments will be incorrectly reported in the future.

Name and Contact Information

Reed Call, Director of Financial Services
Email : rcall@tusd.net

None reported.

None reported.