

December 22, 2017

Michael Cohen, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Mr. Michael Cohen,

In accordance with the State Leadership Accountability Act (SLAA), the Education Audit Appeals Panel submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2017.

Should you have any questions please contact Mary Kelly, Executive Officer, at (916) 445-7745, mkelly@eaap.ca.gov.

BACKGROUND

The Education Audit Appeals Panel (EAAP) serves as the neutral arbiter in informal and formal administrative appeals by K-12 local education agencies. EAAP adopts as regulations, according to a statutory timetable, the audit guide used in those annual audits. These activities set clear standards for compliance with education funding requirements, and allow both the state and local education agencies to avoid lengthy and expensive litigation over disputed funding.

The Panel consists of the Superintendent of Public Instruction, the Director of the Department of Finance, and the Chief Executive Officer of the Fiscal Crisis and Management Assistance Team.

Statutory Authority: Education Code Sections 14502.1, 41344 and 41344.1.

ONGOING MONITORING

As the head of Education Audit Appeals Panel, Mary Kelly, Executive Officer, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

EXECUTIVE MONITORING SPONSOR(S)

The executive monitoring sponsor responsibilities include facilitating and verifying that the Education Audit Appeals Panel internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to:
Mary Kelly, Executive Officer.

MONITORING ACTIVITIES

The monitoring of internal control at EAAP entails the application of both ongoing evaluations and separate evaluations. The ongoing evaluation include executive officer review of transactions and meetings. Periodic reviews include yearly assessments of equipment, oversight of transactions by outside organizations, such as EDD, DGS, and Office of Administrative Law. These evaluations ascertain whether other components of internal control continue to function as designed and intended. The monitoring process included evaluating whether the design or controls should change when risks

change. Due to the small size of the organization, 3 employees, and few numbers of transactions, the executive officer and the attorney conduct the ongoing evaluation process.

ADDRESSING VULNERABILITIES

If a vulnerability is identified, response is immediate. All EAAP employees, the Executive Officer, the Staff Counsel and the Executive Office will meet to discuss the potential vulnerability. If additional research is required, staff will report back to the Executive Officer on their findings. A control is changed or developed to address the vulnerability and staff is assigned to make modification in process or templates. The Executive Officer monitors the newly implemented control to ensure that the vulnerability has been mitigated.

COMMUNICATION

Monitoring roles, activities, and results are communicated in an ongoing manner. The whole staff of EAAP is involved in the meetings to address vulnerabilities. Monitoring roles are part of the ongoing approval process of EAAP, and included in policies and procedures, and organizational charts. The process for communicating vulnerabilities and control inefficiencies are straight forward and in real time. The 3 employees of EAAP have a face to face meeting and discuss monitoring activities, results, potential vulnerabilities and action plans to correct vulnerabilities. Follow up is also performed on an ongoing basis.

ONGOING MONITORING COMPLIANCE

The Education Audit Appeals Panel is in the process of implementing and documenting the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the Education Audit Appeals Panel systems of controls and monitoring.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Education Audit Appeals Panel risk assessment process: Executive Management, Middle Management, and Staff.

RISK IDENTIFICATION

The procedures used to identify risk are meetings, document reviews and input from outside organizations. The executive officer also performed a review of risk factors affecting other state organizations and evaluated whether such factor existed at EAAP.

RISK RANKING

EAAP operated in a very low risk environment. Most activities are overseen and approved by outside organizations, including personnel, budgeting, purchasing, and accounting. The main risk factors are in the operations of the organization, including key person dependency and business interruptions. However, because of the low risk environment, and few risk factors, all identified risks are considered important and no ranking is necessary.

RISKS AND CONTROLS

RISK: OPERATIONS -INTERNAL-STAFF—KEY PERSON DEPENDENCE, WORKFORCE PLANNING

EAAP has 3 employees, so key person dependency is a risk. If something happens to one person, tasks may not be timely completed.

There is one Executive Officer, one Staff Counsel and one Admin. Each individual has different specific job functions.

Work is not completed timely. There is not staff available to address concerns from our users.

CONTROL A

Staff crosstrains as much as possible. Procedures are in place to allow a staff unfamiliar with an activity to perform the work. Emails from our reporting and notification list come to multiple individual in case one person is unavailable.

CONCLUSION

The Education Audit Appeals Panel strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Mary Kelly, Executive Officer

CC: California Legislature [Senate (2), Assembly (1)]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency

Education Audit Appeals Panel Implementation Plan

February 07, 2018
Mary Kelly, Executive Officer

Implementation Plan Submitted for:
December 31, 2017

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UPDATE WITH PROGRESS—DECEMBER 31, 2017

EAAP has very little risks. Based on the small size of the operation, the executive officer manages in a hands on manner and monitoring is done daily.

Contact Person(s): Mary Kelly

Is the process implemented: Yes

Is the process documented: Yes

COMMUNICATION

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UPDATE WITH PROGRESS—DECEMBER 31, 2017

The process is documented. Staff is aware of the roles, activities and communication of EAAP.

Contact Person(s): Mary Kelly

Is the process implemented: Yes

Is the process documented: Yes

Education Audit Appeals Panel
Implementation Plan

ONGOING MONITORING COMPLIANCE

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