

December 08, 2021

Keely Martin Bosler, Director
California Department of Finance
915 L Street
Sacramento, CA 95814

Dear Director Keely Martin Bosler,

In accordance with the State Leadership Accountability Act (Leadership Accountability), 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, 2021.

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

GOVERNANCE

Mission and Strategic Plan

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 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.

Control Environment

EAAPS control environment is evidenced in management's actions and example. The environment ensures discipline, structure, technical competence and ethical decisionmaking. The standard is set by both management's and the panel's tone at the top. The importance of internal controls is communicated to staff at all levels. Management works to ensure that internal controls are understood and exercised throughout EAAP by developing a competent workforce, evaluating performance and ensuring accountability. The organization has 3 employees, an Executive Director, one Staff Counsel, one AGPA. Due to the small nature of the organization, all functions are overseen and approved by the Executive Director. Communication with staff is generally in person, and email when necessary. The Executive Director works directly with staff to develop skills, performance evaluations are conducted and reviewed and functions are followed up on by the Executive Director to ensure accountability. Also, the Executive Director provides a report to the panel at monthly meetings to provide for accountability to the panel.

Information and 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. Communication to external stakeholders is via our website, email, monthly panel meetings that fall under Bagley Keene and through phone calls.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Education Audit Appeals Panel monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to:
Mary Kelly, Executive Officer.

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the Education Audit Appeals Panel monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Mary Kelly, Executive Officer. 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, SPB 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. The monitoring activities are reviewing workload reports to ensure timely processing of summary reviews and formal appeals. Also, monitoring of business functions are conducted by the Executive Officer approving all purchasing, budget and employment documents.

RISK ASSESSMENT PROCESS

The following personnel were involved in the Education Audit Appeals Panel risk assessment process: executive management, and staff.

The following methods were used to identify risks: ongoing monitoring activities, audit/review results, and external stakeholders.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/ goals/objectives, and tolerance level for the type of risk.

The following personnel were involved in the Education Audit Appeals Panel risk assessment process: executive management, and staff. The following methods were used to identify risks: brainstorming meetings, ongoing monitoring activities, external stakeholders, and consideration of potential fraud. The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/ goals/

objectives, and tolerance level for the type of risk.

RISKS AND CONTROLS

Risk: Key Person Dependence

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 AGPA. Because each individual has different specific job functions, the risk is that work is not completed timely, and/or here 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 individuals in case one person is unavailable.

Risk: Shift to telework due to pandemic

EAAP continues to make changes to successfully shift staff to teleworking. The abrupt movement from the office to home for our staff impacted internal communication methods and timing, collaboration, teamwork, documentation and information technology issues. The ongoing telework has risks involved in ensuring employee camaraderie, morale, wellbeing, and mental health. There is risk that policies and procedures do not match the changing circumstances, and that electronic document version control and document routing procedures are not 100% effective and utilized. There is risk related to data security, access and connectivity, and the use of personal computers, cell phones, and other equipment to conduct business

Control: A

Establishing an effective communication channel and ensuring staff have the tools needed to collaborate digitally are the most critical controls. Establishing regular schedules and an integrated calendar, so staff can reach each other and management is important, as is respecting the "off" hours so that staff feels unplugged from work. To maintain the positive mental health of staff, we aim to create a team culture, one of inclusiveness, with the ability to communicate openly and frequently. Staff understands the expectations of being responsive and reliable, and transparency is promoted at every level. Executive management extends staff enough freedom to prove their trustworthiness, and avoids micromanagement, as a way to not reduce incentive. Executive management expresses shared goals, provides positive feedback, and timely addresses any staff concerns.

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 risk mitigation strategies as appropriate. 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