



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
COMMISSION FOR TEACHER
PREPARATION AND LICENSING
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-999.26**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

999.26

FINANCIAL AUDIT REPORT
COMMISSION FOR TEACHER PREPARATION
AND LICENSING
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

SENATORS
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PAUL CARPENTER
JOHN NEJEDLY
ROBERT PRESLEY
ASSEMBLYMEN
S. FLOYD MORI
DANIEL BOATWRIGHT
LEROY GREENE
BRUCE NESTANDE

□ STATE CAPITOL
SACRAMENTO 95814
(916) 445-7380

□ 925 L STREET
SUITE 750
SACRAMENTO 95814
(916) 445-0255

S. FLOYD MORI
CHAIRMAN

October 17, 1980

999.26

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the Commission for Teacher Preparation and Licensing, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Romero Zamora; Gus Demas; Geraldine Parks; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the Commission for Teacher Preparation and Licensing. This audit was conducted under the authority vested in the Auditor General by Section 10527 of the Government Code.

The Commission for Teacher Preparation and Licensing is authorized under Section 44210 of the Education Code to ensure excellence in education by encouraging high standards of quality and diversity through broad minimum standards and guidelines. The commission is organized into six program units: approved programs, examinations and evaluations, licensing, professional standards, beginning teacher evaluation study, and administration. The commission's staff approve, monitor, and review teacher preparation programs, administer examination and evaluation programs, license qualified credential applicants, and review charges of immoral or unethical conduct on the part of public school certificated personnel.

The programs of the Commission for Teacher Preparation and Licensing are supported by credential fees, subject matter examination fees, intergovernmental revenues, and income from the investment of surplus money.


AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the combined balance sheet of the Commission for Teacher Preparation and Licensing as of June 30, 1979 and the related statements of revenues, expenditures, and changes in fund balance for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the Commission for Teacher Preparation and Licensing at June 30, 1979 and the results of operations and changes in fund balance for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

The column amounts on the accompanying financial statements captioned "Totals - Memorandum Only" for June 30, 1979 are not necessary for a fair presentation of the financial statements but are presented as additional analytical data and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.



WESLEY E. MOSS
Assistant Auditor General

Date: March 12, 1980

Staff: Curt Davis, CPA
Romero Zamora
Gus Demas
Geraldine Parks
Teri Yee
Michael Tritz
Charles Thrasher

COMMISSION FOR TEACHER PREPARATION AND LICENSING

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP

JUNE 30, 1979

<u>ASSETS</u>	<u>Governmental Fund Type Special Revenue</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Memorandum Only) June 30, 1979</u>
Cash	\$ 196,487	\$160,583	\$ --	\$ 357,070
Deposits in Surplus Money				
Investment Fund	1,476,000	--	--	1,476,000
Due from Surplus Money				
Investment Fund	70,427	--	--	70,427
Due from other funds	94,979	1,515	--	96,494
Due from Federal Government	--	22,247	--	22,247
Prepayments to other funds	44,084	--	--	44,084
Expense advances to employees	3,871	--	--	3,871
Equipment	--	--	164,025	164,025
	<u>\$1,885,848</u>	<u>\$184,345</u>	<u>\$164,025</u>	<u>\$2,234,218</u>
Total Assets				
<u>LIABILITIES, ENCUMBRANCES OUTSTANDING, AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 123,316	\$ 18,847	\$ --	\$ 141,983
Due to other funds	--	94,979	--	94,979
	<u>123,316</u>	<u>113,876</u>	<u>--</u>	<u>236,962</u>
Total Liabilities				
Encumbrances Outstanding	<u>52,502</u>	<u>--</u>	<u>--</u>	<u>52,502</u>
Fund Equity:				
Investment in general fixed assets (Note 3)	--	--	164,025	164,025
Fund balance	<u>1,710,210</u>	<u>70,519</u>	<u>--</u>	<u>1,780,729</u>
Total Fund Equity	<u>1,710,210</u>	<u>70,519</u>	<u>164,025</u>	<u>1,944,754</u>
Total Liabilities, Encumbrances Outstanding, and Fund Equity	<u>\$1,885,848</u>	<u>\$184,345</u>	<u>\$164,025</u>	<u>\$2,234,218</u>

The notes to the financial statements are an integral part of this statement.

COMMISSION FOR TEACHER PREPARATION AND LICENSING

COMBINED STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND TYPE AND EXPENDABLE TRUST FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Governmental Fund Type Special Revenue</u>	<u>Fiduciary Fund Type Expendable Trust</u>	<u>Totals (Memorandum Only) June 30, 1979</u>
Revenues: (Note 2)			
Support appropriations	\$2,114,819	\$ --	\$2,114,819
Income from Surplus Money			
Investment Fund	151,499	--	151,499
Receipts from Federal Government	<u>--</u>	<u>198,782</u>	<u>198,782</u>
Total Revenues	<u>2,266,318</u>	<u>198,782</u>	<u>2,465,100</u>
Other Sources:			
Reimbursements	104,713	--	104,713
Intergovernmental revenues	190,081	--	190,081
Miscellaneous adjustments (Note 4)	<u>38,861</u>	<u>--</u>	<u>38,861</u>
Total Other Sources	<u>333,655</u>	<u>--</u>	<u>333,655</u>
Total Revenues and Other Sources	<u>2,599,973</u>	<u>198,782</u>	<u>2,798,755</u>
Expenditures: (Note 2)			
Personal services	2,034,323	--	2,034,323
Operating expenses and equipment	1,012,076	--	1,012,076
Expenditures of federal receipts	--	290,416	290,416
Miscellaneous adjustments (Note 4)	<u>--</u>	<u>300</u>	<u>300</u>
Total Expenditures	<u>3,046,399</u>	<u>290,716</u>	<u>3,337,115</u>
Excess of Revenues and Other Sources over (under) Expenditures	(446,426)	(91,934)	(538,360)
Fund Balance - July 1	<u>2,156,636</u>	<u>162,453</u>	<u>2,319,089</u>
Fund Balance - June 30,	<u>\$1,710,210</u>	<u>\$ 70,519</u>	<u>\$1,780,729</u>

The notes to the financial statements are an integral part of this statement.

COMMISSION FOR TEACHER PREPARATION AND LICENSING
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL FUND TYPE
FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Budget as Adjusted</u>	<u>Actual</u>	<u>Variance</u>
Revenues: (Note 2)			
Support appropriation	\$3,029,341	\$2,114,819	\$(914,522)
Income from Surplus Money			
Investment Fund	<u> --</u>	<u> 151,499</u>	<u> 151,499</u>
Total Revenues	<u> 3,029,341</u>	<u> 2,266,318</u>	<u> (763,023)</u>
Other Sources:			
Reimbursements	101,214	104,713	3,499
Intergovernmental revenues	410,000	190,081	(219,919)
Miscellaneous adjustments	<u> --</u>	<u> 38,861</u>	<u> 38,861</u>
Total Other Sources	<u> 511,214</u>	<u> 333,655</u>	<u> (177,559)</u>
Total Revenues and Other Sources	<u> 3,540,555</u>	<u> 2,599,973</u>	<u> (940,582)</u>
Expenditures: (Note 2)			
Personal services	2,230,895	2,034,323	196,572
Operating expenses and equipment	<u> 1,309,660</u>	<u> 1,012,076</u>	<u> 297,584</u>
Total Expenditures	<u> 3,540,555</u>	<u> 3,046,399</u>	<u> 494,156</u>
Excess of Revenues and Other Sources over (under) Expenditures	<u> \$ --</u>	<u> (446,426)</u>	<u> \$(446,426)</u>
Fund Balance - July 1		<u> 2,156,636</u>	
Fund Balance - June 30		<u> \$1,710,210</u>	

The notes to the financial statements are an integral part of this statement.

COMMISSION FOR TEACHER PREPARATION AND LICENSING
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and results of operations of the Commission for Teacher Preparation and Licensing. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The accompanying financial statements are structured into a Governmental Fund Type, a Fiduciary Fund Type, and an Account Group. The Commission for Teacher Preparation and Licensing accounts for only its portion of the two fund type categories. The State Controller maintains the central accounts for all state funds and annually publishes fund statements.

GOVERNMENTAL FUND TYPES

Governmental Fund Types are those through which most governmental functions are financed. The acquisition, use, and balances of the government's expendable financial resources and the related current liabilities--except those accounted for in Proprietary Funds--are accounted for through governmental funds. The Governmental Fund Type for the Commission for Teacher Preparation and Licensing is a Special Revenue Fund--the Teacher Credentials Fund--which accounts for fees collected by the commission for examination, registration, and certification of professional teachers. The fees are used to finance the commission's costs in performing its activities as required by the Education Code.

The Special Revenue Fund is maintained on the modified accrual basis of accounting. These are some of its more significant elements:

Income

Throughout the fiscal year all income, except for certain reimbursements which are recorded when billed, is accounted for on a cash basis. At June 30, the accounts are adjusted to accrue all earned but uncollected income.

Expenditures

Expenditures are accounted for at the time claims for payment are filed with the State Controller. At June 30, all valid expenditure commitments are accrued as expenditures including encumbrances outstanding against the fund balance for which no goods or services have been received.

Liabilities

Retirement Plan - Regular employees of the commission are members of the Public Employees' Retirement System (PERS) which is a defined benefit, contributory retirement plan. The amount the commission and its employees contribute to PERS is actuarially determined under a program in which contributions plus retirement system earnings provide the necessary funds to pay retirement costs as accrued. Retirement contributions for the year totaled \$264,685.

Vacation and Sick Leave - Costs of vacation and sick leave are charged when these benefits are used rather than when they are earned.

FIDUCIARY FUND TYPES

Fiduciary Fund Types are used to account for assets held by a governmental unit as a trustee. The Fiduciary Fund Type for the Commission for Teacher Preparation and Licensing is the Special Deposit Fund. The Special Deposit Fund is an Expendable Trust Fund which is used to account for intergovernmental revenues and monies collected under Section 44223 of the Education Code for employee's elective purchase of annuity contracts.

ACCOUNT GROUP

The Account Group is used to account for general fixed assets. Assets purchased, including those acquired under an installment purchase contract (as explained in Note 3), are recorded as expenditures in the appropriate fund in the year of acquisition or encumbrance. General fixed assets increased by a net of \$34,547 during the fiscal year.

2. BUDGETED REVENUES AND EXPENDITURES

The amounts shown under "Budget as Adjusted" for revenues and expenditures reflect the Governor's Budget after allowing for adjustments by the Budget Act, interim statutory changes affecting appropriations, and authorized executive budget revisions issued during the year.

3. INVESTMENT IN GENERAL FIXED ASSETS

This account includes an unpaid balance of \$13,814 at June 30, 1979; the balance represents unpaid amounts on installment purchase contracts that are payable over the next 36 months in equal monthly installments of \$406.75. The monthly installments include interest at 5.5 percent on the unpaid principal.

4. MISCELLANEOUS ADJUSTMENTS

This account shows the difference between the net amount of revenues, expenditures, abatements, and reimbursements accrued as of the previous June 30 and the actual amount of revenues, expenditures, abatements, and reimbursements related to the prior year but obtained during the current fiscal year.

OTHER INFORMATION

As an integral part of our examination, we reviewed the accounting procedures and related system of internal accounting control at the commission and at the Department of General Services (which maintains the commission's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the commission's financial statements present its financial position and results of operations in accordance with generally accepted accounting principles consistently applied.

Our review enabled us to suggest improvements which would result in better operating procedures and controls. A management letter describing the suggested operating improvements was issued to the commission in conjunction with certain recommended adjusting entries necessary to achieve compliance with generally accepted accounting principles.

The commission generally concurs with the suggested operating improvements and adjusting entries.

cc: Members of the Legislature
Office of the Governor
Office of the Lieutenant Governor
Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
California State Department Heads
Capitol Press Corps