

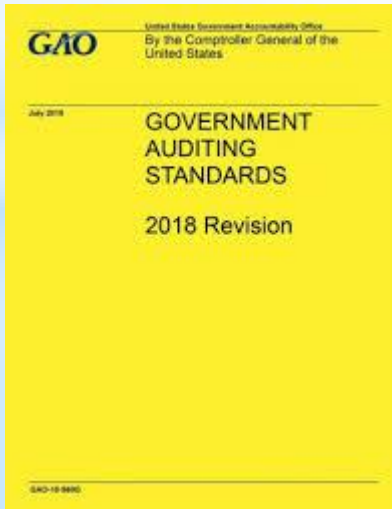


* K-12 School Facility Program (SFP) Audit Overview

January 22, 2021

Office of Public School Construction

- * Changes to the CA Education Code Section 41024
- * New audit requirements
 - * K-12 Audit Guide - Appendix B (School Facility Program (SFP))
 - * [Education Audit Appeals Panel \(EAAP\) California](#)
 - * SFP - All projects funded on or after April 1, 2017 and apportioned on or after July 1, 2017 are subject to the Performance Audit.
 - * SFP - Unfunded list
 - * SFP audit report is due one year from the final submission of the Final Form SAB 50-06 Expenditure Report to the Office of Public School Construction (OPSC).
- * Yellow Book Standards for Performance Audits



* Introduction

- * Reduction to Costs Incurred - Conducted by CPA
- * Audit (Closeout) - Conducted by CPA
- * Savings Audit - Conducted by CPA
- * Reviewing and Approving the Audit Report - State Controller's Office (SCO)
- * Audit Appeal - Education Audit Appeals Panel (EAAP)



California State
Controller's Office



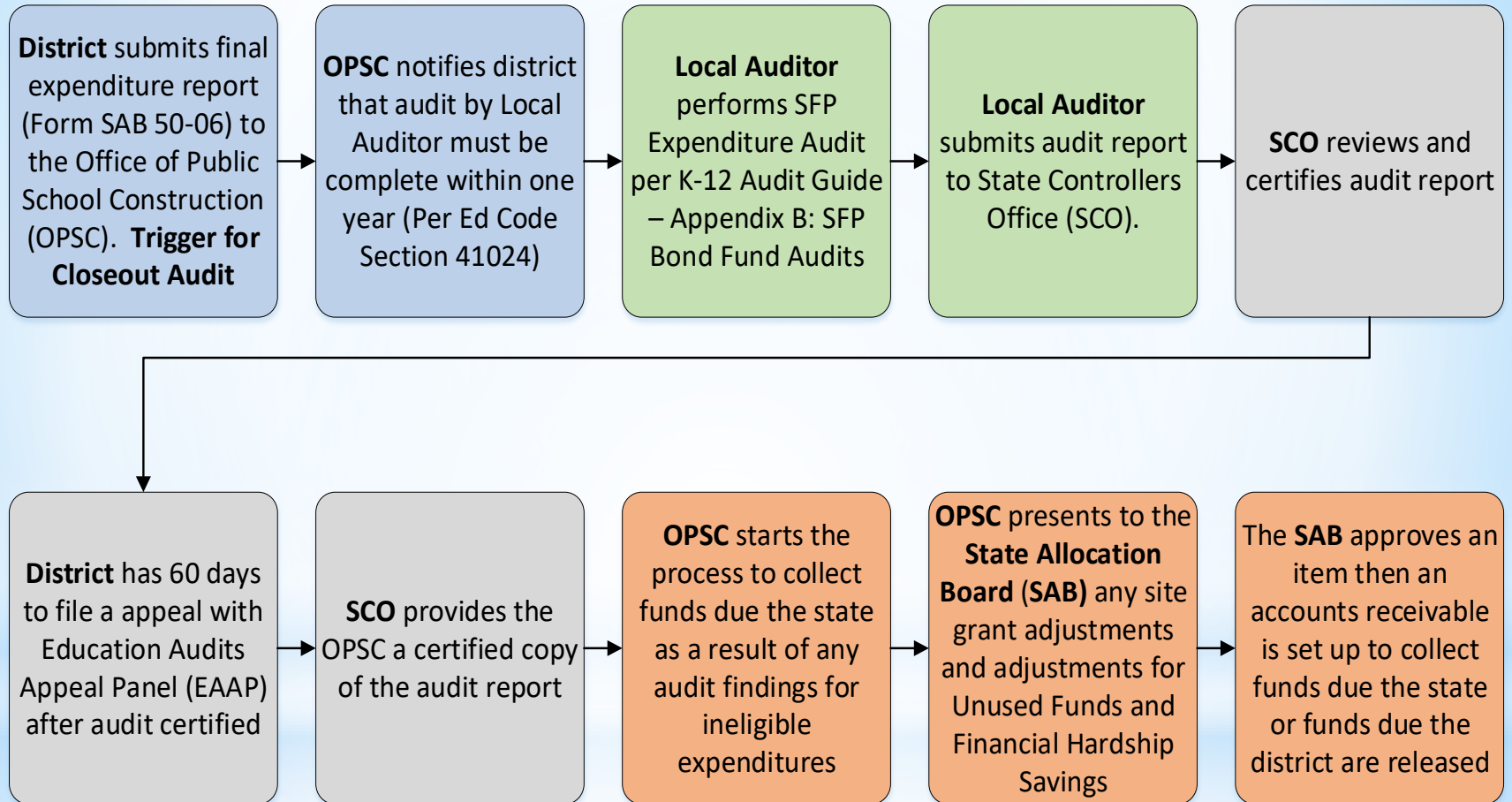
* Outline of Audit Process

- * Funds Due to the State
 - * Ineligible Expenditures - Formerly CDE, now OPSC
 - * Grant adjustments - OPSC
 - * Savings and Unused Funds - OPSC
- * Tracking of Savings Usage - OPSC



* Outline of Audit Process

K-12 AUDIT LIFE CYCLE



- * K-12 Audit Resources

- * <http://www.dgs.ca.gov/opsc/Resources/K-12AuditResource.aspx>

- * Refreshable Reports on OPSC Website

- * Reduction to Costs Incurred

- * Closeout Audit

- * Savings Audit



- * **Does LEA Have a Project Ready for Audit?**

* Screen shot of K-12 Audit Resource page from new OPSC website:

The screenshot shows the website for the Office of Public School Construction (OPSC). At the top, there is a navigation bar with the DGS logo and the text "Office of Public School Construction". A search bar is located in the top right corner with the placeholder text "For example, how to sell to the state?". Below the navigation bar, there is a menu with links: DGS HOME, HOME, SERVICES, MEETINGS, CALENDARS, FORMS, RESOURCES (highlighted), NEWS, ABOUT, and CONTACT. The main content area has a dark blue header with the word "Resources" in large white text. Below this, there is a search bar with the text "Search Resources" and a "SEARCH" button. To the right of the search bar is a dropdown menu labeled "SORT BY TITLE (A - Z)". On the left side, there is a "FILTER RESOURCES" section with three expandable categories: "RESOURCE TYPE", "AUDIENCE", and "AUDIENCE". The main content area displays a list of resources, starting with "1 - 13 OF 13 RESOURCES". The resources listed are:

- Annual Adjustment to SFP Grants and Developer Fee History**
View Annual Adjustments to SFP Grants.
- Applications Received Beyond Bond Authority**
Stakeholders can view information on the history of the Applications Received Beyond Bond Authority list, submittal requirements and other related resources.
- Audit Compliance Reviews for the School Facility Program**
Stakeholders can view closeout audit compliance reviews completed by the Office of Public School Construction.
- California Public School Construction Process**
Government agencies, schools, and individuals can find a helpful overview of the approval, funding process, and key contact information for schools constructed or modernized with state matching funds.
- Grant Agreements for School Facility Program Projects**
Stakeholders can view information on the history of the Grant Agreement templates for School Facility Program projects, as well as other related resources.
- Handbooks Guides and Brochures**
The publications include general program information and archives of previous programs. These documents are produced and maintained by the OPSC.
- K-12 Audit Resource**
To assist auditors conducting the local educational agency's audit, the Office of Public School Construction has set up this

* K-12 Audit Resource Page:

CONTACT

Jason Hernandez

Department of General Services
Office of Public School Construction

707 Third St.
West Sacramento, CA 95605
Phone: (916) 376-5369

Email: jason.hernandez@dgs.ca.gov

Additional Contact:

Suzanne Reese - (916) 376-1612

Email: suzanne.reese@dgs.ca.gov

Per Education Code Section 41024, a local agency that receives any funds pursuant to the Leroy F. Greene School Facilities Act of 1998 on or after April 1, 2017 and was apportioned on or after July 1, 2017 will have their project audited as required in this Education Code Section. Completed audit reports are to be submitted to the State Controller's Office (SCO) for review and certification. Audit reports for Completed Projects, Reduction to Costs Incurred (RCI) projects, or Savings Usage are due one year from the final submission of the Final Form SAB 50-06 Expenditure Report to OPSC per Education Code Section 41024(a)(6). Audit reports for savings audits are due one year from the submission of the "Use of Savings" report to OPSC. To assist auditors conducting the local educational agency's audit, the Office of Public School Construction has set up this resource page with crucial audit information on both a districtwide and project specific basis. For your use, below are links to documents that can be used with the goal of a successful and thorough audit.

K-12 AUDIT RESOURCES

K-12 AUDIT WORKSHOP

K-12 AUDIT RESOURCES

K-12 Workload Reports

- [SFP Expenditure Audit Workload](#)
- SFP Substantial Progress Audit Workload
- [SFP Savings Audit Workload](#)
- K-12 Audit Guide -- Appendix B SFP Bond Fund Audit

K-12 Audit Templates

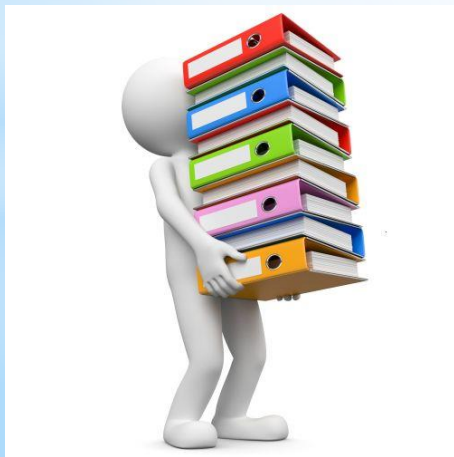
- [Schedule of SFP - Determination of Project Savings](#)
- [Schedule of SFP - Unspent Funds \(Financial Hardship\)](#)
- [Schedule of SFP - Unspent Funds \(Non-Financial Hardship\)](#)
- [Schedule of SFP - Use of Savings](#)

* Example of Refreshable Report:

K12 Audit Current Expenditure Audit Workload Report									
Report Date: October 3, 2018									
County	District	School Name	Application Number	Program Type	Financial Hardship Full Grant	First Fund Release Date (Claim SC)	First Fund Release Date (After 04/01/2017) (Claim SC)	100% 3/4 Year Complete Date	K12 Audit Complete Date
ALAMEDA	SAN LORENZO UNIFIED	KIPP KING COLLEGIATE HIGH	54/61309-00-002	Charter School	No	8/26/2013	1/8/2018	9/10/2018	
CONTRA COSTA	SAN RAMON VALLEY UNIFIED	TWIN CREEKS ELEMENTARY	50/61804-01-001	New Construction	No	10/24/2017	10/24/2017	3/7/2018	
CONTRA COSTA	SAN RAMON VALLEY UNIFIED	LOS CERROS MIDDLE	57/61804-00-021	Modernization	No	10/24/2017	10/24/2017	3/7/2018	
LOS ANGELES	ALHAMBRA UNIFIED	REPETTO ELEMENTARY	57/75713-00-026	Modernization	No	10/25/2017	10/25/2017	1/30/2018	
LOS ANGELES	ALHAMBRA UNIFIED	GRANADA ELEMENTARY	57/75713-00-027	Modernization	No	10/25/2017	10/25/2017	1/30/2018	
ORANGE	BUENA PARK ELEMENTARY	BEATTY (GORDON H.) ELEMENTARY	58/66456-00-003	Rehabilitation	No	6/2/2017	6/2/2017	6/29/2018	
ORANGE	BUENA PARK ELEMENTARY	COREY (ARTHUR F.) ELEMENTARY	58/66456-00-004	Rehabilitation	No	6/2/2017	6/2/2017	6/29/2018	
ORANGE	CYPRESS ELEMENTARY	LUTHER (STEVE) ELEMENTARY	57/66480-00-004	Modernization	No	12/21/2017	12/21/2017	6/18/2018	
ORANGE	CYPRESS ELEMENTARY	ARNOLD (A. E.) ELEMENTARY	57/66480-00-005	Modernization	No	4/20/2018	4/20/2018	9/10/2018	
ORANGE	SAVANNA ELEMENTARY	REID (TWILA) ELEMENTARY	57/66696-00-003	Modernization	No	12/21/2017	12/21/2017	7/2/2018	
RIVERSIDE	VAL VERDE UNIFIED	ORANGE VISTA HIGH	50/75242-00-026	New Construction	No	4/12/2006	10/13/2017	7/6/2018	
RIVERSIDE	HEMET UNIFIED	HEMET ELEMENTARY	51/67082-00-001	Facility Hardship	No	6/2/2017	6/2/2017	6/20/2018	
SACRAMENTO	SAN JUAN UNIFIED	BELLA VISTA HIGH	51/67447-00-001	Facility Hardship	No	6/2/2017	6/2/2017	8/17/2018	
SACRAMENTO	SAN JUAN UNIFIED	TRAJAN ELEMENTARY	57/67447-00-058	Modernization	No	11/9/2017	11/9/2017	2/27/2018	
SANTA CLARA	GILROY UNIFIED	RUCKER ELEMENTARY	57/69484-00-008	Modernization	No	11/9/2017	11/9/2017	3/29/2018	
SANTA CRUZ	HAPPY VALLEY ELEMENTARY	HAPPY VALLEY ELEMENTARY	58/69757-00-001	Rehabilitation	Yes	2/28/2018	2/28/2018	3/26/2018	

* Does LEA Have Project Ready for Audit?

- * Documents Requested from OPSC Include:
- * Letter(s) From OPSC
- * Final Escrow Statement
- * Appraisal
- * Grant Agreement(s)
- * Application for Funding (Form SAB 50-04)
- * State Allocation Board (SAB) Approval Item(s)
- * Final Form SAB 50-06 Expenditure report & Detailed Listing of Project Expenditures (DLOPE)



* Documents Needed for Audit

- * Reporting Schedules Required for LEA's:
 - * School Facility Program (SFP) Determination of Savings
 - * School Facility Program (SFP) Unspent Funds
 - * School Facility Program (SFP) Use of Savings



* Documents Needed for Audit



*Sample Audit

School Facility Program ((SFP) - New
Construction With Site Grant/Non-
Financial Hardship (Appendix B)

* Preliminary Audit Procedures:

* Maintaining Accounting Records

- * General Ledger at Project Specific Level
- * California School Accounting Manual

* District Matching Funds

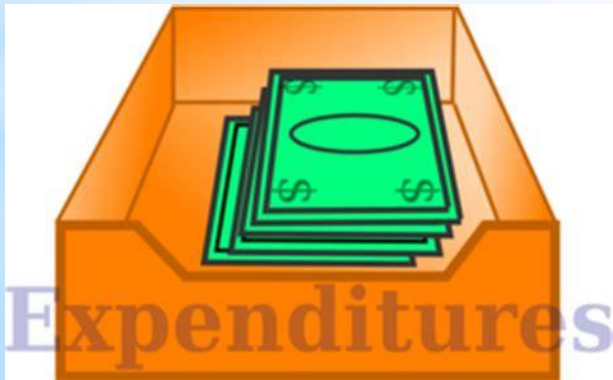
- * Deposited in County School Facility Fund; or
- * Expended prior to Notice of Completion
- * Non-compliance with matching funds requirement may result in potential loss of funding, as determined by the State Allocation Board



* Sample Audit

* Expenditure Testing:

- * Agree and Trace expenditures to supporting documents
- * Prorated Expenditures - Documented Method
- * Expenditures Eligible per laws and regulations
 - * Grant Agreement (Section G & Section H)
 - * Education Code Sections and SFP Regulations
- * Timing of Expenditures
 - * Within the Eligible Three (Elementary) or Four Year (Middle & High School) Timeframe



* Sample Audit

Office of Public School Construction Application Number:

1. **New Construction - Separate Apportionment for Design Costs
 Or Adjusted Grant
 Charter Schools Facilities Program - Separate Apportionment for Design Costs
 Or Adjusted Grant
 Common Eligible Project Expenditures**

DESIGN COSTS		
	Type of Expenditure	Authority
a.	Advertising for Construction Bids	Ed. Code Section 17072.35
b.	Architect's Fee for Plans	
c.	CDE Plan Check or Site Review Fee	
d.	California Environmental Quality Act (CEQA) Associated Costs	SFP Reg. Section 1859.105
e.	Consultant Fees – specific to SFP project(s) (prorate if necessary)	Ed. Code Section 17072.35*
f.	Division of the State Architect (DSA) Plan Check Fee	Ed. Code Section 17072.35
g.	Energy Analysis Fee	Ed. Code Section 17072.35*
h.	Legal Fees associated with: <ul style="list-style-type: none"> • The review of the SFP project-related lease agreements. • The review of the SFP project-related contracts between districts and contractors, architects, construction managers or engineers. • The review of the SFP project-related bid documents and bid responses. 	
i.	Local Agency Plan Check Fees	Ed. Code Section 17072.35
j.	Preliminary Site Tests	
k.	Engineering Fees	

* Sample Audit - Section G - Grant Agreement

Office of Public School Construction Application Number:

**3. New Construction – Adjusted Grant
 Charter Schools Facilities Program – Adjusted Grant
 Common Ineligible Project Expenditures**

CONSTRUCTION COSTS		
	Type of Ineligible Expenditure	Authority
a.	Administrative and overhead costs including indirect costs for general management.	Ed Code Section 17072.35
b.	Campus supervision going beyond construction site security (such as campus security and administrative overhead).	
c.	Repair of damages incurred during construction are not eligible	
d.	Expenditures associated with Facility Hardship SAB approvals which were not constructed as originally approved (see Regulation Section 1859.82).	
e.	Operational costs (such as service contracts and maintenance expenses or commissioning).	
f.	Supplies as described in the California School Accounting Manual (CSAM), Procedure 770.	Ed Code Section 17072.35 & CSAM Procedure 770
g.	Items not considered Furniture and Equipment because they are considered operational or supplies in nature, including: <ul style="list-style-type: none"> • Computers • Printers • Computer Carts • Teacher and student text books. • Athletic Team supplies/training equipment/uniforms. • Classroom supplies/consumables Bunsen Burners, test tubes, chemicals, mechanic wrenches, etc. • Golf Carts • Trailers • Trucks/Tractors and cars • Landscape equipment 	

* **Sample Audit - Section H - Grant Agreement**

* Planning & Construction Costs:

- * Architect/Design Contracts;
- * Construction Contracts; &
- * Construction Manager Contracts
 - * Agree & Trace to Source Documents
 - * Reported Amount on DLOPE Does Not Exceed Final Billing
- * Public Contract Code (PCC)
 - * Documents Which Substantiate Competitive Bidding Requirements



* Sample Audit

* 60 Percent Commensurate Test

- * Hard construction costs vs soft construction costs
- * Prepare and present the table in the audit report to show the percent the LEA spent on hard construction costs
- * If the audited hard costs percentage is less than 60%, this is not an audit finding; the table is presented in the audit report for informational purposes.

	Amount	Percentage
60% of Total Grant	6,000,000	60%
Reported Hard Costs & Percentage	6,500,000	65%
Audited Hard Costs & Percentage	6,400,000	64%
Difference	\$100,000	1%



* Sample Audit

* Inter-fund Transfers:

- * Review supporting documentation for transfers of SFP funds out of Fund 35 and determine if they are allowable.

* Interest Income:

- * Agree and trace reported interest on the SAB 50-06 expenditure report to the General Ledger and other supporting documentation.

* Sample Audit

* Restricted Maintenance Account (RMA)

- * Established a RMA account
- * Deposited minimum amount required into account
 - * Commencing FY 2019-20, a minimum of 3% of total General Fund expenditures for the most recent FY and prior FYs after receipt of funds, including the FY that it received funds
 - * Small school districts exception (*New for 2020*)
 - * Ed Code Section: 17070.75(b)(E)(i-iii)
 - * High school districts with ADA <300 pupils
 - * Elem. school districts with ADA < 900 pupils
 - * Unified school districts with ADA < 1200 pupils
- * Ongoing Major Maintenance Plan
- * Material Inaccuracy



* Sample Audit

* Commencing with FY 2019-20, the CPA should validate that the LEA has deposited into the account a minimum of three percent of the LEA's total general fund expenditures for the most recent fiscal year and prior fiscal years after receipt of funds including the fiscal year that it received funds. (exception for small districts).

Required Deposit Into Routine Restricted Maintenance Account

Fiscal Year of Fund Release	Fiscal Year of 1st required deposit	% Deposit Required	% of what required	Criteria/Law
2015/2016	2015/2016	The lesser of 3% of the general fund expenditures for that fiscal year or the amount that the school district deposited into the account in the 2014-15 fiscal year.	District's total general fund:	Ed Code Section 17070.75(b)(2)(B)(i)&(ii)
2016/2017	2016/2017	The lesser of 3% of the general fund expenditures for that fiscal year or the amount that the school district deposited into the account in the 2014-15 fiscal year.	District's total general fund:	Ed Code Section 17070.75(b)(2)(B)(i)&(ii)
2017/2018	2017/2018	The greater of (1) the lesser of 3% of general fund expenditures for that fiscal year or the amount that the school district deposited into the account in the 2014/15 fiscal year or (2) Two percent of the general fund expenditures for that fiscal year.	District's total general fund:	Ed Code Section 17070.75(b)(2)(C)(i)&(ii)
2018/2019	2018/2019	The greater of (1) the lesser of 3% of general fund expenditures for that fiscal year or the amount that the school district deposited into the account in the 2014/15 fiscal year or (2) Two percent of the general fund expenditures for that fiscal year.	District's total general fund:	Ed Code Section 17070.75(b)(2)(C)(i)&(ii)
2019/2020	2019/2020	3.0%	District's total general fund:	Ed Code Section 17070.75(b)(2)
2020/2021	2020/2021	3.0%	District's total general fund:	Ed Code Section 17070.75(b)(2)

- * **Question:** When auditing and validating the LEA's Restricted Maintenance Account (RMA) required deposits, how many fiscal years of deposits should be validated?

- * **Answer:** Commencing with fiscal year 2019-20, the CPA should validate that the LEA has deposited into the account a minimum of three percent of the LEA's total general fund expenditures for the most recent fiscal year and prior fiscal years after receipt of funds including the fiscal year that it received funds. (exception for small school districts). This means you will validate deposits starting with the fiscal year the LEA received its funding and every subsequent fiscal year up to the most current fiscal year completed. Therefore, depending on when funds were received and when the audit was completed, it may require multiple years to be verified.

- * Example for a non-reimbursement project: The LEA received their funds for a project on July 12, 2019, their final SAB 50-06 expenditure report was submitted on July 12, 2022 and their audit was completed on January 12, 2023. The CPA would verify deposits were made starting with the fiscal year the funds were received and up to the latest completed full fiscal year. In this case, the CPA would verify deposits for fiscal years 2019/20, 2020/21, and 2021/22.

- * Example for a reimbursement project: The LEA has a reimbursement project (project that was completed prior to receiving State funding) which received their funds for the project on July 12, 2019; their final SAB 50-06 expenditure report was submitted December 12, 2019, and their CPA audit was completed on November 19, 2020. The CPA would verify deposits were made starting with the fiscal year the funds were received and up to the latest completed full fiscal year. In this case, the CPA would only verify deposits for fiscal year 2019/20.

* ADJUSTABLE SITE GRANTS

- * Site Purchase
- * Site Relocation
- * Hazardous Waste Removal
- * Department of Toxic Substance Control



* Sample Audit

* Site Purchase:

- * Agree & Trace amount reported to source documents
- * Site purchase funding approved on the lessor of actual costs vs appraised value of site.
- * Actual costs
 - * Final Escrow Documents or Court Orders
 - * Certain costs listed in a court order are not eligible for site purchase funding.
 - * Preliminary judgment possession order vs final judgement
 - * Settlement agreement vs court ordered
 - * Costs excluded in actual site purchase
- * Prepare the following table:

A	Site Purchase Grant Amount (Approved by SAB)	\$750,000
B	Reported Amount of Site Purchase	\$1,000,000
C	Audited Site Purchase Costs	\$750,000
D	Difference	\$250,000
E	Grant Adjustment (C-A)	\$0
F	Final Grant Amount (A+E)	\$750,000

* Sample Audit

* Site Purchase:

- * Verify the acres purchased
- * Master Plan Site Size - CDE Final Site Approval Letter

* Acreage Table:

Number of Acres Purchased	20
Number of Acres Approved	15
Difference	5

* Note: Site Development would need adjustment

* Example of Site Adjustment(s):

Acres Adjustment @ Grant Approval

A	Site Purchase Grant Amount (Approved by SAB)	\$750,000
B	Reported Amount of Site Purchase	\$1,000,000
C	Audited Site Purchase Costs	\$750,000
D	Difference	\$250,000
E	Grant Adjustment (C-A)	\$0
F	Final Grant Amount (A+E)	\$750,000

Acres Adjustment Needed After Audit

A	Site Purchase Grant Amount (Approved by SAB)	\$1,000,000
B	Reported Amount of Site Purchase	\$1,000,000
C	Audited Site Purchase Costs	\$750,000
D	Difference	\$250,000
E	Grant Adjustment (C-A)	\$(250,000)
F	Final Grant Amount (A+E)	\$750,000

* Sample Audit

* Site Relocation:

- * Types Site Relocation costs include:
 - * Moving Expenses
 - * Re-establishment Expenses
 - * Replacement Housing
 - * Last Resort Housing
 - * Temporary Housing
 - * Loss of Goodwill (Business)
 - * NOTE: Costs are for moving the public and not district facilities
- * Agree and trace sampled amounts to supporting documents
- * Eligibility of Expenditures:
 - * Per Title 25, CCR, Section 6000
 - * Grant Agreement
 - * Cost Allowances
- * Prepare the Table:

A	Site Relocation Grant Amount (Approved by SAB)	\$515,000
B	Reported Amount of relocation cost	\$530,000
C	Audited relocation cost	\$500,000
D	Difference	\$30,000
E	Grant Adjustment (C – A)	(\$15,000)
F	Final Grant Amount (A +E)	\$500,000

* Sample Audit

* Hazardous Waste Removal:

- * Agree and Trace samples costs to source documents
- * Types of Hazardous Waste Removal Costs Include Costs Associated With:
 - * Supplemental Site Investigation (SSI)
 - * Removal Action Plan (RAP)
 - * Remedial Investigation (RI)
 - * Feasibility Study (FS)
 - * Remedial Action Plan (RAP)
 - * Remedial Design (RD)
 - * Remedial Action (RA)
 - * Response Action Completion (RAC)



* Sample Audit

* 150% Hazardous Waste Cap

A	Final Eligible Grant Amount (Site Purchase)	\$750,000
B	Multiply by 150 Percent	150%
C	Maximum Eligible Hazardous Waste Costs (A * B = C)	\$1,125,000

NOTE: (New for 2020) Per SFP Regulation Section 1859.74.2(d) the final grant amount listed in the table above cannot exceed 150 percent of the appraised value of the site

* Sample Audit

* Hazardous Waste Removal Cont.

* Eligibility of Expenditures

- * Work must be required by Department of Toxic Substance Control (DTSC)
- * DTSC may clear a site but mandate continual monitoring as a condition of approval.
 - * Continual Monitoring Costs Not Eligible
 - * Any costs after date of site approval letter not eligible for State Funding.
- * Costs miscatergorized and not eligible for Hazardous Waste
 - * Preliminary Environmental Assessment (PEA) and Phase One Environmental Site Assessment (POESA)
- * Prepare Table (verify that final grant amount is less than 150% of audited site purchase cost):

A	Hazardous Waste Removal Grant Amount (Approved by SAB)	\$650,000
B	Reported Amount of Hazardous Waste Removal	\$650,000
C	Audited Hazardous Waste Removal Cost	\$600,000
D	Difference	\$50,000
E	Grant Adjustment (C -A)	(\$50,000)
F	Final Grant Amount (A+E)	\$600,000
G	Maximum Eligible Hazardous Waste Grant (Procedure 10(c), Item C	\$1,125,000
H	Final Maximum Eligible Grant (Lessor of F or G)	\$600,000

* Sample Audit

* Department of Toxic Substance Control:

- * DTSC's environmental review is required by State law for proposed school sites that will receive state funding for purchase or construction. This process ensures that new school sites are uncontaminated or, if the property was previously contaminated, that they have been cleaned-up to a safe level.
- * Type of DTSC fees include:
 - * Phase One Environmental Assessment Fees
 - * Preliminary Environmental Site Assessment Fees
 - * Response Action Costs Paid to DTSC
 - * Fees associated with final review and “No Further Action” determination
- * Agree and Trace Sampled Costs to Source Documents
- * Eligibility of Expenditures
- * Prepare Table:

A	Department of Toxic Substance Control Fee Grant Amount (Approved by SAB)	\$50,000
B	Reported Amount of Department of Toxic Substance Control Fee	\$70,000
C	Audited Department of Toxic Substance Control Fee	\$50,000
D	Difference	\$20,000
E	Grant Adjustment (C-A)	\$0
F	Final Grant Amount (A+E)	\$50,000



* **Sample Audit**

***Schedule of School Facility Program (SFP) Site Grant Adjustments:**

SCHEDULE OF SCHOOL FACILITY PROGRAM (SFP) – SITE GRANT ADJUSTMENTS SUMMARY							
		A	B	C	D	E	F
	Site Grant Types	Grant Amount (Approved by SAB)	Reported Expenditures	Audited Expenditures	Audited Difference (B-C=D)	Grant Adjustment (C-A=E)	Final Grant Amount (A+E=F)
1.	Site Purchase	\$750,000	\$1,000,000	\$750,000	\$250,000	\$0	\$750,000
2.	Site Relocation	\$515,000	\$530,000	\$500,000	\$30,000	(\$15,000)	\$500,000
3.	Site Hazardous Waste Removal	\$650,000	\$650,000	\$600,000	\$50,000	(\$50,000)	\$600,000
4.	Dept. of Toxic Substance Control	\$50,000	\$70,000	\$50,000	\$20,000	\$0	\$50,000

Instructions:

From the tables prepared from performing audit procedures for the four site grant types ((1) Site Purchase; (2) Site Relocation; (3) Site Hazardous Waste Removal Costs; and (4) Department of Toxic Substance Control Costs), prepare the “Schedule of School Facility Program (SFP) – Site Grant Adjustments Summary”.

* Date of Occupancy:

- * Was date verified by OPSC?
- * Date should be after submittal date of application of funding
- * Documents which detail date of occupancy:
 - * School Board Minutes
 - * Fire Marshal Inspection Letter
 - * Copy of news story indicating date school opened
 - * Notice of Completion
- * Potential for project to be rescinded



* Sample Audit

* Determination of Project Savings:

- * LEA submits Schedule of SFP - Determination of Project Savings
- * Savings Re-calculation
 - * Site Related Grants & Expenditures excluded from calculation
- * Savings for Financial Hardship & Non-Financial Hardship New Construction & Modernization, Charter, and Career Technical Education used on High Priority Capital projects. ¹
- * Audited savings displayed in “Schedule of SFP - Determination of Project Savings
- * Audit Savings amount used by OPSC for tracking purposes



* Sample Audit

¹This slide was updated 12/01/2023 to reflect changes to SFP Regulations allowing Financial Hardship, Charter, and Career Technical Education projects to retain savings for use on LEA's high priority capital outlay projects.

“SCHEDULE OF SCHOOL FACILITY PROGRAM (SFP) DETERMINATION OF PROJECT SAVINGS” (LEA to report with SAB 50-06 for each SFP project)			
	Reported	Audited	Difference
A. State Share: Grant Amount (do not include site acquisition, relocation assistance, hazardous waste removal, or DTSC grants in this figure)	\$1,000,000	\$1,000,000	\$0
B. Plus District Contribution	\$1,000,000	\$1,000,000	\$0
C. Plus Financial Hardship Apportionment	\$0	\$0	\$0
D. District Share: (B + C)	\$1,000,000	\$1,000,000	\$0
E. Plus Interest Earned on State Funds	\$20,000	\$30,000	\$10,000
F. Amounts Financed (A+D+E=F)	\$2,020,000	\$2,030,000	\$10,000
G. Reported Expenditures to Office of Public School Construction (do not include expenditures related to site acquisition, relocation assistance, hazardous waste removal, or DTSC grants in this figure):	\$1,500,000	\$1,500,000	\$0
H. Amount Overspent (if reported expenditures more than amounts financed) (F-G=H)	\$0	\$0	\$0
I. Amount of Savings (if reported expenditures less than amounts financed) (F-G=I)	\$520,000	\$530,000	\$10,000

*** Sample Schedule - Determination of Project Savings**

- * Schedules Included In Audit Report:
 - * 60% Commensurate Table
 - <See Slide 18>
 - * Schedule of SFP - Site Grants Adjustment Summary
 - <See Slide 31>
 - * Schedule of SFP - Determination of Project Savings
 - <See Slide 34>
 - * Schedule of SFP - Summary of Audit Findings
 - <See Slide 36>
 - * Schedule of SFP - Summary of Final Project Funding
 - <See Slide 37>

* Sample Audit

Section	Procedure	Objective	Finding/Outcome	Site Related Amount	All other Ineligible Expenditures
IIA	#3a	Agree and trace sampled expenditures to supporting documentation	Ineligible construction costs – costs not eligible for State funding per the program grant agreement (Audit Finding #1)		\$30,000
IIA	#7	Agree and trace reported Architect/Design costs to final billing and general ledger.	Ineligible planning costs – costs exceeded the final contracted amount (Audit Finding #2)		\$25,000
IIA	#8	Agree & trace reported expenditures for sampled construction contracts to General Ledger and Final Billed amounts	Ineligible construction costs – costs are not documented (Audit Finding #3)		\$50,000
IIA	#15	Verify the LEA established a “Restricted Maintenance Account”.	LEA did not establish their Restricted Maintenance Account the first two fiscal years after receiving State funding. (Audit Finding #4)	N/A	N/A
IIA	#18	Validate that reported Relocation Costs sample are eligible for this State grant funding and do not exceed costs allowances.	Relocation Costs – Costs not eligible for State reimbursement, costs exceeded maximum allowance per Title 25, CCR, Section 6000. (Audit Finding #5)	15,000	N/A
IIA	#19a	Verify that reported Site Hazardous Waste Removal costs sampled are eligible for this State grant funding.	Site Hazardous Waste Removal Costs – costs over-reported due to clerical error in reporting (Audit Finding #6)	50,000	N/A
			Total	\$65,000	\$105,000

* Sample Schedule of SFP Summary of Audit Findings

“SCHEDULE OF SCHOOL FACILITY PROGRAM (SFP) SUMMARY OF FINAL PROJECT FUNDING

(For Non-Financial Hardship Closeout Audits and Financial Hardship Closeout Audit)

	Non-Hardship
A. State Share: Grants Received (do not include site purchase, relocation assistance, hazardous waste removal, or DTSC grants in this figure)	\$1,000,000
B. Plus District Contribution	\$1,000,000
C. Plus Financial Hardship Apportionment	N/A
D. District Share (B + C = D)	\$1,000,000
E. Plus Audited Interest Earned on State Funds	\$10,000
F. Total Project Financing (A + D + E = F)	\$2,010,000
G. Reported Expenditures to Office of Public School Construction (do not include expenditures related to site purchase, relocation assistance, hazardous waste removal, or DTSC grants in this figure)	\$1,500,000
H. Amount Overspent (if reported expenditures more than project financing) (G - F = H)	\$0
I. Amount of Audited Savings (if reported expenditures less than project financing) (F - G = I; also Audited Savings amount on SFP Project Savings Schedule)	\$510,000
J. Ineligible Expenditures – Audit Findings from SFP Summary of Audit Findings	\$50,000
K. Financial Hardship Grant Adjustment - Expenditures Prior to Fund Release that exceeded District Contribution – Audit Finding from SFP Summary of Audit Findings	N/A
L. Site Grant Adjustments – from Schedule of Site Grant Adjustments Summary	\$25,000
M. Total Amount to be returned to the State (Non-Financial Hardship For Audit Findings and Site Grant Adjustments)(J + K + L= M)	\$75,000
N. Total Amount to be returned to the State - Financial Hardship District (I + J+K+L = N)	N/A



*** Sample Schedule of SFP Summary of Final Project Funding**

- * Site Expenditures:
 - * Hazard waste expenses after site cleared
 - * Miscatergorized site expenses
- * No description of expenditure reported
- * Expenditures outside 3 or 4 year window
- * Interest costs from local bond charged to project
- * Loan initiation fee costs from Certificate of Participation charged to project



* Sample Audit - Past
Common Problem Areas

- * Audit reports are late or are not even being done - The SFP audit report is due one year from the final submission of the Final Form SAB 50-06 Expenditure Report to the Office of Public School Construction (OPSC).
- * Proper audit guide to use - The CPA should use the version of the audit guide for the FY they began their audit. If a CPA began an audit in May 2020 (FY 19-20: July 1, 2019 - June 30, 2020) but did not complete their audit until August 2020 (FY 20-21; July 1, 2020 - June 30, 2021), all audit procedures contained in the FY 19-20 audit guide would need to be completed; the FY 20-21 audit guide would not be used and any revisions made for the FY 20-21 guide from the FY 19-20 guide would not apply to their audit.
- * Restricted Maintenance Account deposits - Must be reviewed for the most recent fiscal year and prior fiscal years after receipt of funds including the fiscal year that it received funds.

* Sample Audit - 2020 Issues

- * Audits done for following projects:
 - * Projects which fail Substantial Progress
 - * Projects where an LEA requested their projects be reduced to costs incurred
- * Savings does not exist in a Reduction to Costs Incurred audit.
- * All funds not used on eligible SFP expenditures are considered unspent funds to be returned to the State.



- * Other Types of Audits -
Reduction to Costs
Incurred (RCI) Audits

- * A “Savings Audit” is conducted for savings usage reported for a Financial Hardship & Non-Financial Hardship New Construction or Modernization Project, Charter School Project, or a Career Technical Education Project. ¹
- * A project’s Total Savings is determined when the closeout audit is completed (“Schedule of SFP Determination of Project Savings”).
- * Subsequent to the closeout audit, LEAs are required to report use of savings annually on the Schedule of SFP - Use of Savings Summary” until all savings are exhausted.
- * The LEA is required to report savings annually even in years where no savings was used.
- * Use of Savings shall be audited when reported until ALL savings plus interest have been expended.



¹This slide was updated 12/01/2023 to reflect changes to SFP Regulations allowing Financial Hardship, Charter, and Career Technical Education projects to retain savings for use on LEA’s high priority capital outlay projects.

* Other Types of Audits - Savings Audits

- * Financial Hardship Projects
- * Career Technical Education
- * Charter School Facilities Program
- * Unfunded List Projects
- * Full-Day Kindergarten Facilities Grant Program (FDKFGP) - Appendix C



* Additional Types of Projects

Questions about the audit report review/certification process:

State Controller's Office (SCO)

Iryna Bush, Audit Manager

(916) 327-5005



California State
Controller's Office

Questions about the audit finding appeal process:

Education Audit Appeals Panel (EAAP)

Mary Kelly, Executive Officer

(916) 445-7745



Questions about payment back to the State for audit findings for ineligible expenditures:

Office of Public School Construction

Paula Felseghi, Accounting Administrator

(916) 376-1765



* Questions to State Departments - Contact Info



- * Questions about SFP expenditure reporting, audits, and “soft reviews”:

- * Jason Hernandez
 - * (916) 376-5369
 - * jahernan@dgs.ca.gov
 - * Audit Supervisor, Fiscal Services

- * Suzanne Reese
 - * (916) 376-1612
 - * suzanne.reese@dgs.ca.gov
 - * Operations Manager, Fiscal Services

- * Hung Bang
 - * (916) 375-4618
 - * hung.bang@dgs.ca.gov
 - * Audit Supervisor, Fiscal Services



* **Contact
Information**



* Questions and Answers