

Frequently Asked Questions

K-12 Audits

Q. Why did the Office of Public School Construction (OPSC) change the audit process from OPSC auditing School Facility Program (SFP) projects to having local Certified Public Accountant (CPA) firms now performing the audits?

A. OPSC did not change the process; the process was changed due to changes made in the Education Code Section 41024.

Q. Where can I get information from OPSC about this new audit process, including which projects will require audits, audit tools, audit templates, etc.?

A. The California Department of General Services – OPSC website contains information related to the new audit requirements and process for SFP bond funds:

<https://www.dgs.ca.gov/OPSC/Resources/Page-Content/Office-of-Public-School-Construction-Resources-List-Folder/K-12-Audit-Resource>

Q. Who needs to have this audit performed?

A. Any Local Educational Agencies (LEAs) that received an SFP project fund release on or after April 1, 2017; they will need to have a Closeout audit performed upon completion of their construction project.

Any LEA that suspends construction of their SFP project or fails Substantial Progress reviews performed by OPSC (see more information on Substantial Progress reviews below) will be required to have a Reduced to Costs Incurred audit.

Usage of Savings: any LEA that received an SFP project that was funded after April 1, 2017, and reported savings, must have a local audit performed for the usage of any savings on an annual basis until all SFP savings has been spent.

In addition, SFP projects that were added to the Unfunded List between May and October 2012 and received State Allocation Board (SAB) approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, must also have a performance audit performed one year from the completion of their project or one year from final expenditure report.

Q. What is a “Substantial Progress Review”?

A. Pursuant to Education Code Section 17076.10 and the School Facility Program, the LEA shall be subject to a substantial progress review by the OPSC per the Grant Agreement.

The LEA shall provide substantial progress documentation 18 months from the latest fund release per School Facility Program Regulation Section 1859.105.

For projects funded after April 1, 2017, OPSC will be verifying compliance with applicable statutes and program certifications. The LEA will be contacted and requested to provide documentation per the Substantial Progress Checklist. The LEA must submit the information to OPSC within 30 days, OPSC will review the information and determine if the LEA complied with Substantial Progress. If an LEA fails to meet substantial progress requirements, a letter stating this would be posted on the OPSC K-12 audit resource website referenced above for each SFP project.

Q. Will required audit procedures of the SFP projects be part of the required annual financial audit already done for all LEAs (part of “supplemental information” of that audit report)?

A. No, the required audit of SFP projects is a separate performance audit from the required annual financial audit of the LEA and will result in a separate performance audit report.

Q. What are the three different types of SFP bond performance audits that would be required?

A. Closeout Audit - Any LEA that received an SFP project fund release on or after April 1, 2017, will need to have a Closeout audit performed upon completion of their construction project.

Reduction to Costs Incurred (RCI) - Any LEA that suspends construction of their SFP project or fails Substantial Progress reviews performed by OPSC will be required to have an RCI audit.

Usage of Savings Audit - Any LEA that received an SFP project that was funded after April 1, 2017, and reported savings, must have a local audit performed for the usage of any savings on an annual basis until all SFP savings has been spent.

Q. Which SFP programs require a Savings Audit performed?

A. At its October 26, 2022’s SAB Meeting, the SAB approved various sections of the SFP regulations for Financial Hardship savings, Charter School Facilities savings, and Career Technical savings. Effective immediately, in addition to the savings on New Construction and Modernization projects, LEAs may now retain savings for Financial Hardship projects, Charter School Facilities projects, and Career Technical Education projects.

Due to the four-year Statute of Limitations, LEAs that returned project savings to the State between May 24, 2018, and May 24, 2022, will have those funds returned. A total of \$29,376,842.79 will be paid back to LEAs for 55 projects. This is not inclusive of interest due, which will be calculated based on the Pooled Money Investment Account yield rate and returned to LEAs as well.

Any project closeout with savings to be returned after May 24, 2022, are not subject to return those savings. LEAs may retain those savings and are subject to a savings audit. Commencing with Fiscal Year 2023/24, CPAs are reminded of the following that now apply to projects receiving Financial Hardship, Charter School Facilities, and Career Technical funding from the SFP:

1. Savings achieved by the LEA's efficient and prudent expenditure of project funding must be spent on high priority capital outlay pursuant to Education Code (EC) Section 17070.63(c).
2. The expenditure of project savings must be reported annually until all state and required matching funds have been expended pursuant to EC Section 17076.10(a).
3. A LEA that received any funds from the SFP on or after April 1, 2017, and were apportioned on or after July 1, 2017, will have their project savings audited pursuant to EC Section 41024.

Q. "Use of Savings" can go on for multiple years; will there be a "Savings Audit" required every year?

A. Yes, a Savings Audit will be required for every year that an LEA expends its savings. The LEA would be required to submit to OPSC a "Use of Savings" report for every year that it expends savings, and the reported use of savings expenditures would be audited each year. For years where no savings dollars were expended, the LEA will be required to report to OPSC that no dollars were expended for that year, and no audit would be required for that year.

Q. When are audit reports due?

A. Audit reports for Completed Projects or Reduction to Costs Incurred (RCI) projects are due one year from the final submission of the Final Form SAB 50-06 Expenditure Report to OPSC. Audit reports for savings audits are due one year from the submission of the "Use of Savings" report to OPSC.

Q. What are the audit standards for these audits?

A. The audits must be performed in accordance with Government Auditing Standards (Yellow Book Standards – Reporting Standards for Performance Audits) issued by the Comptroller General of the United States) and in accordance with the K-12 Audit Guide – Appendixes B and C, which can be found on the Education Audit Appeals Panel (EAAP) website <http://eaap.ca.gov>.

Q. Who should audit reports be submitted to?

A. Reports should be submitted to the State Controller's Office (SCO). SCO will review and certify the report (verify that the report was prepared in accordance with Government Auditing Standards and the K-12 Audit Guide – Appendixes B and C).

Q. Where can I find audit checklists, examples, templates, etc. containing the components of a performance report that would be acceptable in the review and certification of the report by the SCO?

A. The SCO's webpage contains information related to checklists, examples, templates etc. for preparing the required performance audit report: California State Controller's Office: K-12 Local Education Agencies, Charter Schools, and Joint Powers Entities (LEAs)

Q. What qualifications should be considered in choosing a CPA to perform the SFP bond performance audit?

A. The CPA chosen should have knowledge, experience, and training in the auditing of LEAs. The SCO's webpage: California State Controller's Office: K-12 Local Education Agencies, Charter Schools, and Joint Powers Entities (LEAs) contains a listing of firms/individuals that have been certified as being in good standing by the California Board of Accountancy; these firms/individuals listed have been deemed qualified pursuant to Education Code section 41020(f) to conduct audits of K-12 local education agencies. However, in providing this listing, the SCO does not endorse any particular firm nor provide any assurances or guarantees regarding the quality or accuracy of the services provided by these firms. For further suggestions on selecting a CPA, please refer to the California Board of Accountancy's web site on "How to Select a CPA" at <http://www.dca.ca.gov/cba/consumers/select-a-cpa.shtml>. A CPA's most current status with the California Board of Accountancy can be found at <http://www.dca.ca.gov/cba/consumers/>

Q. Can different CPAs be used for the annual financial audit and the bond performance audit?

A. Yes, different CPAs can be used for the annual financial audit and the bond performance audit.

Q. Can I elect for my CPA to combine audits that are due in the same year?

A. Yes, as long as there is a separate audit report for each SFP project being audited and the audit report due dates are met for all projects being audited, audits may be combined.

Q. Are CPA audit fees for this performance audit eligible SFP expenditures?

A. No, these fees are considered administrative fees and not eligible for reimbursement under the program.

Q. Where can I get criteria and guidance in determining whether reported expenditures are eligible or ineligible in the SFP program?

A. The K-12 Audit Guide – Appendixes B and C, which can be found on the Education Audit Appeals Panel (EAAP) website ([Education Audit Appeals Panel | EAAP California](#)) contains applicable references to Education Code Sections and SFP Regulations in auditing various expenditures. In addition, the Grant Agreement between OPSC and an LEA in Appendix G (“Advisory Listing Detailing Common Eligible Project Expenditures”) and Appendix H (“Advisory Listing Detailing Common Ineligible Project Expenditures”) will also provide criteria and guidance. In addition, an LEA can request assistance and guidance from OPSC in the determination of the eligibility/ineligibility of expenditures.

Q. In performing all required audit procedures, which fiscal year’s (FY) version of the K-12 Audit Guide – Appendixes B and C should a CPA use if they begin an audit in one FY and complete the audit in another FY?

A. The CPA would use the version of the audit guide for the FY they began their audit. For example, 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.

Q. Where can I get criteria and guidance for classifying and reporting expenditures into proper reporting categories?

A. The 50-06 Expenditure Report and Detailed Listing of Project Expenditures forms used for reporting SFP expenditures will provide the criteria for classification of expenditures. The California School Accounting Manual (CSAM) also provides criteria and guidance for classifying expenditures. In addition, the K-12 Audit Guide – Appendixes B and C and the Grant Agreement also provide criteria and guidance. Finally, an LEA can request assistance and guidance from OPSC in determining proper classifying and reporting of expenditures.

Q. Are there different audit procedures for LEAs tied to their size (i.e. large-sized districts vs. small-sized)?

A. No, regardless of size, LEAs must all have their SFP projects audited in accordance with the audit procedures contained in the K-12 Audit Guide – Appendixes B and C, which can be found on the Education Audit Appeals Panel (EAAP) website [Education Audit Appeals Panel | EAAP California](#).

Q. In auditing LEAs of different size (large-sized vs. small-sized), is there different requirements for LEAs related to the Restricted Maintenance Account (RMA)?

A. In auditing RMA requirements, LEAs can certify to the State Allocation Board (SAB) that it can maintain its facilities with a lessor level of maintenance (lower percentage) from the RMA contribution requirement due to small size, as referred to in Education Code

Section 17070.75(b)(2)(E). A district would need to meet one of the Average Daily Attendance (ADA) exception requirements detailed in Education Code Section 17070.75(b)(2)(E)(i-iii). If they do, they should submit a certification to the SAB through the OPSC (e.g., cover letter with school board minutes attached documenting the lessor amount; documentation should be made available to CPA firm auditing the LEA).

Q. When auditing and validating the LEA's RMA required deposits, how many fiscal years of deposits should be validated?

A. 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 – see separate Q&A above for RMA requirements for small 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.

Q. What are the minimum required RMA amounts that should have been deposited and need to be validated for fiscal years prior to fiscal year 2019/20?

Refer to the chart below.

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)
2021/2022	2021/2022	3.0%	District's total general fund:	Ed Code Section 17070.75(b)(2)
2022/2023	2022/2023	3.0%	District's total general fund:	Ed Code Section 17070.75(b)(2)

Q. In auditing RMA requirements, the audit instructions mention that non-compliance found in this area may potentially result in a “Material Inaccuracy (MI)” that may be presented to the State Allocation Board. What is a Material Inaccuracy?

A. If an LEA falsely certifies to a certification they made as a condition of receiving funding, then per SFP regulation section 1859.104.1 they may be subject to certain Material Inaccuracy Penalties such as apportionment reduction, returning funding to the state, interest penalties, and loss of self-certification. Based on the performance audit report that OPSC will receive, OPSC may use a finding from the audit for a project as a basis to recommend a Material Inaccuracy item to the SAB. If a CPA found that the LEA did not meet their “Restricted Maintenance Account Requirements” and did not take corrective action to fix the deficiency, this would be an example of a finding that may be presented to the SAB as a potential Material Inaccuracy per Education Code Section 17070.51.

Q. What are the audit requirements for the “Unfunded List” projects (Projects added to the Unfunded List between May and October 2012 and received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, and are not subject to a Grant Agreement)?

A. These projects are still subject to the performance audit requirement in Education Section 41024. Where applicable, appropriate audit procedures contained in in accordance with the K-12 Audit Guide – Appendixes B and C must be completed, including procedures related to purchased computers in Section VI of the Guide.

Q. The audit instructions contain audit procedures to verify “date of occupancy.” Do these procedures apply to both new construction and modernization projects?

A. No, these procedures will only apply to new construction projects.

Q. Can a LEA still change their Final 50-06 Expenditure Report which will be audited by a CPA after they have submitted it?

A. Once a Final 50-06 Expenditure Report has been submitted, it cannot be changed by the LEA; this Final Report would be the report audited by the CPA in the required performance audit.

Q. Will OPSC perform a “preliminary review” of a 50-06 Expenditure Report before the Final 50-06 is submitted by an LEA for audit?

A. An LEA may request OPSC to perform a review of their 50-06 Expenditure Report prior to final submittal, both for a regular close-out audit and a savings audit. Please note the ability/availability of OPSC to perform this review would be tied to OPSC current workload priorities and issues and that this review would be a “soft preliminary review” of the 50-06 and would not involve the full review of supporting audit documentation that OPSC had performed in the past; that review would now be performed by the CPA.

Q. If a Final 50-06 Expenditure Report has reported overspent expenditures, and the performance audit results in audit findings for ineligible expenditures, but the deduction of these ineligible expenditures from reported expenditures still results in the project being overspent, would these ineligible costs need to be returned to the State?

A. Even if the project's overspent amount is greater than the ineligible costs, these ineligible costs would now be returned to the State under these current audit requirements. An LEA should only report eligible costs for their projects on their Final 50-06.

Q. If an LEA does not agree with an audit finding from the CPA's performance audit report, what is the appeal process for audit findings?

A. Education Code Section 41024 states that:

- An LEA may appeal a finding pursuant to Section 41344(d)
- Section 41344.1(d), informal appeals process, does not apply.

Upon receipt of the SCO certification of the audit report, the LEA has 60 days to request an appeal from EAAP (appeal must arrive by day 60).

The SCO is a party to every appeal; in addition, the Department of Finance, Department of Education, and the OPSC may also intervene as parties.

An LEA may file a notice of appeal with EAAP (www.eaap.ca.gov):

- In writing: 770 L St. Suite 1100, Sacramento Ca. 95819
- Email: filing@eaap.ca.gov
- Fax: 916.445.7626

Include the following information in the request:

- LEA name
- SFP Project number
- Fiscal year audited
- Statement that LEA is requesting a formal appeal
- Finding number(s) for which appeal requested
- Contact person and telephone number

Q. What if the performance audit results in a grant increase? How do I proceed to get an increase?

A. Upon receiving the final reviewed and certified audit report from the SCO (and resolution of any EAAP appeals), OPSC will review the report for any necessary grant increases and will prepare a Board item for the SAB for approval for a grant increase for an LEA.

Q. Will the final audits be posted on the OPSC Website?

A. When OPSC receives the final audit report which has been reviewed and certified by the State Controller's Office (and resolution of any EAAP appeals), the report will be posted to the OPSC website.