

## **LOCAL AUDITS UPDATE**

### **PURPOSE OF REPORT**

To inform the State Allocation Board (Board) of local audit certified by the State Controller's Office (SCO) in the 2019 calendar year.

### **DESCRIPTION**

An audit of a local educational agency's expenditures by an independent auditor is required within one year of a project's fund release. All local audits are required to be submitted, reviewed and certified by the State Controller's Office (SCO). Once certified the copy of the report will be issued to the California Department of Education. Staff is informing the Board of how many audits have been certified by SCO for the 2019 calendar year; and disclose audit findings reported.

### **AUTHORITY**

Education Code (EC) Section 41024 states in part:

(a)(1)(5) Any project identified on a local educational agency's detailed list of expenditures pursuant to paragraph (1) that is reported complete during the 2017-18 fiscal year shall be audited as part of that local educational agency's audit for the 2018-19 fiscal year. All other completed projects shall be audited as part of the local educational agency's audit for the fiscal year in which the project is reported complete.

(c)(3) The auditor conducting the audit pursuant to this section shall notify the department of any audit exceptions identified pursuant to this section and any amounts or adjustments identified pursuant to subparagraph (C) of paragraph (1) consistent with the notification requirements established in subdivision (I) of Section 41020.

### **BACKGROUND**

Current statute requires, commencing April 1, 2017, a local educational agency that receives any funds pursuant to the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1) shall annually report a detailed list of all expenditures of state funds, including interest, and of the local educational agency's matching funds for completed projects until all state funds, including interest, all of the local educational agency's matching funds, and savings achieved, including interest, pursuant to Section 17070.63, are expended in accordance with the requirements of the Leroy F. Greene School Facilities Act of 1998, associated regulations, and any accompanying grant agreement signed by a local educational agency.

In addition, Education Code Section 41024 requires that all School Facility Program (SFP) projects funded after April 1, 2017 have an audit conducted by a certified public accountant. The audit shall be completed within one year of project completion. The completed audit reports are submitted to the SCO who in turn reviews and certifies the audit reports. Staff analysis below summarizes information related to certified audit reports received for the 2019 calendar year and the dollar amount associated with any audit findings.

## **STAFF ANALYSIS**

Twenty-one audit reports have been received by SCO in the 2019 calendar year, and fourteen of these reports have been certified. None of the certified reports disclosed any audit findings; therefore, no ineligible costs needed to be returned to the State and no site grant adjustments were reported.

We believe the following factors have contributed to successful audit processes and audit reports which did not contain audit findings:

- 1) The required grant agreement provides detailed and transparent guidance for the reporting of eligible expenditures, including appendices detailing specific types of eligible and ineligible expenditures.
- 2) As subject matter experts, OPSC staff have provided continual technical assistance and answers to inquiries regarding the audits to CPAs, local educational agencies, and consultants through emails and phone calls throughout 2019.
- 3) Outreach and training provided by OPSC staff. There were initially five training sessions/workshops around the State, including one webcast, for CPAs, local educational agencies, and consultants regarding the audit instructions and procedures. There has been several follow up presentations that have included the California CPA Foundation, the Small School Districts Association (SSDA), and the Coalition for Adequate School Housing (CASH). These workshops have provided education, training, and forums to answer questions and provide guidance related to the audit process.

## **RECOMMENDATION**

Acknowledge the report.

This Report was acknowledged by the State Allocation Board on January 22, 2020.