

12/15/2020

REVISED RPT

Franklin Elementary School District

School Facility Program Bond Fund

Application Number: 58/71381-00-001

PERFORMANCE AUDIT

Final Report May 14, 2020



Franklin Elementary School District
School Facility Program Bond Fund
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TABLE OF CONTENTS

Final Report May 14, 2020

	<u>Page Number</u>
Independent Auditors' Report on Performance	1
Introduction	2
Performance Audit Requirements	3
Objectives, Scope, and Methodology	4
Results of Procedures Performed	7
Conclusion	11
View of Responsible Official	11

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

To the Board of Trustees
Franklin Elementary School District
Yuba City, California

We have conducted a performance audit of the Franklin Elementary School District's (the District) compliance with the performance requirements for the School Facility Program Bond Fund (the SFP), application number 58/71381-00-001.

Management's Responsibility

Management is responsible for the District's compliance with those requirements.

Auditors' Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting—Appendix B*, published by the Education Audit Appeals Panel. Those standards and the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our opinion, findings, and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on page 4 of this report, which includes determining the District's compliance with the performance requirements for the SFP under the applicable provisions of the *California Education Code*, Section 41024, the Leroy F. Greene School Facilities Act of 1998, associated regulations, and grant agreement as they apply to the SFP.

We obtained an understanding of the internal control of the District relevant to the District's compliance with the requirements of the SFP, as specified by *California Education Code*, Section 41024, the Leroy F. Greene School Facilities Act of 1998, associated regulations, and grant agreement, solely to assist us in planning and performing our performance audit. Accordingly, we do not express an opinion or provide any assurance on internal control.

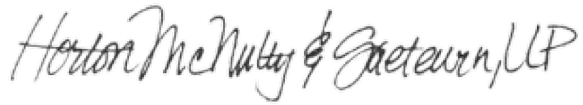
We believe that the evidence obtained provides a reasonable basis for our opinion, findings, and conclusions based on our audit objectives.

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

(Continued)

Opinion

The results of our tests indicated that, in all significant aspects, the District expended the SFP funds received under application number 58/71381-00-00, in accordance with the requirements of *California Education Code*, Section 41024, the Leroy F. Greene School Facilities Act of 1998, associated regulations, and grant agreement.



May 14, 2020
Chico, California

Franklin Elementary School District
School Facility Program Bond Fund
Application Number: 58/71381-00-001
PERFORMANCE AUDIT
Final Report May 14, 2020

INTRODUCTION

The Franklin Elementary School District (the District) operates one elementary school in Yuba City, California. The District was established in 1864 and is governed by an elected five-member board.

PERFORMANCE AUDIT REQUIREMENTS

Pursuant to *California Education Code*, Section 41024, commencing April 1, 2017, a local educational agency (LEA) participating in the school facilities program (SFP) shall ensure that it retains all financial accounts, documents, and records necessary for an audit of completed projects pursuant to Section 16026 of Title 5 of the *California Code of Regulations*. All 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. The audit shall be completed within one year of project completion.

Pursuant to the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix B*, published by the Education Audit Appeals Panel, school facility program bond fund audits shall be performed in accordance with the standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States.

The District participated in the school facilities program, application number 58/71381-00-001, and submitted the final form SAB 50-06, Expenditures Report and Detailed Listing of Project Expenditures (DLOPE), dated August 6, 2019.

Franklin Elementary School District
School Facility Program Bond Fund
Application Number: 58/71381-00-001
PERFORMANCE AUDIT
Final Report May 14, 2020

OBJECTIVES, SCOPE, AND METHODOLOGY

The scope of this audit focused on the District's School Facility Program project, funded through application number 58/71381-00-001. The scope period covered expenditures for the project from March 22, 2016, through August 31, 2018.

Objectives of our performance audit were:

- To verify the expenditures identified on the District's DLOPE, determine whether those expenditures have been 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 the District.
- That savings achieved, including interest, if any, are used for other high priority capital outlay purposes identified by the District, and in accordance with the requirements of the Leroy F. Greene School Facilities Act of 1998, associated regulations, and any accompanying grant agreement signed by the District.
- Report any findings and provide recommendations.

The methodologies used in performing the audit include:

- Interviewed District personnel to gain an understanding of the District's bidding and disbursement procedures.
- Reviewed policies and procedures and evaluated significant internal controls relevant to the audit objectives and determined whether these controls provide reasonable assurance that project expenditures are captured accurately.
- Reviewed findings, recommendations, and audit results from internal and external reports issued between the period July 1, 2015, through June 30, 2019, to determine whether management has taken reasonable and timely actions to address any deficiencies identified in any relevant internal or external report.
- Verified the District maintained over the course of the project, a general ledger that reflects expenditures at a project-specific level that includes fund, resource, project year, goal, function, and object codes for all expenditures for the project, including furniture and equipment.
- Verified any statutorily required District matching funds have been expended by the District from the matching funding source prior to the "Notice of Completion".

Franklin Elementary School District
School Facility Program Bond Fund
Application Number: 58/71381-00-001
PERFORMANCE AUDIT
Final Report May 14, 2020

- Selected a sample of 11 project disbursements, totaling 91% of total costs, from 66 total project disbursements and reviewed supporting invoices to perform the following:
 - Agreed and traced expenditures reported on the Final form SAB 50-06 and the DLOPE to the supporting documentation (invoices, contract or purchase order, warrant and posting to the general ledger).
 - Determined if the type of project expenditures reported are eligible in accordance with the laws and regulations of the SFP and/or the Advisory Listings in the Grant Agreement.
- Determined if the expenditures were made prior to completion date.
- Verified the final DLOPE grand total for the project reconciles back to the District's general ledger grand total for the project.
- Selected two of two architect/design contracts reported on the DLOPE and:
 - Agreed and traced the final contracted amount to the final billed amount.
 - Determined that the expenditures reported for the architect/design contract on the Final Form SAB 50-06 and DLOPE were paid to the architect by agreeing the amounts to the District's general ledger and final billed amount.
- Selected a sample of one (1) construction contract from one (1) total construction contract, including changeorder amounts, and associated final billed amount and:
 - Agreed and traced the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.
 - Agreed and traced the expenditures reported on the DLOPE and general ledger to the final billed amounts to ensure the expenditures were not over-reported.
 - Inspected documentation substantiating compliance with provisions of the Public Contract Code (PCC) concerning competitive bidding.
- Agreed the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts.
- Verified that at least 60% of project funding was spent on hard construction costs.
- Reviewed interfund transfers for 2017-18 and 2018-19 fiscal years and noted no transfers of SFP funds out of Fund 35 (County School Facility Fund) to other LEA funds.
- Agreed and traced interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation.

Franklin Elementary School District
School Facility Program Bond Fund
Application Number: 58/71381-00-001
PERFORMANCE AUDIT
Final Report May 14, 2020

- Verified the LEA has:
 - Established a “Restricted Maintenance Account” for the exclusive purpose of providing ongoing and major maintenance of school buildings;
 - Deposited into the account the minimum required by *California Education Code*, Section 17070.75 for the most recent fiscal year and prior fiscal years after receipt of funds including the fiscal year that it received funds; and
 - Developed an ongoing major maintenance plan that complies with and is implemented under the provisions of *California Education Code*, Sections 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Franklin Elementary School District
School Facility Program Bond Fund
Application Number: 58/71381-00-001
 PERFORMANCE AUDIT
 Final Report May 14, 2020

RESULTS OF PROCEDURES PERFORMED

The District utilized 90% of project funds on hard construction costs, as follows:

	Amount	Percentage
60% of total grant	\$ 318,512.00	60%
Reported hard costs and percentage	\$ 478,166.32	90%
Audited hard costs and percentage	\$ 478,166.32	90%
Difference	\$ -	0%

The results of our audit procedures disclosed audit findings, as presented in the schedule below:

Schedule of School Facility Program (SFP)					
Summary of Audit Findings					
District: Franklin Elementary School District					
Project Number: 58/71381-00-001					
School Name: Franklin Elementary School					
Section	Procedure	Objective	Finding/Outcome	Site Related Amount (OPSC Action)	All other Ineligible Expenditures (CDE Action)
IIA	#2	Verify that the District matching funds were deposited in the County School Facility Fund or expended by the District from the matching funding source prior to the "Notice of Completion".	The Notice of Completion was dated July 31, 2018. The District's required match was \$212,341.33. The District only expended or deposited \$56,354.47 prior to this date. The District was deficient a match of \$155,986.86 on the Notice of Completion date. The remaining match was deposited in two amounts: \$83,500 on August 28, 2018, and the remaining \$72,486.86 on November 2, 2018. The District did match the required funds, however, the funds were deposited late (Audit Finding #1).	\$ -	\$ -
			Total:	\$ -	\$ -

Franklin Elementary School District
School Facility Program Bond Fund
Application Number: 58/71381-00-001
PERFORMANCE AUDIT
Final Report May 14, 2020

The District did not receive any grants for site purchase, site relocation, or site hazardous waste removal; and therefore, no amounts are reported in the summary below:

SCHEDULE OF SCHOOL FACILITY PROGRAM (SFP) – SITE GRANT ADJUSTMENTS SUMMARY							
District: Franklin Elementary School District							
Project Number: 58/71381-00-001							
School Name: Franklin Elementary School							
		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	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
2.	Site Relocation	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
3.	Site Hazardous Waste Removal	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00
4.	Dept. of Toxic Substance Control	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

Franklin Elementary School District
School Facility Program Bond Fund
Application Number: 58/71381-00-001
 PERFORMANCE AUDIT
 Final Report May 14, 2020

The District realized no cost savings from the project, as displayed in the following two schedules:

SCHEDULE OF SCHOOL FACILITY PROGRAM (SFP) DETERMINATION OF PROJECT SAVINGS (LEA to report with SAB 50-06 for each SFP project)				
District: Franklin Elementary School District				
Project Number: 58/71381-00-001				
School Name: Franklin Elementary School				
		Reported	Audited	Difference
A.	State Share: Grant Amount (do not include site acquisition, relocation assistance, hazardous waste removal, or DTSC grants in this figure)	\$318,512.00	\$318,512.00	\$0.00
B.	Plus District Contribution	\$212,341.33	\$212,341.33	\$0.00
C.	Plus Financial Hardship Apportionment	\$0.00	\$0.00	\$0.00
D.	District Share: (B + C)	\$212,341.33	\$212,341.33	\$0.00
E.	Plus Interest Earned on State Funds	\$29.78	\$29.78	\$0.00
F.	Amounts Financed (A+D+E=F)	\$530,883.11	\$530,883.11	\$0.00
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):	\$555,741.49	\$555,741.49	\$0.00
H.	Amount Overspent (if reported expenditures more than amounts financed) (G-F=H)	\$24,858.38	\$24,858.38	\$0.00
I.	Amount of Savings (if reported expenditures less than amounts financed) (F-G=I)	\$0.00	\$0.00	\$0.00

Franklin Elementary School District
School Facility Program Bond Fund
Application Number: 58/71381-00-001
 PERFORMANCE AUDIT
 Final Report May 14, 2020

SCHEDULE OF SCHOOL FACILITY PROGRAM (SFP) SUMMARY OF FINAL PROJECT FUNDING
(For Non-Financial Hardship Closeout Audits and Financial Hardship Closeout Audit)

District: Franklin Elementary School District				
Project Number: 58/71381-00-001				
School Name: Franklin Elementary School				
		Non- Hardship	Hardship	Dept.
A.	State Share: Grants Received (do not include site purchase, relocation assistance, hazardous waste removal, or DTSC grants in this figure)	\$318,512.00	\$0.00	
B.	Plus District Contribution	\$212,341.33	\$0.00	
C.	Plus Financial Hardship Apportionment	N/A	\$0.00	
D.	District Share (B + C = D)	\$212,341.33	\$0.00	
E.	Plus Audited Interest Earned on State Funds	\$29.78	\$0.00	
F.	Total Project Financing (A + D + E = F)	\$530,883.11	\$0.00	
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)	\$555,741.49	\$0.00	
H.	Amount Overspent (if reported expenditures more than project financing) (G - F = H)	\$24,858.38	\$0.00	
I.	Amount of Audited Savings (if reported expenditures less than project financing) (F - G = I; also Audited Savings amount on SFP Project Savings	\$0.00	\$0.00	OPSC
J.	Ineligible Expenditures – Audit Findings from SFP Summary of Audit Findings	\$0.00	\$0.00	CDE
K.	Financial Hardship Grant Adjustment - Expenditures Prior to Fund Release that exceeded District Contribution – Audit Finding from SFP Summary of Audit Findings	N/A	\$ 0.00	OPSC
L.	Site Grant Adjustments – from Schedule of Site Grant Adjustments Summary	\$0.00	\$ 0.00	OPSC
M.	Total Amount to be returned to the State (Non-Financial Hardship For Audit Findings and Site Grant Adjustments)(J + K + L= M)	\$0.00	N/A	
N.	Total Amount to be returned to the State - Financial Hardship District (I + J+K+L = N)	N/A	\$ 0.00	

Franklin Elementary School District
School Facility Program Bond Fund
Application Number: 58/71381-00-001
PERFORMANCE AUDIT
Final Report May 14, 2020

CONCLUSION

Based upon the procedures performed, we found that for the items tested, the District has properly accounted for the School Facility Program project funds and expenditures were made in accordance with the requirements of the Leroy F. Greene School Facilities Act of 1998, associated regulations, and grant agreement, except for the finding reported under the Results of Procedures Performed section of this report. Our audit does not provide a legal determination on the District's compliance with the specific requirements.

VIEW OF RESPONSIBLE OFFICIAL

District management have reviewed the submitted draft final report for the performance audit of the School Facility Program project audit dated May 14, 2020. We appreciate HM&S's efforts and would like to acknowledge the diligence and thoughtfulness of the HM&S team.



BETTY T. YEE
California State Controller

December 24, 2020

Superintendent
Franklin Elementary
332 North Township Road
Yuba City, CA 95991

Re: Certification Letter for Franklin Elementary, Franklin Elementary School, Rehabilitation No. 58/71381-00-001

The State Controller's Office (SCO) has completed its desk review of the referenced entity's audit report dated May 15, 2020. As a result of the review, we certify that the audit report conforms to the reporting standards contained in the audit guide, *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, Appendix B, prescribed in Title 5, California Code of Regulations, section 19810.

If you have any questions regarding this letter, please contact a member of my LEA staff by telephone at (916) 324-6442, or by email at sfpaudits@sco.ca.gov.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. James", is located below the "Sincerely," text.

JOEL JAMES, Chief
Financial Audits Bureau
Division of Audits