

11/25/2022
REVISED RPT

SOLVANG ELEMENTARY SCHOOL DISTRICT
PROPOSITION 51 SCHOOL FACILITY PROGRAM BOND FUND
PERFORMANCE AUDIT

Project Number 57/69336-00-002
For the Closeout Period Ending March 18, 2019

SOLVANG ELEMENTARY SCHOOL DISTRICT
PROPOSITION 51 FUNDING
PERFORMANCE AUDIT
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March 18, 2019

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**INDEPENDENT AUDITORS' REPORT ON
PERFORMANCE**

The California State Controller's Office and the
Management of Solvang Elementary School District
565 Atterdag Road
Solvang, CA 93463

We have conducted a performance audit of the March 18, 2019 closeout of the Proposition 51 School Facility Program Bond Fund of the Solvang Elementary School District's (the District) compliance with the state program compliance requirements included in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix B*. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our performance audit.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The attached performance audit report as referenced in the table of contents presents the objectives, scope, and methodology of the audit. The performance audit report also includes the results of our performance audit and conclusion.

In our opinion, the Proposition 51 School Facility Program Bond Fund expenditures complied, in all material respects, with the aforementioned requirements. This report is intended solely for the information and use of the District's Governing Board, the California State Controller's Office, and management of Solvang Elementary School District and is not intended to be and should not be used by anyone other than these specified parties.

Moss, Levy & Hartzheim LLP

Santa Maria, California
March 12, 2020

OBJECTIVES

The objectives of our Performance Audit were to:

Determine whether the District complied with the state program compliance requirements included in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix B* and document any findings or recommendations as needed.

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the period from May 30, 2012 through March 18, 2019. The performance audits are required in Education Code Section 41024 for a LEA agency that receives any funds (commencing April 1, 2017) 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 of the Education Code). The expenditures tested included all expenditures included in the Detailed Listing of Project Expenditures (DLOPE) and in SAB 50-06 as submitted to the State Office of Public School Construction. Expenditures incurred subsequent to March 18, 2019, were not reviewed or included within the scope of our audit.

BACKGROUND INFORMATION

Proposition 51, officially the Kindergarten Through Community College Public Education Facilities Bond Act of 2016, was placed on the November 2016 ballot as a result of a voter initiative. Proposition 51 was approved by the voters providing \$9.0 billion in general obligation bonds for educational facilities, of which \$7.0 billion is earmarked for kindergarten through twelfth grade projects.

PROCEDURES PERFORMED

We obtained the general ledger and the DLOPE and SAB 50-06 prepared by the District for the closeout ended March 18, 2019, for the School Facility Program Bond Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for all expenditures to ensure with the state program compliance requirements included in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix B*. We performed the following procedures:

- We identified if the District has a project that received a fund release on or after April 1, 2017 and is complete and ready for audit by reviewing the “SFP Expenditure Audit Workload” refreshable report on the OPSC website (K-12 Audit Resources) for the list of completed projects (<http://www.dgs.ca.gov/opsc/Resources.aspx>) and observed that the District required a closeout audit for its non-financial hardship modernization program.
- We verified that the District has 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, as they are described in the California School Accounting Manual, Procedure 301: Overview of the Standardized Accounting Code Structure and Procedure 345: Illustrations Using Account Code Structure. Pursuant to Grant Agreement (Section F, paragraph 1).
- We verified that any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District from the matching funding source prior to the “Notice of Completion” by inspecting the SAB’s project approval document for the applicable project and supporting accounting records provided by the LEA (LEA).
- We determined that expenditures have been expended in accordance with the laws and regulations governing the SFP by selecting a representative sample of the project expenditures reported on the final form SAB 50-06 and Detailed Listing of Project Expenditures (DLOPE) previously obtained on the OPSC website (K-12 Audit Resources) to perform the following procedures: a) For each item selected, we 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). b) We determined that 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 (Section G & Section H).

PROCEDURES PERFORMED (Continued)

- We determined if the expenditures were made within an eligible time frame (prior to completion date) by obtaining the Detail Listing of Project Expenditures (DLOPE). Reviewed all expenditure dates listed in the DLOPE to verify they were within the three-year time limits for an Elementary School.
- We verified that the final Detailed Listing of Project Expenditures (DLOPE) grand total for the project reconciles back to the district's general ledger grand total for the project.
- Obtain any Architect/Design contracts and perform the following procedures: a) Agree and trace the final contracted amount to the final billed amount. b) Determine if the expenditures reported for an Architect/Design contract on the Final Form SAB 50-06 and DLOPE were paid to the architect by agreeing to the LEA's General Ledger and final billed amount. We noted that no architect or design work was paid for by the Proposition 51 grant.
- We selected a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures: a) We agreed and traced the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts. b) We agreed and traced the expenditures reported on the Detailed Listing of Project Expenditures (DLOPE) and General Ledger to the final billed amounts to ensure the expenditures were not over reported.
- For construction contracts sampled, we inspected documentation substantiating compliance with provisions of the PCC concerning competitive bidding.
- If the District has used a Construction Manager, agree the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts. We noted that a Construction Manager was not used for the projects.
- We obtained the approval document from the OPSC website (K-12 Audit Resources) that indicates that the LEA's estimate of project costs required that 60 percent of the project funding be spent on hard construction costs. We prepared the following table:

	Amount	Percentage
60% of Total Grant	2,129,551.20	60%
Reported Hard Costs & Percentage	3,549,252.00	100%
Audited Hard Costs & Percentage	3,549,252.00	100%
Difference	-	

- We inspected supporting documentation for any transfers of SFP funds out of Fund 35 (School Facility Fund) to other LEA funds and determine if they are allowable. We noted that no transfer of SFP funds were made this year.
- We agreed and traced any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepared the following table to report the audited amounts:

	Amount
Reported interest	49,963.16
Audited interest	49,963.16
Difference	-

- Verify that the LEA has (1) established a "Restricted Maintenance Account" for the exclusive purpose of providing ongoing and major maintenance of school buildings, (2) commencing fiscal year 2018-19 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, and (3) has developed an ongoing major maintenance plan that complies with and is implemented under the provisions of Education Code Sections 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3. The District was allowed a waiver of the 3% RRMA requirement because the District has less than 900 ADA.

RESULTS OF AUDIT PROCEDURES

Finding-001: The amount reported for the District's contribution was \$827,161.33, the correct amount should have been \$2,366,168, which should have resulted in a reported savings of \$1,539,006.67. The reported savings amount was \$0.

Recommendation: The District should revise the report to the Office of Public School Construction to reflect the changes in savings.

View of responsible officials:

After acceptance of the Prop 51 audit report by the State Controller's Office, the District will submit the revised OPSC Form 50-06 Expenditure Report to reflect the district contribution of \$2,366,168 (instead of the misreported amount of \$827,161.33) which will reflect a revised savings amount of \$1,539,006.67 which will match the audit report.

CONCLUSION

Based on the procedures performed, other the finding noted, we found that the District complied with the state program compliance requirements included in the *2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting – Appendix B*.

“Schedule of School Facility Program (SFP)
Summary of Audit Findings”

District: Solvang Elementary School District					
Project Number: 57/69336-00-002					
School Name: Solvang Elementary School					
Section	Procedure	Objective	Finding/Outcome	Site Related Amount (OPSC Action)	All other Ineligible Expenditures (CDE Action)
II	A-2	Verify District matching to the SAB's project approval document	The amount of matching in the final report was inaccurate. The amount should have resulted in a reported District's savings of \$1,539,006.67.	\$ 1,539,006.67	\$ -
				\$ -	\$ -
				\$ -	\$ -
				\$ -	\$ -
				\$ -	\$ -
				\$ -	\$ -
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				\$ -	\$ -
				\$ -	\$ -
				\$ -	\$ -
				\$ -	\$ -
Total:				\$ 1,539,006.67	\$ -

Instructions:

If the performance of any of the required audit procedures results in an audit finding, then the finding should be presented in the “Schedule of School Facility Program (SFP) Summary of Audit Findings (See Section VII of the audit instructions). Finding amounts should be categorized and displayed as a "Site Related Amount (OPSC Action)" or “All Other Ineligible Expenditures (CDE Action)”.

SCHEDULE OF SCHOOL FACILITY PROGRAM (SFP) – SITE GRANT ADJUSTMENTS SUMMARY							
District: Solvang Elementary School District							
Project Number: 57/69336-00-002							
School Name: Solvang Elementary School							
	Site Grant Types	A Grant Amount (Approved by SAB)	B Reported Expenditures	C Audited Expenditures	D Audited Difference (B-C=D)	E Grant Adjustment (C-A=E)	F 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

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".

**“SCHEDULE OF SCHOOL FACILITY
PROGRAM (SFP) DETERMINATION
OF PROJECT SAVINGS”
(LEA to report with SAB 50-06 for
each SFP project)**

District: Solvang Elementary School District

Project Number: 57/69336-00-002

School Name: Solvang 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)	\$ 3,549,252.00	\$ 3,549,252.00	\$ 0.00
B. Plus District Contribution	\$ 827,161.33	\$ 2,366,168.00	\$ 1,539,006.67
C. Plus Financial Hardship Apportionment	\$ 0.00	\$ 0.00	\$ 0.00
D. District Share: (B + C)	\$ 827,161.33	\$ 2,366,168.00	\$ 1,539,006.67
E. Plus Interest Earned on State Funds	\$ 49,963.16	\$ 49,963.16	\$ 0.00
F. Amounts Financed (A+D+E=F)	\$ 4,426,376.49	\$ 5,965,383.16	\$ 1,539,006.67
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):	\$ 4,426,376.49	\$ 4,426,376.49	\$ 0.00
H. Amount Overspent (if reported expenditures more than amounts financed) (F-G=H)	\$ 0.00	\$ 0.00	\$ 0.00
I. Amount of Savings (if reported expenditures less than amounts financed) (F-G=I)	\$ 0.00	\$ 1,539,006.67	\$ 1,539,006.67

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

District: Solvang Elementary School District

Project Number: 57/69336-00-002

School Name: Solvang 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)	\$ 3,549,252.00	\$ 0.00	
B. Plus District Contribution	\$ 2,366,168.00	\$ 0.00	
C. Plus Financial Hardship Apportionment	N/A	\$ 0.00	
D. District Share (B + C = D)	\$ 2,366,168.00	\$ 0.00	
E. Plus Audited Interest Earned on State Funds	\$ 49,963.16	\$ 0.00	
F. Total Project Financing (A + D + E = F)	\$ 5,965,383.16	\$ 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)	\$ 4,426,376.49	\$ 0.00	
H. Amount Overspent (if reported expenditures more than project financing) (G - F = H)	\$ 0.00	\$ 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 Schedule)	\$ 1,539,006.67	\$ 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	



MALIA M. COHEN
California State Controller

May 25, 2023

Superintendent
Solvang Elementary
565 Atterdag Road
Solvang, CA 93463

Re: Certification Letter for Solvang Elementary School District, Solvang Elementary School,
Modernization 57/69336-00-002

The State Controller's Office (SCO) has completed its desk review of the referenced entity's audit report dated March 12, 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 audsfp@sco.ca.gov.

Sincerely,

A handwritten signature in dark ink, appearing to be "J. James", written in a cursive style.

JOEL JAMES, Chief
Financial Audits Bureau
Division of Audits