

**State of California
Office of Administrative Law**

In re:
Education Audit Appeals Panel

Regulatory Action:

Title 05, California Code of Regulations

Adopt sections:

Amend sections: 19810

Repeal sections:

**NOTICE OF APPROVAL OF EMERGENCY
REGULATORY ACTION**

**Government Code Sections 11346.1 and
11349.6**

OAL Matter Number: 2018-0611-01

OAL Matter Type: Emergency (E)

This emergency action adopts the 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting (Audit Guide) pursuant to Education Code section 14502.1.

OAL approves this emergency regulatory action pursuant to sections 11346.1 and 11349.6 of the Government Code.

This emergency regulatory action is effective on 6/21/2018 and will expire on 12/19/2018. The Certificate of Compliance for this action is due no later than 12/18/2018.

Date: June 21, 2018



Mark Storm
Senior Attorney

For: Debra M. Cornez
Director

Original: Mary Kelly, Executive Officer
Copy: Timothy E. Morgan

NOTICE PUBLICATION/REGULATIONS SUBMISSION

EMERGENCY (See instructions on reverse)

For use by Secretary of State only

STD. 400 (REV. 01-09)

OAL FILE NUMBERS Z- NOTICE FILE NUMBER REGULATORY ACTION NUMBER EMERGENCY NUMBER 2018-0011-01E

For use by Office of Administrative Law (OAL) only. NOTICE REGULATIONS. 2018 JUN 11 P 2:55 OFFICE OF ADMINISTRATIVE LAW

ENDORSED - FILED In the office of the Secretary of State of the State of California JUN 21 2018 2:00PM

AGENCY WITH RULEMAKING AUTHORITY Education Audit Appeals Panel AGENCY FILE NUMBER (if any)

A. PUBLICATION OF NOTICE (Complete for publication in Notice Register)

1. SUBJECT OF NOTICE TITLE(S) FIRST SECTION AFFECTED 2. REQUESTED PUBLICATION DATE 3. NOTICE TYPE 4. AGENCY CONTACT PERSON TELEPHONE NUMBER FAX NUMBER (Optional) OAL USE ONLY ACTION ON PROPOSED NOTICE NOTICE REGISTER NUMBER PUBLICATION DATE

B. SUBMISSION OF REGULATIONS (Complete when submitting regulations)

1a. SUBJECT OF REGULATION(S) Supplement to Audits of K-12 LEAs - FY 2018-19 1b. ALL PREVIOUS RELATED OAL REGULATORY ACTION NUMBER(S)

2. SPECIFY CALIFORNIA CODE OF REGULATIONS TITLE(S) AND SECTION(S) (Including title 26, if toxics related) SECTION(S) AFFECTED (List all section number(s) individually. Attach additional sheet if needed.) ADAPT AMEND 19810 REPEAL TITLE(S) 5

3. TYPE OF FILING Regular Rulemaking (Gov. Code §11346) Resubmittal of disapproved or withdrawn nonemergency filing (Gov. Code §511349.3, 11349.4) Emergency (Gov. Code, §11346.1(b)) Certificate of Compliance: The agency officer named below certifies that this agency complied with the provisions of Gov. Code §511346.2-11347.3 either before the emergency regulation was adopted or within the time period required by statute. Resubmittal of disapproved or withdrawn emergency filing (Gov. Code, §11346.1) Emergency Readopt (Gov. Code, §11346.1(h)) File & Print Other (Specify) Changes Without Regulatory Effect (Cal. Code Regs., title 1, §100) Print Only

4. ALL BEGINNING AND ENDING DATES OF AVAILABILITY OF MODIFIED REGULATIONS AND/OR MATERIAL ADDED TO THE RULEMAKING FILE (Cal. Code Regs. title 1, §44 and Gov. Code §11347.1)

5. EFFECTIVE DATE OF CHANGES (Gov. Code, §§ 11343.4, 11346.1(d); Cal. Code Regs., title 1, §100) Effective 30th day after filing with Secretary of State Effective on filing with Secretary of State \$100 Changes Without Regulatory Effect Effective other (Specify)

6. CHECK IF THESE REGULATIONS REQUIRE NOTICE TO, OR REVIEW, CONSULTATION, APPROVAL OR CONCURRENCE BY, ANOTHER AGENCY OR ENTITY Department of Finance (Form STD. 399) (SAM §6660) Fair Political Practices Commission State Fire Marshal Other (Specify) See Education Code Section 14502.1 (a)

7. CONTACT PERSON Timothy E. Morgan TELEPHONE NUMBER (916) 445-7745 FAX NUMBER (Optional) (916) 445-7626 E-MAIL ADDRESS (Optional) tmorgan@eaap.ca.gov

8. I certify that the attached copy of the regulation(s) is a true and correct copy of the regulation(s) identified on this form, that the information specified on this form is true and correct, and that I am the head of the agency taking this action, or a designee of the head of the agency, and am authorized to make this certification.

SIGNATURE OF AGENCY HEAD OR DESIGNEE DATE 6/11/18 TYPED NAME AND TITLE OF SIGNATORY Mary C. Kelly, Executive Officer

For use by Office of Administrative Law (OAL) only ENDORSED APPROVED JUN 21 2018 Office of Administrative Law

Title 5, Division 1.5
Chapter 3. Audits of California K - 12 Local Education Agencies
Article 1 General Provisions

§ 19810. Annual Audit Guides.

The “~~2017-18~~ 2018-19 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,” (July 1, 2018~~March 1, 2018~~), adopted by the Education Audit Appeals Panel, is incorporated by reference. The guide provides the audit steps, reporting requirements, and other guidance, for the required annual financial and compliance audits, subject to auditor judgment where alternative or additional audit steps may be appropriate. The annual guide is superseded by a supplemental audit guide, if needed, adopted before March 1 of each fiscal year. Each annual guide and any applicable supplement are available on www.eaap.ca.gov/audit-guide, with paper or electronic copies available on request.

Note: Authority cited: Sections 14502.1 and 47612, Education Code; California Constitution, Article XIII, Section 36, subdiv. (e), subpara 7, and Article XIII A, Section 1, subdiv. (b), subparas 3(C) and 3(D). Reference: California Constitution Article XIII B, Section 1.5; and Sections 8482.3(f)(5), 2574(b)(3)(C), 14501, 14502.1, 14503, 14509, 15286, 41024, 42238.02(b)(3)(B), 47612.5, 47634.2 and 48000, Education Code.

ADOPT

2018-19

Guide for Annual Audits of K-12 Local Education Agencies
and State Compliance Reporting



Education Audit Appeals Panel
770 L Street, Suite 1100
Sacramento, California 95814
916.445.7745 fax 916.445.7626
www.eaap.ca.gov

July 1, 2018

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GENERAL PROVISIONS

ABBREVIATIONS/DEFINITIONS

ADA: Average Daily Attendance as reported to CDE for apportionment

Annual: the fiscal year ending on June 30

CDE: California Department of Education

COE: County Office of Education

Grade span: as specified in Education Code section 42238.02(d)

LEA: Local Education Agencies serving one or more of grades K-12, i.e. school districts, county offices of education, charter schools, and certain joint power authorities

LCFF: Local Control Funding Formula

P2: the second principal period of apportionment, as defined in Education Code section 41601

SCOPE/AUDITOR JUDGEMENT

This audit guide is to be used in the performance of the audits required by Education Code section 41020. The auditor shall follow the procedures included in this audit guide, unless, in the exercise of professional judgment, the auditor determines that other or additional procedures are more appropriate.

AUDITING STANDARDS

Audits shall be conducted in accordance with the following standards:

1. Standards generally accepted in the United States of America.
2. *Government Auditing Standards*, also known as the Yellow Book, which contains standards for audits of government organizations, programs, activities, and functions. The Yellow Book is published by the United States Government Accountability Office.
3. Federal audit regulations means Part 200 of Title 2 of the Code of Federal Regulations-Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (which superseded OMB Circular A-133) including standards for attaining consistency and uniformity in the audits of governments and organizations expending federal awards.
4. Sampling should be based on the guidance of the following Tables, or the report should indicate the rationale for using alternative procedures:

Table 1

**Tests of Compliance Sampling Table—Population: 250 or Greater
Minimum Sample Sizes—5% Tolerable Exception Rate**

Expected Number of Exceptions	Degree of Assurance Needed (Step 6)		
	High (90–95% Confidence Level)	Moderate (87–89% Confidence Level)	Low
0	60	40	25
1	91	71	53
2	120	98	76

Table 2
Tests of Compliance Sampling Table—Population: Less Than 250
Minimum Sample Sizes—5% Tolerable Exception Rate

Expected Number of Exceptions	Degree of Assurance Needed (Step 6)		
	High (90–95% Confidence Level)	Moderate (87–89% Confidence Level)	Low
0	51	37	25
1	78	63	48
2	101	85	Sampling not efficient

Table 3
Tests of Compliance Sampling Table—Very Small Populations

Frequency and Population Size	Sample Size
Quarterly (4)	2
Monthly (12)	2–4
Semimonthly (24)	3–8
Weekly (52)	5–9

MATERIALITY LEVELS

Each program for which ADA is reported to the CDE must be audited consistent with this guide, if the number of units of ADA reported is material as shown in the following table:

<u>LEA's Total Reported ADA</u>	<u>Materiality Level/Program</u>
1 - 1,000	10 or more ADA
1,001 - 2,500	20 or more ADA
2,501 - 10,000	50 or more ADA
More than 10,000	100 or more ADA

REPORT COMPONENTS

The report of each audit performed pursuant to Education Code section 41020 shall include the following:

1. Introductory Section
 - a. Table of Contents
 - b. Other information as deemed appropriate by the auditee
2. Financial Section
 - a. Independent Auditors Report

- b. Management's Discussion and Analysis
 - c. Basic Financial Statements
 - d. Notes to the Basic Financial Statements
3. Required Supplementary Information: Schedule of budgetary comparison data, by object, for the general fund and any major special revenue funds that have legally adopted annual budgets, disclosing excesses of expenditures over appropriations, if any, in individual funds presented in the budgetary comparison.
4. Supplementary Information
- a. *LEA Organization Structure*, setting forth the following information, at a minimum:
 - 1) The date on which the LEA was established, and for charter schools the date and granting authority of each charter;
 - 2) The date and a general description of any change during the year audited in a school district's boundaries;
 - 3) The numbers by type of schools in the LEA;
 - 4) The names, titles, terms, and term expiration dates of all members of the governing board; and
 - 5) The names, with their titles, of the superintendent, chief business official, and deputy/associate/assistant superintendents.
 - b. *Schedule of ADA* which displays ADA data for both the Second Period and Annual reports, by grade span and program as appropriate; and separately for each charter school, shows the total ADA and the ADA generated through classroom-based instruction by grade span, as appropriate; and if there are any ADA adjustments due to audit findings, displays additional columns for the Second Period and Annual reports reflecting the final ADA after audit finding adjustments, shown by grade span.
 - c. *Schedule of Instructional Time* displaying, for school districts, including basic aid districts, data that show whether the district complied with article 8 (commencing with section 46200) of chapter 2 of part 26 of the Education Code; showing by grade level:
 - 1) For districts that met or exceeded their LCFF target or districts that participated in longer day funding, the number(s) of instructional minutes specified in Education Code section 46207(a) or 46201(b) as applicable, and the district's required instructional minutes set forth in Audit Guide Part F, Instructional Time, as applicable;
 - 2) For districts that did not meet or exceed their LCFF target and did not participate in longer day funding, the number(s) of instructional minutes the district offered in the 1982-83 year, and the district's required instructional minutes as calculated in Audit Guide Part F, Instructional Time, as applicable;
 - 3) For all districts, the instructional minutes offered during the year audited showing the school with the lowest number of minutes offered at each grade level;
 - 4) For all districts, the number of instructional days offered during the year audited on the traditional calendar and on any multitrack year-round calendars; and whether the district complied with the instructional minutes and day's provisions. State in a note to the schedule whether the district participated in longer day incentives and whether the district met or exceeded its LCFF target funding.

5) For charter schools, data that show whether the charter school complied with Education Code sections 47612 and 47612.5; showing by grade level the number(s) of instructional minutes specified in Education Code section 47612.5; the instructional minutes offered during the year audited showing the school location with the lowest number of minutes offered at each grade level; the number of instructional days offered during the year audited on the traditional calendar and on any multitrack calendars; and whether the charter school complied with the instructional minutes and days provisions.

d. *Schedule of Financial Trends and Analysis* displaying information regarding the auditee's financial position and going concern status, in the form of actual financial and attendance figures for at least the most recent three-year period (ending with the audit year), plus the current year's budget, for the following items: general fund financial activity, including total revenue, expenditures, and other sources and uses; general fund balance; available reserve balances (funds designated for economic uncertainty, and any other remaining undesignated fund balance) within the general fund or special reserve fund; available reserve balances expressed as a percentage of total general fund outgo (expenditures, transfers out, and other uses), including a comparison to the applicable state-recommended available reserve percentage; total long-term debt; and elementary and secondary second principal ADA; and, when the auditee's percentage of available reserves to total general fund outgo is below the state-recommended percentage, management's plans for increasing the auditee's available reserve percentage.

e. *Reconciliation of Annual Financial and Budget Report With Audited Financial Statements* displaying the differences between the ending fund balance(s) from the audited financial statements and the unaudited ending fund balance(s) from the annual financial and budget report for each fund in which a variance occurred.

f. Optionally, *Combining Statements and Individual Fund Statements and Schedules*

g. *Schedule of Charter Schools* listing all charter schools chartered by the school district or county office of education. For each charter school, include the charter school number and indicate whether or not the charter school is included in the school district or county office of education audit.

h. *Schedule of Expenditures of Federal Awards*, if required by federal audit regulations, applicable to the year being audited.

i. *Notes to Supplementary Information*, if required.

5. *Other Independent Auditor Reports*

a. *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, specifies material instances of noncompliance, if any; defines material weakness and, when relevant, significant deficiency, and describes the significant deficiencies and material weaknesses disclosed by the audit; states that the auditor's consideration of internal control over financial reporting would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and states whether the auditor believes any of the significant deficiencies noted were material weaknesses; includes a statement that additional matters were communicated to the auditee in a management letter, if that is the case; specifies all instances of fraud and illegal acts, if any, disclosed by the audit, unless clearly inconsequential; specifies material violations of provisions of contracts and grant agreements, if any; specifies material abuse, if any, disclosed by the audit; and does all this in accordance with the financial reporting requirements specified in

the Codification of Statements on Auditing Standards, and in Government Auditing Standards, as applicable to the year being audited.

b. *Report on State Compliance* which addresses each of the state compliance requirements included in this audit guide, stating that compliance with the applicable compliance requirements is the responsibility of the auditee's management, and stating whether or not the auditee is in compliance with those requirements; includes a chart that displays each compliance requirement (as indicated in the Table of Contents) and states which audit procedures were not performed, noting whether procedures were inapplicable, and what alternative, modified or substitute procedures were followed; and includes an expression of opinion on whether the auditee complied, in all material respects, with applicable compliance requirements.

c. *Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance* required by federal audit regulations, is the component of the Other Independent Auditor Reports that states that compliance with the applicable compliance requirements is the responsibility of the auditee's management; includes an expression of opinion on whether the auditee complied, in all material respects, with federal laws, regulations, and the provisions of federal contracts or grant agreements; and opines whether the auditee has established and maintained effective internal control over compliance with the requirements for major federal programs.

6. Findings and Recommendations

a. *Schedule of Findings and Questioned Costs* that presents all audit year findings, and a copy of each management letter issued, if any, with each finding assigned the appropriate code: 10000 Attendance, 20000 Inventory of Equipment, 30000 Internal Control, 40000 State Compliance, 42000 Charter School Facilities Programs, 50000 Federal Compliance, 60000 Miscellaneous, 61000 Classroom Teacher Salaries, 62000 Local Control Accountability Plan, 70000 Instructional Materials, 71000 Teacher Misassignments, 72000 School Accountability Report Card and includes the following elements:

1) criteria;

2) condition;

3) effect;

4) cause;

5) a statement of the number of units of ADA, by grade span, if any, that were inappropriately reported for apportionment, and an estimate of their dollar value; and a statement consistent with its basis of funding, for any other inappropriately reported claim-such as number of unduplicated LCFF pupil counts or the dollar amount of inappropriate expenditures for a restricted program;

6) a note if the finding is a repeat of or related to a finding in the previous audit year, and a recommendation for the resolution of the finding;

7) a corrective action plan prepared by the auditee that describes in specific terms the actions planned or taken to correct the problem, or a statement from the auditee that the corrective action recommended by the auditor is not necessary or appropriate and giving the specific reasons why, if that is the case, and a statement that the corrective action plan was not available if no corrective action plan was submitted before the audit report was prepared.

b. *Schedule of Prior Audit Findings* that presents the status of actions taken by the auditee on each of the findings and recommendations reported in the prior year audit, and includes as current year findings and recommendations those prior year findings that have not been resolved.

The following table presents the status of actions taken by the auditee on each of the findings and recommendations reported in the prior year audit, and includes as current year findings and recommendations those prior year findings that have not been resolved.

Finding/Recommendation	Status
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LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS

A. ATTENDANCE

1. Determine whether the P2 and Annual reports of attendance submitted to the CDE reconcile to the supporting documents by verifying the LEA's ADA calculations for each reporting line item, including the informational line items subject to the materiality levels as described in the Materiality section of the General Provisions. Select the greater of 20 percent or 1 school site for each grade level based on audit risk to perform the following procedures.
2. Trace the ADA numbers from the P2 and Annual reports of attendance to the LEA's summaries.
3. Verify that the monthly site summaries used for summarizing attendance provide accurate information, by selecting a representative sample of schools and performing the following procedures (exclude the programs identified separately in subsequent sections of this audit guide):
 - a. Reconcile the monthly totals (days of apportionment attendance) on the school's attendance summary to the summary maintained by the LEA for the P2 and the Annual attendance reports.
 - b. Select at least one test month in the P2 or Annual attendance reporting period. Verify the mathematical accuracy of the monthly report and trace the totals to the school's attendance summary.
 - c. Elementary Schools: Select a representative sample of teachers (greater of 5 percent of teachers with a minimum of three teachers) and trace the monthly totals from the monthly report to the data origination documentation. Verify the mathematical accuracy of the attendance registers, scantron summaries, or other data arrays.

Middle and High Schools: Select a representative sample of teachers (greater of 5 percent of teachers for one period, with a minimum of three teachers for one period) and trace the monthly totals from the monthly report to the data origination documentation. Verify the mathematical accuracy of the attendance registers, scantron summaries, or other data arrays.
4. Select a representative sample of absences by site and compare to documentation supporting the ADA reported to the CDE to verify that absences were not included in ADA. The documentation maintained by the LEA with regard to its absences may be in the form of notes, logs, or other records, depending on the board-adopted policy concerning verification of absences.
5. Calculate any inappropriately reported units of ADA, by grade span, identified through the foregoing audit procedures. State in a finding the number(s) of units of ADA so identified and an estimate of their dollar value. If there are any ungraded units of ADA, then proportionately allocate the disallowance among the grade spans.

B. TEACHER CERTIFICATION AND MISASSIGNMENTS

1. For each teacher selected pursuant to 3(c) in the A section of this guide, test to determine whether the teacher possessed a valid certification document.
2. If any teacher did not possess a valid certification document, calculate the penalty or penalties pursuant to Education Code section 45037 and include the actual calculation in a finding.
3. For each teacher selected pursuant to 3(c) in the A section of this guide, test to determine whether the teacher was assigned to teach in a position:
 - a. Consistent with the authorization of his/her certification; or
 - b. Otherwise authorized by law pursuant to (1) a governing board resolution in conformance with subdivision (b) of Education Code section 44256, 44258.2, 44258.3, or 44263 or (2) the approval of a committee on assignments pursuant to subdivision (c) or (d) of Education Code section 44258.7.
4. If any teacher selected pursuant to 3(c) in the A section of this guide was assigned to teach a class in which more than 20 percent of the pupils were English learners, determine whether the teacher was authorized to instruct limited English proficient pupils pursuant to Education Code section 44253.3, 44253.4 or 44253.10.
5. If any teacher was assigned to teach in a position for which the teacher was not authorized, so state in a finding.

C. KINDERGARTEN CONTINUANCE

1. Obtain a list of pupils who turned six years old by September 1 and were enrolled in kindergarten for the year audited; select a representative sample of kindergarten pupils identified. Perform the following procedures.
 - a. Review the record of each pupil to determine whether the pupil continued in kindergarten after completing one school year of kindergarten or transitional kindergarten. For a pupil who begins kindergarten mid-year, one school year of kindergarten is completed on the last school day prior to the anniversary of the pupil's first day of kindergarten.
 - b. Except for pupils enrolled in transitional kindergarten in the prior year in accordance with Education Code section 48000(c), verify that the LEA has for each such pupil a signed Kindergarten Continuance Form (a sample of an approved form can be found on the CDE's website) or a signed alternative kindergarten continuance parental agreement, approved in form and content by the CDE.
2. State in a finding the resulting units of ADA inappropriately reported for apportionment and an estimate of their dollar value.

D. INDEPENDENT STUDY

1. If the LEA reported ADA generated through independent study, perform the following procedures at the agency level:
 - a. Reconcile the LEA's independent study attendance records to ADA generated through full-time independent study reported to the CDE.
 - b. From the independent study attendance records, select a representative sample of pupils for whom ADA generated through independent study was claimed, including pupils on intermittent or "short term" independent study if the LEA offered that option, and confirm that every pupil in the sample is identified in the written records of the district or county board by grade level, by program placement, and by the school in which the pupil is enrolled.
 - c. If, pursuant to the foregoing audit procedure, any pupils are found that were not identified in the written records of the district or county board by any one or more of grade level, program placement, and the school in which the pupil was enrolled, calculate and state in a finding the number(s) of units of ADA, by grade span, that were inappropriately reported for apportionment and an estimate of their dollar value. If there are any ungraded units of ADA, then proportionately allocate the disallowance among the grade spans.
 - d. Verify the LEA's independent study ratio calculation, made pursuant to subdivision (a) of Education Code section 51745.6, of ineligible ADA, if any, generated through independent study by pupils 18 years of age or less.
 - e. Interview LEA administrative personnel and school counselors to determine if the LEA had policies and procedures to ensure that any pupil terminating an independent study agreement was permitted to immediately recommence classroom study.
 - f. Interview LEA administrative personnel as well as a sample of independent study teachers and review written agreements to determine whether it was the LEA's policy or practice to provide independent study pupils or their parents/guardians with monetary funding or any other things of value such as equipment or paid private instruction. If so, determine whether classroom pupils or their parents/guardians had the same access to funding or things of value. Read program materials provided to all parents/guardians to determine that opportunities were equal and that pupils engaged in independent study were neither offered nor given incentives or special benefits.
2. Select a sample of schools that is representative of the LEA and sufficient in size to allow the auditor to draw a reasonable conclusion with respect to the LEA's compliance with independent study requirements. Verify that the monthly site summaries used for summarizing attendance provide accurate information by performing the following procedures:
 - a. At each sampled school, examine the attendance accounting records to verify that the attendance of pupils while engaged in independent study was maintained on

- separate registers or the LEA had another mechanism in place to track ADA generated through independent study separately from other ADA.
- b. Determine the total number of days of attendance reported for each sampled school that resulted from attendance by pupils while engaged in independent study. Reconcile the monthly totals (days of apportionment attendance) on the site's attendance summary to the summary maintained by the LEA for the P2 and Annual attendance reports.
 - c. Select a test month in the P2 or Annual attendance reporting period. Verify the mathematical accuracy of the monthly report and trace the totals to the school's attendance summary.
 - d. Verify that a certificated employee of the LEA coordinated, evaluated, and provided general supervision (as that term is defined in title 5, California Code of Regulations, section 11700(b)), of each pupil's independent study, as required by subdivision (a) of Education Code section 51747.5.
 - e. Select a representative sample of teachers. Verify the mathematical accuracy of the teachers' attendance records of pupil attendance. Trace the monthly totals from the monthly report to the attendance records.
 - f. If 100% apportionment attendance was recorded for all independent study pupils, ensure that the teacher did not accrue more days of apportionment credit for any assignment than there were school days in that assignment ("banking"); or accrue days of attendance for work submitted subsequent to the specified due date for the assignment ("make-up").
 - g. For programs in which hourly attendance accounting is not required pursuant to title 5, California Code of Regulations, section 406, verify that attendance credit was recorded in whole days based on the supervising teacher's personal review, evaluation, and assignment of time value to the pupil's work product, or the supervising teacher's review of the evaluation and assignment of time value made by another certificated teacher.
3. From the attendance records, select a representative sample of pupils for whom ADA generated through independent study was claimed, including pupils on intermittent ("short term") independent study if the LEA offered that option, and perform the following procedures:
 - a. Verify that no pupil was enrolled in the LEA pursuant to subdivision (b) of Education Code section 48204 while engaged in full-time independent study.
 - b. Determine each selected pupil's county of residence at the time of commencing independent study and verify that it is the county in which the apportionment claim is reported or a contiguous county within California.
 - c. Determine whether mailing addresses or other evidence of residency changed during the time the pupils were in independent study and, if so, whether each pupil remained resident of the same or a contiguous county within California.

- d. Verify that a total of not more than one day of attendance generated through independent study was recorded for each pupil, including pupils enrolled in more than one program, for any calendar day on which school was in session.
- e. Verify that a written agreement exists for each pupil selected.
- f. Verify that every pupil whose independent study attendance was claimed for apportionment was participating under an agreement for a minimum of five consecutive school days.
- g. Verify that pupils enrolled in independent study met the applicable age requirements established pursuant to Education Code sections 46300.1 and 46300.4.
- h. Verify that every written agreement contained all the required elements:
 - (1) The manner, time, frequency, and place for submitting a pupil's assignments and for reporting his or her progress
 - (2) The objectives and methods of study (pupil activities selected by the supervising teacher as the means to reach the educational objectives set forth in the written agreement) for the pupil's work
 - (3) The methods utilized to evaluate that work (any specified procedure through which a certificated teacher personally assesses the extent to which the pupils achieved the objectives set forth in the written assignment)
 - (4) The specific resources, including materials and personnel, to be made available to the pupils (resources reasonably necessary to the achievement of the objectives in the written agreement, not to exclude resources normally available to all pupils on the same terms as the terms on which they are normally available to all pupils)
 - (5) A statement of the policies adopted pursuant to subdivisions (a) and (b) of Education Code section 51747:
 - (A) The maximum length of time allowed between the assignment and the completion of a pupil's assigned work; and
 - (B) The number of assignments a pupil may miss before there must be an evaluation of whether it is in the pupil's best interests to continue in independent study.
 - (6) The duration of the independent study agreement, including the beginning and ending dates for the pupil's participation in independent study under the agreement, with no agreement being for longer than one school year
 - (7) A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion
 - (8) A statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate (in the case of a pupil who is referred or assigned to any school, class or program pursuant to Education Code section 48915 or 48917, the agreement also shall

- include the statement that instruction may be provided to the pupil through independent study only if the pupil is offered the alternative of classroom instruction)
- (9) Signatures, affixed prior to the commencement of independent study, by:
 - (A) The pupil;
 - (B) The pupil's parent, legal guardian, or caregiver as that term is used in Family Code section 6550 and following, if the pupil is less than 18 years old;
 - (C) The certificated employee who has been designated as having responsibility for the general supervision of independent study; and
 - (D) All other persons, if any, who had direct responsibility for providing assistance to the pupil.
- i. Verify that no days of attendance were reported for dates prior to the signing of the agreement by all parties.
- j. Trace each pupil's attendance from the attendance records to the teacher's register, record of the pupil's work completed, and the corresponding work assignment record. Verify that pupil work samples have been retained in the file.
- k. Verify that the pupil work product samples are related to the assignment pursuant to which the work was undertaken and reflect the curriculum adopted by the local governing board and not an alternative curriculum.
- l. Review records and other relevant documentation to verify that each pupil's choice to commence or to continue in independent study was entirely voluntary and uncoerced.
- 4. State in a finding the number(s) of inappropriately reported units of ADA, by grade span, identified through the foregoing audit procedures and an estimate of their dollar value. If there are any ungraded units of ADA, then proportionately allocate the disallowance among the grade spans.

E. CONTINUATION EDUCATION

Verify that the monthly site attendance summaries provide accurate information by performing the following procedures:

1. Reconcile the monthly totals (days of apportionment attendance) on the site's attendance summary to the summary maintained by the district for the P2 and the Annual attendance report.
2. Select a test month in the P2 attendance reporting period. Verify the mathematical accuracy of the monthly report and trace the totals to the site's attendance summary.
3. Select a representative sample of teachers for one period. Trace the monthly totals from the monthly report to the data origination documentation. Verify the mathematical accuracy of the attendance registers, scantron summaries, or other data arrays.

4. Select a representative sample of pupils and perform the following procedures:
 - a. Trace each pupil's attendance in the weekly attendance records to the teacher's attendance register or other approved record.
 - b. Verify that hourly attendance accounting was used.
 - c. Verify that attendance was not credited for more than the scheduled class time.
5. Review weekly attendance records to verify that the district did not claim more than 15 hours per week, or a proportionally reduced number of hours per week when there were fewer than five school days.
6. Select a representative sample of continuation pupils enrolled in work experience education and perform the following procedures:
 - a. Review the weekly attendance reports and attendance registers to verify that each pupil actually attended, as set forth in Education Code section 48400, four 60-minute hours in each week in which the pupil generated additional hours of work experience apportionment attendance credit.
 - b. Verify that the pupils earning work experience credit received at least one instructional period per week of classroom instruction or counseling as required by Education Code section 51760.3(b).
 - c. Verify that not more than 10% of each continuation high school's ADA at P2 (exclusive of ADA for a pupil who was pregnant or was a parent and the child's primary caregiver) was generated through independent study as provided in Education Code section 51745(b).
7. State in a finding the number(s) of inappropriately reported units of ADA, by grade span, identified through the foregoing audit procedures and an estimate of their dollar value. If there are any ungraded units of ADA, then proportionately allocate the disallowance among the grade spans.

F. INSTRUCTIONAL TIME

School Districts: perform the following procedures:

1. For the sites selected in procedure A.3, review the school attendance calendar and bell (class) schedules of the sampled schools. Ascertain whether any individual days are shorter than the usual length, by grade level, in each school in the sample. Compare the instructional minutes from each school's bell (class) schedule to total instructional minutes computed by the business office.
2. Determine, by grade level, the total number of days in each sampled school's attendance calendar that were of at least the minimum length required, pursuant to Education Code sections 46112, 46113, 46114, 46115, 46117, and 46119, for elementary schools, or sections 46141 and 46142, for junior high schools and high schools. Compare the total qualifying days by grade level for each sampled school to the standards set forth in Education Code section 41420 or 37670, as applicable.

3. If all sampled regular day schools have fewer than the applicable minimum number of days as set forth in number 2 above, determine whether the same is true for all the regular day schools of the district.
4. If all regular day schools have fewer than the applicable minimum number of days, the district is subject to the penalty provided in Education Code section 41420(a). Include a finding stating that fact and calculating the amount of the penalty.
5. If the district is not subject to the penalty provided in Education Code section 41420(a) but is subject to one or more penalties as provided in Education Code section 41420(b), prepare a separate schedule for each school that was not in compliance showing the number of additional days the school would have had to maintain operations to meet the 175 day requirement, or the 163 day requirement if the school was operated on a multitrack year-round schedule. Calculate the penalty or penalties. Include the schedule(s), the calculation(s), and the amount(s) of the penalty or penalties in a finding.
6. If the district met or exceeded its LCFF target as set forth in Education Code section 46207(a) compare the amount of time offered for each grade level in each sampled school during the year being audited to the required amount of instructional time specified in Education Code section 46207.
7. If the district did not meet its LCFF computed pursuant to Education Code section 42238.02, determine whether the district participated in longer day incentive funding provided for in Education Code section 46201, or longer year incentive funding provided for in Education Code section 46200(a), as those sections read on January 1, 2013:
 - a. For each district that participated in longer day and longer year incentive funding (i.e., every district except those listed in b, c, or d below) compare the amount of time offered for each grade level in each school in the sample during the year being audited to the required amount of instructional time specified in Education Code section 46201(b).
 - b. For districts that participated in longer day but did not participate in longer year incentive funding [Janesville Union Elementary (18-64105), Richmond Union Elementary (18-64170), Shaffer Union Elementary (18-64188), Big Valley Joint Unified (18-64089), and Castle Rock Union Elementary (45-69922)] compare the amount of time offered for each grade level in each school in the sample during the year being audited to the required amount of instructional time specified in Education Code section 46201(b).
 - c. For districts that did not participate in longer day but did participate in longer year incentive funding [Canyon Elementary (07-61671), Baker Elementary (36-73858), and Delphic Elementary (47-70227)] compare the amount of time offered for each grade level in each sampled school during the year being audited to the required amount of instructional time offered by the district during the 1982-83 school year.
 - d. For districts that did not participate in either longer day or longer year incentive funding [Seiad Elementary (47-70458) and Willow Creek (47-70490)] compare the amount of time offered for each grade level in each school in the sample during the

- year being audited to the required amount of instructional time offered by the district during the 1982-83 school year.
8. Based on the schools selected under paragraph 1, determine whether the district offered optional classes to satisfy instruction time requirements. If enrollment in optional classes is low, review the district's documentation of class offerings to ensure that the district has acted effectively to comply with the law. Practices that are not consistent with effectively offering additional instructional time may include, but are not limited to, offering only a small number of optional courses that are appropriate only for limited numbers of pupils, and scheduling optional courses such that pupils may take them only by giving up their lunch period or by attending school outside the schedule of district-provided bus service.
 9. If any schools were not in compliance with the instructional minutes requirements pursuant to 6 or 7 of this section, as applicable, prepare a separate schedule for each school showing only those grade levels that were not in compliance and calculate the penalty or penalties pursuant to Education Code section 46201, 46202, or 46207. Include the schedule(s), the calculation, and the amount of the penalty or penalties in a finding.
 10. For any school district that either met or exceeded its LCFF target or participated in longer year incentive funding, and that had any schools that offered less than 180 days, prepare a separate schedule for each school showing only those grade levels that were not in compliance and calculate the penalty or penalties pursuant to Education Code section 46200 or 46208. Include the schedule(s), the calculation, and the amount of the penalty or penalties in a finding.

G. INSTRUCTIONAL MATERIALS

1. Determine whether the school district governing board or county board of education, prior to making a determination through a resolution as to the sufficiency of textbooks or other instructional materials, held the public hearing or hearings required by Education Code section 60119 on or before the end of the eighth week from the first day pupils attended school for that year, or, in a school district or COE having schools that operate on a multitrack, year-round calendar, on or before the end of the eighth week from the first day pupils attended school for that year on any track that began in August or September.
2. Determine whether the school district governing board or county board of education provided 10-day notice of the required public hearing or hearings.
3. Determine whether each notice included the time, place, and purpose of the hearing and whether the school district or COE posted the notice at a minimum of three public locations in the school district or county, respectively.

4. Determine whether the hearing was held at a time that encouraged the attendance of teachers and parents and guardians of pupils who attend the schools in the district and did not take place during or immediately following school hours.
5. Determine whether the resolution stated that each pupil in each school had sufficient textbooks or instructional materials aligned to the content standards adopted by the State Board of Education pursuant to Education Code section 60605 or 60605.8 and consistent with the content and cycles of the curriculum framework adopted by the State Board of Education, or instead that there was an insufficiency of such textbooks or instructional materials, or both, in any one or more of mathematics, science, history-social science, and English/language arts including the English language development component of an adopted program, as appropriate. If the resolution stated any insufficiency, verify that the school district governing board or county board of education provided information to classroom teachers and to the public, setting forth, in the resolution, for each school in which an insufficiency existed, the percentage of pupils who lacked sufficient standards-aligned textbooks or instructional materials in each subject area and the reasons that each pupil did not have sufficient standards-aligned textbooks or instructional materials, or both, and took action to ensure that each pupil would have sufficient textbooks or instructional materials, or both, within two months of the beginning of the school year in which the determination was made.
6. Verify whether the governing board made a written determination as to whether each pupil enrolled in a foreign language or health course had sufficient textbooks or instructional materials that were consistent with the content and cycles of the curriculum frameworks adopted by the State Board of Education for those subjects.
7. Verify whether the governing board determined the availability of laboratory science equipment as applicable to science laboratory courses offered in grades 9 to 12, inclusive.
8. If the school district or COE was not in compliance with any of these requirements, so state in a finding.

H. RATIO OF ADMINISTRATIVE EMPLOYEES TO TEACHERS

1. For school districts, verify that the school district is in compliance with the administrative employee-to-teacher ratio requirement for the year audited by determining that the employees were properly classified and the ratio was calculated consistent with the definitions in Education Code section 41401 and the procedures of Education Code section 41403.
2. If the number of administrative employees per hundred teachers exceeded the allowable ratio set forth in Education Code section 41402, state in a finding the number of excess administrative employees and the associated penalty, as set forth in Education Code section 41404.

3. If the school district cannot show that it was in compliance with the ratio during the year audited, include a finding that the ratio could not be confirmed.

I. CLASSROOM TEACHER SALARIES

1. If, during the year preceding the year audited, the district had 101 units or more of ADA, and, during the year audited, the district was subject to Education Code section 41372 pursuant to Education Code section 41374, determine whether, after applicable audit adjustments, the district's expenditures on classroom teacher's salaries met the percentage requirements of Education Code section 41372.
2. If the district did not meet the applicable minimum percentage required for payment of salaries of classroom teachers, state in a finding the minimum percentage required, the district's current expense of education for the year audited after applicable audit adjustments, and the dollar amount by which the district was deficient.

J. EARLY RETIREMENT INCENTIVE

1. Obtain a copy of the certification required by Education Code sections 22714 and 44929 and verify that the school district received approval from the COE or that the COE received approval from the Superintendent of Public Instruction as appropriate.
2. Verify that the reason(s) contained in the certification are consistent with the results of the early retirement incentive program.
3. Verify the data disclosed as a result of the district's or county office's adoption of the early retirement incentive program.
4. Include a disclosure in the Notes to the Basic Financial Statements that presents the number and type of positions vacated; the age, service credit, salary, and, separately, the benefits of the retirees receiving additional service credit; a comparison of the salary and benefits of each retiree with the salary and benefits of the replacement employee, if any; the resulting retirement cost including interest, if any, and post-retirement health benefit costs, incurred by the employer.

K. GANN LIMIT CALCULATION

The following audit procedures apply to the current year appropriations limit calculation for county offices of education and school districts.

1. Verify that the data used by the district or the COE is accurate, ensuring that the prior year Gann ADA and prior year appropriations limit used by the district or the COE match the data on the prior year appropriations limit calculation previously submitted to the CDE. If the district or county office has made adjustments to the prior year data, verify that the adjustments are correct. If the data has been revised, verify that the district or

COE has recalculated the prior year appropriations limit and attached a copy of the recalculation to the current year appropriations limit.

2. If the district or the COE is found out of compliance, so state in a finding.

L. SCHOOL ACCOUNTABILITY REPORT CARD

1. Obtain the School Accountability Report Cards issued in the year being audited, for each of the schools selected pursuant to Section A, Attendance, and perform the following procedures:
 - a. Identify any complaints related to teacher misassignment or vacancies included in the quarterly report of summarized complaint data compiled pursuant to Education Code section 35186(d) that are applicable to the School Accountability Report Card(s) selected in 1., as required by Education Code section 33126(b)(5). If the information in the School Accountability Report Card is inconsistent with the information in the complaint, interview management to determine the basis of the inconsistency. If the School Accountability Report Card was inaccurate, so state in a finding.
 - b. For each school in the sample of schools selected pursuant to Section A of this guide, obtain the school district's or COE's copy of its most recently completed "Facility Inspection Tool (FIT), School Facility Conditions Evaluation" developed by the Office of Public School Construction and approved by the State Allocation Board and applicable to the School Accountability Report Card(s) selected in 1, or a local evaluation instrument that meets the same criteria, pursuant to subdivision (d) of Education Code section 17002. Compare the information contained in the FIT to the information on safety, cleanliness, and adequacy of school facilities contained in the School Accountability Report Card(s) selected in 1 for that school as required by Education Code section 33126(b)(8). If the information in the School Accountability Report Card is inconsistent with the information in the FIT, interview management to determine the basis of the inconsistency. If the School Accountability Report Card was inaccurate, so state in a finding.
 - c. For each school in the sample of schools selected pursuant to Section A of this guide, compare the information on the availability of sufficient textbooks and other instructional materials included in the School Accountability Report Card(s) selected in 1 pursuant to Education Code section 33126(b)(6)(B) with the information in the resolution and the determinations pursuant to Education Code section 60119 for the year applicable to the School Accountability Report Card(s) selected in 1. If the information in the School Accountability Report Card is inconsistent with the information in the resolution or the determinations, interview management to determine the basis of the inconsistency. If the School Accountability Report Card was inaccurate, so state in a finding.

M. JUVENILE COURT SCHOOLS

If the COE claimed any ADA for juvenile court schools which are shown on the attendance reporting forms under juvenile halls, homes and camps, or county group home and institution pupils, then perform the following procedures:

1. Determine whether the Annual report of attendance submitted to the CDE reconciles to the supporting documents by verifying the COE's juvenile court schools ADA calculations.
2. In accordance with Education Code section 41601(b), verify that a divisor of 175 was used in calculating the ADA reported in the Annual attendance reporting period.
3. Trace the ADA numbers from the Annual report of attendance to the COE's summaries.
4. Verify that the monthly site attendance summaries provide accurate information by reconciling the monthly totals (days of apportionment attendance) on the site's attendance summary to the summary maintained by the county for the Annual attendance reports.
5. Select a test month in the Annual attendance reporting period. Verify the mathematical accuracy of the monthly report and trace the totals to the site's attendance summary.
6. Select a representative sample of teachers for one period. Trace the monthly totals from the monthly report to the data origination documentation. Verify the mathematical accuracy of the attendance registers, scantron summaries, or other data arrays.
7. Verify that the minimum school day included at least 180 minutes of instruction for pupils in attendance in approved vocational education programs, work programs prescribed by the probation department pursuant to Welfare and Institutions Code section 883, and work experience programs, and at least 240 minutes of instruction for all other pupils, by reviewing the bell schedule(s) or other appropriate documentation; and that the school's practice was to schedule all pupils, other than pupils with exceptional needs whose Individualized Education Programs specified otherwise, to attend for at least the minimum day pursuant to Education Code section 48645.3.
8. Select a representative sample of pupils and verify, by reviewing class assignments, that the pupils were scheduled to attend school at least a minimum day pursuant to Education Code section 48645.3.
9. State in a finding the number(s) of inappropriately reported units of ADA, by grade span, identified through the foregoing audit procedures and an estimate of their dollar value. If there are any ungraded units of ADA, then proportionately allocate the disallowance among the grade spans.

N. MIDDLE OR EARLY COLLEGE HIGH SCHOOLS

1. Determine if the school district has a school that meets the definition of a middle college high school as described in Education Code section 11300 or early college high school as described in Education Code section 11302.
2. Select a representative sample of pupils and determine if those pupils met the instructional time and enrollment conditions set forth in Education Code section 46146.5 or 46160(a)(2).
3. State in a finding the number(s) of inappropriately reported units of ADA, by grade span, identified through the foregoing audit procedures and an estimate of their dollar value.

O. K-3 GRADE SPAN ADJUSTMENT

1. If the school district reported ADA for the audit year for kindergarten or grades 1 to 3, and provides documentation that the bargaining unit and school district have agreed to an alternative pursuant to Education Code section 42238.02(d)(3)(B) or (C) that is applicable to the audit year, then no further procedures in this section need to be performed. For additional information on K-3 grade span adjustments, see CDE's website at:

<http://www.cde.ca.gov/fg/aa/lc/lcffffaq.asp>.

2. If the school district reported ADA for the audit year for kindergarten or grades 1 to 3 and cannot provide documentation that the bargaining unit and school district have agreed to an alternative pursuant to Education Code section 42238.02(d)(3)(B) or (C) that is applicable to the audit year, select a representative sample of schoolsites that have pupils in those grades for the audit year and perform the following:
 - a. If the average class enrollment in 2012-13 was 24 pupils or less, then:
 - (1) Verify the mathematical accuracy of each schoolsite's audit year "average class enrollment" as defined in title 5, California Code of Regulations, section 15498.1(f).
 - (2) For the sites selected in procedure A.3, select a representative sample of classes in kindergarten and grades 1, 2, and 3, inclusive of combination classes, and verify the audit year "active enrollment count" as defined in title 5, California Code of Regulations, section 15498.1(d) and trace to supporting documentation.
 - b. If the average class enrollment in 2012-13 was more than 24 pupils, then:
 - (1) Verify the mathematical accuracy of the schoolsite's calculation of the "maximum average class enrollment" as defined in title 5, California Code of Regulations, section 15498.1(g) for both the prior and audit year.
 - (2) Verify the mathematical accuracy of each schoolsite's audit year "average class enrollment" as defined in title 5, California Code of Regulations, section 15498.1(f).
 - (3) Select a representative sample of classes in kindergarten and grades 1, 2, and 3, inclusive of combination classes, for the audit year and verify the "active

enrollment count” as defined in title 5, California Code of Regulations, section 15498.1(d) and trace to supporting documentation.

3. If the testing in 2.a. resulted in any of the schoolsites’ “average class enrollment” exceeding 24 pupils, or if the testing in 2.b. resulting in any of the schoolsites’ “average class enrollment” exceeding the “maximum average class enrollment” include a finding which shows the estimated amount of kindergarten and grades 1-3 grade span adjustment received as disallowed.

P. TRANSPORTATION MAINTENANCE OF EFFORT

1. Determine if the LEA had any transportation expenditures as specified in Education Code section 2575(k) or 42238.03(a)(6)(B) in the 2012-13 fiscal year.
2. If the LEA did have transportation expenditures in the 2012-13 fiscal year, determine if the LEA expended the lesser of the amount expended in 2012-13, or the amount of revenue received in 2012-13, as adjusted by Education Code section 42238.03(a)(6)(A)(iii), in the fiscal year being audited pursuant to the statutes cited in 1. The adjusted amount received may be found by fiscal year by going to the following page on CDE’s website: <http://www.cde.ca.gov/fg/aa/pa/index.asp#fiscalyear>; selecting the audit year under the headings titled Second Principal (P-2) Funding Exhibits; and from the dropdown menus select:
 - Period: P-2
 - Entity: LEA type being audited
 - Program: “2012-13 Categorical Program Entitlements Subsumed into LCFF”
 - Other LEA information, as applicable
 - Select Preview Report, and add Lines A-8 and A-9 in the Deficited Column.
3. If the LEA was not in compliance with the transportation expenditure requirements, report the noncompliance as a finding.

Q. APPRENTICESHIP: RELATED AND SUPPLEMENTAL INSTRUCTION

1. Select a representative sample of apprentices enrolled in a program for which related and supplemental instruction hours were reported by any participating apprenticeship program sponsor, pursuant to Education Code sections 8150.5, 8152, and 79149.3. Verify the hours reported and claimed are eligible, by tracing the hours reported to source documents (e.g. pupil sign in sheets, timesheets, apprenticeship rosters).
2. For isolated apprentices, as defined by Labor Code section 3074, select a representative sample of pupils and obtain evidence that supports attendance during instructional events.
3. Report any noncompliance and the estimated dollar value in a finding.

R. COMPREHENSIVE SCHOOL SAFETY PLAN

1. Verify the LEA has a process in place to ensure its schools have a comprehensive school safety plan that is approved by the LEA.
2. Select a representative sample of schools of the LEA and verify each school has adopted its comprehensive school safety plan as described in Education Code Section 32282 and reviewed and updated its plan by March 1.
3. If a school did not have a comprehensive school safety plan, verify the LEA notified the State Department of Education by October 15.
4. Report a finding identified through the foregoing audit procedures.

S. DISTRICT OF CHOICE

1. Determine if the governing board of a school district elected to operate as a school district of choice.
2. If the governing board of a school district elected to operate as a school district of choice, perform the following:
 - a. Verify the school district of choice registered as a school district of choice with the California Department of Education and the county board of education where the school district of choice is located.
 - b. Verify the school district of choice adopted by resolution the number of transfers it is willing to accept and that the school district accepted all pupils who apply to transfer until the school district is at maximum capacity.
 - c. Review the school district's selection process and inquire into whether the process avoided inquiry into student characteristics as defined in EC Section 48301(a), except for determining priority for pupils eligible for free or reduced-price meals, siblings of current students, or children of military personnel pursuant to EC Section 48306.
 - d. If the number of transfer applications exceeded the number of transfers the governing board of a school district of choice elected to accept, verify a public drawing was held by reviewing the board minutes of which the determination was made at a regularly scheduled meeting of the governing board.
 - e. Verify the school district of choice collected the required data in EC Section 48313 (a).
3. Report any noncompliance in a finding.

SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS

T. CALIFORNIA CLEAN ENERGY JOBS ACT

1. Select a representative sample of California Clean Energy Jobs Act expenditures and verify they were consistent with the energy expenditure plan(s), and any amendments, approved by the California Energy Commission pursuant to section 26235(f) of the Public Resources Code, and applicable California Energy Commission implementation guidelines.

Additional information, including the guidelines, can be found on the California Energy Commission's website at:

<http://www.energy.ca.gov/efficiency/proposition39/index.html>

2. Verify that the total expenditures for planning funds did not exceed the planning fund award amount.

The total award available for planning can be found on the California Department of Education's website at: Proposition 39 – Multi-year Schedule:

<http://www.cde.ca.gov/fg/aa/ca/prop39cceja.asp>.

3. If any California Clean Energy Jobs Act expenditures are found to have been made for nonqualifying purposes or not in accordance with law, pursuant to 1 and 2, list such expenditures by type and amount, and state the total in a finding.
4. If an Energy Expenditure Plan project was completed between 12 and 15 months prior to any month in the audit year, determine if the LEA submitted a final project completion report of its project expenditures, as defined in the California Energy Commission's "Proposition 39: California Clean Energy Jobs Act – Program Implementation Guidelines" applicable to the audit year.
5. Determine if any of the approved projects from the Energy Expenditure Plan include:
 - a. a school facility not publicly owned that is voluntarily vacated by the LEA within five years of the project completion and California Clean Energy Jobs Act funds have not been returned.
 - b. a school facility not publicly owned that an LEA is forced to vacate within the life of the project completion and California Clean Energy Jobs Act funds have not been returned.
 - c. facilities that are not used in accordance with state statute or regulation, have been torn down or remodeled or is deemed to be surplus and sold prior to the payback, as defined in the California Energy Commission's "Proposition 39: California Clean Energy Jobs Act Program Implementation Guidelines," applicable to the audit year, of the project and California Clean Energy Jobs Act funds have not been returned.
6. If the LEA did not submit a final project completion report of its project expenditures, or met any of the conditions in 5, include a finding identifying the project, the date the

project was completed, the date and a description of the facility that met one of the conditions in 5, if applicable, including a disallowance of the funding received for that project. If the LEA was subject to 5(b) in this section, include in the finding the facility owner and address as the facility owner will be subject to repayment pursuant to Public Resources Code 26235 (i).

U. AFTER/BEFORE SCHOOL EDUCATION AND SAFETY PROGRAM

1. If the LEA operated an after school program component:
 - a. Determine whether the LEA had a policy regarding reasonable early daily release of pupils from the program.
 - b. Select a representative sample of schools for which data was reported to the CDE for the after school base grant program.
 - c. For each school in the sample, determine whether the after school program commenced every day immediately upon the conclusion of the regular schoolday, operated a minimum of 15 hours per week, and operated until at least 6:00 p.m. every regular schoolday. Report noncompliance in a finding.
 - d. For each school in the sample, select a representative sample of attendance days to determine whether the reported number of pupils served is supported by written records, by tracing the reported daily attendance numbers through any documentation used to summarize the number of pupils served, to originating data. If the LEA misreported the attendance of the number of students served in any school in the sample, include the misreporting in a finding.
 - e. For each school in the sample, determine whether the LEA has a process or procedure that gives first priority for enrollment to pupils who are identified by the program as homeless youth or in foster care at the time they apply for enrollment; and for each middle or junior high school in the sample, second priority for enrollment to pupils who attend daily. Report noncompliance in a finding.
 - f. If a pupil in any sample attended less than the full day, verify the reason for early release was consistent with the established early release policy. Report noncompliance in a finding.
2. If the LEA operated a before school program component:
 - a. Determine whether the LEA had a policy regarding reasonable late daily arrival of pupils to the program.
 - b. Select a representative sample of schools for which data was reported to the CDE for the before school base grant program.
 - c. For each school in the sample, determine whether the LEA operated the before school program for not less than one and one-half hours per regular schoolday. Report noncompliance in a finding.
 - d. Select a sample of attendance days to determine whether the reported number of pupils served is supported by written records, by tracing the reported numbers

- through any documentation used to summarize the numbers of pupils served, to originating data. If the LEA misreported the attendance of the number of students served in any school in the sample, include the misreporting in a finding.
- e. For each school in the sample, determine whether the LEA has a process or procedure that gives first priority for enrollment to pupils who are identified by the program as homeless youth or in foster care at the time they apply for enrollment; and for each middle or junior high school in the sample, second priority for enrollment to pupils who attend daily. Report noncompliance in a finding.
 - f. If any pupils reported on the report of pupils served attended for one-half day or more but less than the full day, determine whether the attendance was consistent with the established late arrival policy. Report noncompliance in a finding.
3. General requirements:
- a. Verify that the LEA contributed cash or in-kind local funds, equal to not less than one-third of the total state grant, from the school district, other governmental agencies, community organizations, or the private sector. Facilities or space usage may not fulfill more than 25 percent of the required local contribution.
 - b. Review program expenditures by performing the following procedures:
 - (1) Verify that expenditures of state funds for indirect costs were the lesser of the LEA's indirect cost rate as approved by the CDE for the year audited, or 5 percent of the state funding received.
 - (2) Verify that not more than 15 percent of the state funding was expended for administrative costs, including indirect costs charged to the program.
 - (3) Verify that not less than 85 percent of the state funding was allocated to schoolsites for direct services to pupils.
 - c. Report any noncompliance of these general requirements in a finding.

V. PROPER EXPENDITURE OF EDUCATION PROTECTION ACCOUNT FUNDS

1. Verify that funds provided from the Education Protection Account have been properly expended as required by Article XIII, Section 36, Subdivision (e), Paragraph (6) of the California Constitution.
2. Report noncompliance in a finding.

W. UNDUPLICATED LOCAL CONTROL FUNDING FORMULA PUPIL COUNTS

1. For every school tested for attendance in A or AA of this audit guide, excluding juvenile court schools, obtain a copy of the school's certified "1.18 – FRPM / English Learner / Foster Youth – Student List" report with Age Eligibility filter set to "LCFF" (excludes any transitional kindergarten students who had their fifth birthday after December 2). The certified report will not have a "Not Certified" watermark on the report in the Snapshot

View. For additional information on Unduplicated Local Control Funding Formula Pupil Counts, see California Department of Education website at:
<http://www.cde.ca.gov/fg/aa/lc/lcfaq.asp>

For each student list obtained:

- a. Select a representative sample, to achieve a high level of assurance, from the students indicated as only free or reduced priced meal eligible (FRPM) identified under the "NSLP Program" column (which means students are indicated as a "No" under the "Direct Certification" column, a "No" under foster column, a "No" under the "Homeless" column, blank under the "Migrant Ed Program" column, and "181-Free" or "182-Reduced" under the "NSLP Program" column) and verify there is supporting documentation such as a FRPM eligibility application under a federal nutrition program, an alternative household income data collection form that indicates the student was eligible for the designation, or a direct certification list obtained from the county welfare department, or COE, that matches enrolled students against those children/households receiving CalFresh (or CALWORKs) benefits. If a student in the sample transferred to another LEA, the LEA may obtain the documentation from the LEA the student transferred to, or another student may be selected for the sample.

For schools designated as Provision 2 or 3 or the Community Eligibility Provision under the NSLP, confirm the LEA followed data collection procedures pursuant to Education Code section 42238.01 (a) by ensuring that supporting documentation for the school was either 1) collected in the current year, or 2) collected in the school's designated LCFF base year (students enrolled after the base year should have supporting documentation from the year enrolled.)

- b. Select a representative sample, to achieve a high level of assurance, from the students that are only English Learner (EL) eligible (which means students are indicated as a "No" under the "Direct Certification" column, a "No" under "Foster" column, a "No" under the "Homeless" column, blank under the "Migrant Ed Program" column, a blank under the "NSLP Program" column, and "EL" under the "ELAS Designation" column) and verify there is supporting documentation that indicates the student was eligible for the designation, such as (a) a copy of the parent/guardian notification letter that states the pupil is initially designated as an EL or is a continuing EL, and a copy of the California English Language Development Test (CELDT) Student Performance Level Report that indicates the student's overall performance and domain scores do not meet the CELDT criterion for English proficiency, or (b) if the results on the Student Performance Level Report indicate that the student has met the CELDT criterion for English proficiency, the LEA's Policy/Procedures for Reclassification and documentation that was used to determine the student's EL status consistent with the LEA policy. If a student in the sample received his or her EL designation while enrolled at a prior LEA or transferred

- to another LEA, the LEA may obtain the documentation from the LEA the student transferred from or to, or another student may be selected for the sample.
- c. Select a representative sample, to achieve a high level of assurance, from the students that are both included in the "NSLP Program" column and the "ELAS Designation" column (which means students are indicated as a "181-Free" or "182-Reduced" under the "NSLP Program" column, and "EL" under the "ELAS Designation" column and verify that there is supporting documentation for at least one of the designations as required by steps 1(a) or 1(b). If a student in the sample transferred to another LEA, the LEA may obtain the documentation from the LEA the student transferred to, or another student may be selected for the sample. If a student in the sample received his or her EL designation while enrolled at a prior LEA, the LEA may obtain the documentation from the LEA the student transferred from, or another student may be selected for the sample.
2. For any errors noted in testing procedures described in 1, determine the total impact of that error on the specific section tested and the individual schoolsite. This determination should be made either by an extrapolation of the impact of the error, further audit procedures, or testing of 100 percent of the population where the error was discovered.
 3. Based on the results of the procedures described in 1 and 2, select additional schools as deemed necessary, e.g., if similar errors of inaccuracy or miscalculation would be likely to produce material results in those schools, and perform those procedures on each additional school.
 4. If any of the unduplicated pupil counts were inappropriately reported, report in a finding the method for determining the total impact of the finding on the LEA, and include a schedule of unduplicated pupil counts summarizing the results of the procedures and displaying any calculating inappropriately reported unduplicated pupil counts and the estimated dollar impact. The schedule should include the LEA's certified total unduplicated pupil count and enrollment count as funded under the Local Control Funding Formula, show increases or decreases to the unduplicated pupil count based on any audit adjustments by including the following: enrollment adjustments; unduplicated pupil count adjustment based on eligibility for FRPM; unduplicated pupil count adjustment based on eligibility for EL funding; unduplicated pupil count adjustment based on eligibility for both FRPM and EL; and the adjusted total unduplicated pupil count and enrollment counts of the LEA.

Enrollment and Unduplicated Pupil counts as funded under the Local Control Funding Formula can be found by selecting the applicable audit year on the CDE website at: <http://www.cde.ca.gov/fg/aa/pa/>

To find the counts for a specific LEA first select the fiscal year under review. On the next page, select Funding Exhibits-Second Principal Apportionment. On the next page, Second Principal Apportionment (P2) for the appropriate fiscal year, select audit year P-

2 from the drop down menu, and select the type of entity (County Office of Education, School District, or Charter School). Next select County Unduplicated Pupil Percentage, School District Unduplicated Pupil Percentage, or Charter School District Unduplicated Pupil Percentage depending on the entity type. Next select the appropriate county and LEA.

5. Charter schools should be presented separately and should not be combined with district or COE data on this schedule. For COEs and charter schools that operate COE programs, separately report pupils funded pursuant to Education Code section 2574(c)(4)(A), juvenile court pupils funded pursuant to Education Code section 2574(c)(4)(B), and all other pupils. For COEs, the district of residence needs to be identified for pupils in the "all other pupils" category.

X. LOCAL CONTROL AND ACCOUNTABILITY PLAN

1. Obtain a copy of the LEA's approved local control and accountability plan for the audit year.
2. Select a sample of actions or services the LEA described in the annual update of the plan that the LEA identifies as having actual expenditures.
3. Select a sample of actual expenditures for actions or services identified pursuant to 2 and examine supporting documentation to determine whether the expenditures were made consistent with the actions or services.
4. If the expenditures selected pursuant to 3 were not made consistent with the identified actions or services, so state in a finding.
5. For county offices of education and school districts only, verify the LEA:
 - a. Presented the local control and accountability plan to the parent advisory committee in accordance with Education Code section 52062(a)(1) or 52068(a)(1), as appropriate.
 - b. If applicable, presented the local control and accountability plan to the English learner parent advisory committee, in accordance with Education Code section 52062(a)(2) or 52068(a)(2), as appropriate.
 - c. Notified members of the public of the opportunity to submit comments regarding specific actions and expenditures proposed to be included in the local control and accountability plan in accordance with Education Code section 52062(a)(3) or 52068(a)(3), as appropriate.
 - d. Held at least one public hearing in accordance with Education Code section 52062(b)(1) or 52068(b)(1), as appropriate.
 - e. Adopted the local control and accountability plan in a public meeting in accordance with Education Code section 52062(b)(2) or 52068(b)(2), as appropriate.
6. If the county office or school district was not in compliance with any of the requirements listed in 5, so state in a finding.

Y. INDEPENDENT STUDY-COURSE BASED

NOTE: An LEA must be audited for two consecutive years when operating an independent study – course based program. Thereafter, the program must be audited if the number of units of ADA reported is material as shown in the materiality level table.

1. If an LEA reported ADA pursuant to Education Code section 51749.5, then verify the following:
 - a. The governing board or body of the participating school district, county office of education, or charter school (“LEA”) adopted policies, at a public meeting, that comply with the requirements of Education Code section 51749.5 and any applicable regulations adopted by the state board
 - b. There is a signed learning agreement, which may be a physical or electronic copy, on file for each pupil participating that contains all the following information:
 - (1) A summary of the policies and procedures adopted by the governing board or body of the LEA pursuant to Education Code section 51749.5, as applicable;
 - (2) The duration of the enrolled course or courses, the duration of the learning agreement, and the number of course credits for each enrolled course consistent with certifications adopted by the governing board or body of the school district or county office of education pursuant to Education Code section 51749.5. The duration of the learning agreement shall not exceed a school year or span multiple school years;
 - (3) The learning objectives and expectations for each course, including, but not limited to, a description of how satisfactory educational progress is measured and when a pupil evaluation is required to determine whether the pupil should remain in the course or be referred to an alternative program, which may include, but is not limited to, a regular school program;
 - (4) The specific resources, including materials and personnel, that will be made available to the pupil;
 - (5) A statement that the pupil is not required to enroll in courses authorized pursuant to Education Code section 51749.5; and
 - (6) The signature of the pupil and, if the pupil is less than 18 years of age, the pupil’s parent or legal guardian, and all certificated employees providing instruction, with each signature dated before instruction may commence.
 - c. Courses are taught under the general supervision of a certificated employee who is employed by the LEA at which the pupil is enrolled, or by an LEA that has a memorandum of understanding to provide the instruction in coordination with the LEA at which the pupil is enrolled.
 - d. Courses are annually certified by a resolution of the governing board or body of the LEA providing the instruction, to be of the same rigor and educational quality as equivalent classroom-based courses, and aligned to all relevant local and state content standards.
 - e. The course certification shall, at the minimum, include the duration, number of equivalent daily instructional minutes for each schoolday that a pupil is enrolled, number of equivalent total instructional minutes and the number of course credits for each course.

- f. It was the LEA's policy or practice to ensure that pupils were not assessed a fee prohibited by Education Code section 49011 (ascertain, e.g., by interviewing LEA administrative personnel).
 - g. It was the LEA's policy or practice to ensure no pupil was prohibited from participating in independent study solely on the basis that he or she does not have the materials, equipment or internet access that are necessary to participate in the independent study course (ascertain, e.g., by interviewing LEA administrative personnel).
 - h. Statewide testing results for pupils were reported and assigned to the school at which the pupil was enrolled and to any LEA within which that school's testing results were aggregated.
 - i. Pupils enrolled in courses were offered the minimum annual instructional minutes pursuant to Education Code sections 46200 to 46208 inclusive, or, for charter schools, Education Code section 47612.5:
2. From the course-based independent study attendance records, select a representative sample of pupils and perform the following procedures:
 - a. Verify that pupils enrolled in courses met the applicable age requirements established pursuant to Education Code sections 46300.1, 46300.4, 47612 and 47612.1.
 - b. Verify that pupils enrolled in courses met the applicable residency and enrollment requirements of Education Code sections 46300.2, 47612, 48204, and 51747.3:
 - c. Verify that certificated employees communicated with each pupil in-person, by telephone, or by any other live visual or audio connection no less than twice per calendar month to assess whether each pupil is making satisfactory educational progress.
 - d. Verify that written or computer-based evidence of satisfactory educational progress was retained for each course and pupil. At a minimum, this evidence shall include a grade book or summary document that, for each course, lists all assignments, examinations, and associated grades.
 - e. If satisfactory educational progress was not being made, verify that certificated employees providing instruction notified the pupil and, if the pupil was less than 18 years of age, the pupil's parent or legal guardian, and conducted an evaluation to determine whether it was in the bests interest of the pupil to remain in the course or whether he or she should be referred to an alternative program, which may include, but is not limited to, a regular school program.
 - f. For pupils tested, verify that the combined equivalent daily instructional minutes for enrolled courses authorized by all other laws and regulations met the minimum instructional day requirements applicable to the LEA.
 3. For each pupil enrolled in one or more courses authorized pursuant to Education Code section 51749.5(b), verify that attendance was separately computed and recorded as average daily attendance earned pursuant to Education Code section 51749.5(b).
 4. If more than 10 percent of total average daily attendance of a LEA is claimed pursuant to Education Code section 51749.5, verify that the amount of average daily attendance for the LEA reported from course-based independent study was reduced by either the

statewide average rate of absence for elementary school districts for kindergarten and grades 1 to 8 inclusive, or (b) the statewide average rate of absence for high school districts for grades 9 to 12, inclusive, as applicable, as calculated by the department for the prior fiscal year.

5. Verify that the LEA calculated its independent study ratio consistent with Education Code section 51745.6(a).
6. State in a finding the number(s) of inappropriately reported units of ADA, by grade span, identified through the foregoing audit procedures, and an estimate of the dollar value. If there are any ungraded units of ADA, then proportionately allocate the disallowance among the grade spans.

Z. [Reserved]

CHARTER SCHOOLS

AA. ATTENDANCE

1. Determine whether the P2 and Annual reports of attendance submitted to the CDE are supported by written contemporaneous records that document all pupil attendance included in the charter school's ADA calculations, by tracing the ADA numbers from the P2 and Annual reports of attendance through any documentation used by the charter school to summarize attendance, to written contemporaneous data origination documents.
2. Determine whether the charter school calculated ADA in accordance with Education Code section 47612 and title 5, California Code of Regulations, section 11960.
 - a. Verify that the ADA as reported on the P2 and Annual reports of attendance were computed by dividing the charter school's total number of pupil-days of attendance by the number of calendar days on which school was taught in the charter school through the P2 and Annual apportionment periods.
 - b. Verify that for purposes of determining the charter school's total number of pupil-days of attendance, no pupil generated more than one day of attendance in a calendar day.
 - c. Verify that the number of calendar days of attendance used in the divisor corresponds to the school calendar.
 - d. If the charter school operates a multi-track calendar, verify compliance with Education Code section 47612, by the following steps:
 - (1) Verify that ADA was calculated separately for each track. The divisor in the calculation shall be the calendar days in which school was taught for pupils in each track.
 - (2) Verify that the charter school operated no more than five tracks.
 - (3) Verify that the charter school operated each track for a minimum of 175 days. If the charter school is a conversion school that had operated a multi-track year-round schedule, the charter school was authorized to continue its previous schedule as long as it provided no fewer than 163 days of instruction in each track.
 - (4) For each track, verify that the charter school provided the total number of instructional minutes, as specified in Education Code section 47612.5.
 - (5) Verify that no track had less than 55 percent of its schooldays before April 15.
 - (6) Unless otherwise authorized by statute, verify that no pupil generated more than one unit of ADA in a fiscal year.
 - e. For any pupil over the age of 19 years that generated attendance for apportionment purposes in the charter school, verify the pupil met both of the following conditions, unless the charter school program is as specified in Education Code section 47612.1:
 - (1) The pupil was enrolled in a public school in pursuit of a high school diploma (for a pupil in special education, an Individualized Education Program (IEP)) while 19 years of age and, without a break in public school enrollment since that time, is enrolled in the charter school and is making satisfactory progress towards award

of a high school diploma (for a pupil in special education, satisfactory progress in keeping with an IEP) consistent with the definition of satisfactory progress set forth in title 5, California Code of Regulations, section 11965(h).

- (2) The pupil is not older than 22.
3. Trace the number of school days reported on the Annual attendance report to the school calendar to confirm the number of days reported.
4. Calculate any inappropriately reported units of ADA, by grade span, identified through the foregoing audit procedures. State in a finding the number(s) of units of ADA that were inappropriately reported for apportionment and an estimate of their dollar value. If there are any ungraded units of ADA, then proportionately allocate the disallowance among the grade spans.
5. If the number of school days reported on the Annual attendance report is incorrectly reported as determined in 3 above, report a finding which includes the correct number of school days taught in the fiscal year. If the charter school operates multiple tracks, report the finding by individual tracks.

BB. MODE OF INSTRUCTION

1. If ADA was reported to the CDE by the charter school as generated through classroom-based instruction, determine whether that attendance was generated in compliance with all of the following conditions:
 - a. The charter school's pupils were engaged in educational activities required of those pupils and the pupils were under the immediate supervision and control of an employee of the charter school who possessed a valid teaching certification in accordance with Education Code section 47605(l).
 - b. At least 80% of the instructional time offered at the charter school was at the schoolsite, as defined in title 5, California Code of Regulations, section 11963(b).
 - c. The charter school's schoolsite was a facility that was used principally for classroom instruction as that term is defined in title 5, California Code of Regulations, section 11963(b)(1).
 - d. The charter school required its pupils to be in attendance at the schoolsite at least 80% of the minimum instructional time required pursuant to Education Code section 47612.5(a)(1). If a charter high school did not require its pupils to be in attendance at least 80% of the instructional time required, determine if the school is a middle or early college high school and meets the conditions in Education Code section 46146.5 which includes an alternative instructional time requirement.
2. If any ADA reported to the CDE as classroom-based instruction was not generated in compliance with all of the preceding conditions, but was generated in full compliance with the requirements set forth in Audit Guide Section CC, state in a finding the number of units of ADA that were misreported as classroom-based instruction but eligible for nonclassroom-based ADA. If it was not generated in full compliance with the requirements set forth in Audit Guide Section CC, state in a finding the number of units of ADA that were inappropriately reported for apportionment and an estimate of their dollar value.

CC. NONCLASSROOM-BASED INSTRUCTION/INDEPENDENT STUDY

If ADA was reported by the charter school to the CDE as generated through nonclassroom-based instruction (independent study), or was reported as generated through classroom-based instruction but was not generated in compliance with all of the conditions set forth in Section BB, perform the following procedures:

1. Determine whether the governing body of the charter school had adopted written policies for independent study as required by Education Code section 51747. If it had not, any reported ADA generated through independent study is not eligible for apportionment. If the required policies were in place, determine whether any reported ADA was generated before the written policies were adopted. Any reported ADA generated through independent study before the written policies were adopted is not eligible for apportionment.
2. Verify the charter school's independent study ratio calculation, made pursuant to title 5, California Code of Regulations, section 11704, of ineligible ADA, if any, generated through independent study.
3. Verify that the documentation used by the charter school to summarize monthly attendance provides accurate information. If the charter school had multiple sites providing independent study, select a sample of schoolsites that is representative of the charter school's grade spans (elementary, middle, and high schools) and sufficient in size to allow the auditor to draw a reasonable conclusion with respect to the charter school's compliance with independent study requirements. Perform the following procedures:
 - a. Determine the total number of days of attendance reported for each site in the sample that resulted from attendance by pupils while engaged in independent study. Reconcile the monthly totals (days of apportionment attendance) on the site's attendance summary to the summary maintained by the charter school for the P2 attendance report.
 - b. Select a test month in the P2 attendance reporting period. Verify the mathematical accuracy of the monthly report, or its nearest equivalent if no monthly report is prepared, and trace the totals to the site's attendance summary.
 - c. Verify that a certificated employee of the charter school, as defined by title 5, California Code of Regulations, section 11700.1, coordinated, evaluated, and provided general supervision (as that term is defined in title 5, California Code of Regulations, section 11700(b)), of each pupil's independent study, as required by Education Code section 51747.5(a).
 - d. Select a representative sample of teachers. Verify the mathematical accuracy of the teachers' attendance records of pupil attendance. Trace the monthly totals from the monthly report to the attendance records.
4. From the attendance records, select a representative sample of the pupils for whom ADA generated through independent study was claimed, including pupils on intermittent ("short-term") independent study, if the charter school offered that option, and perform the following procedures:

- a. Determine each pupil's county of residence at the time of commencing independent study and verify that it is the county in which the apportionment claim is reported or a contiguous county within California.
- b. Determine whether mailing addresses or other evidence of residency changed during the time the pupils were in independent study and, if so, whether each pupil remained a resident of the same or a contiguous county within California.
- c. Verify that, on each day for which a pupil's attendance was reported, the pupil engaged in an educational activity or activities required of him or her by the charter school.
- d. Verify that each day of each pupil's attendance included in calculations of ADA took place on one of the charter school's schooldays.
- e. Verify that a total of not more than one day of attendance was recorded for each pupil for any calendar day on which school was in session.
- f. Verify that a written agreement exists for each pupil.
- g. Verify that every written agreement contained all the elements required by Education Code section 51747(c):
 - (1) The manner, time, frequency, and place for submitting a pupil's assignments and for reporting his or her progress
 - (2) The objectives and methods of study (pupil activities selected by the supervising teacher as the means to reach the educational objectives set forth in the written agreement) for the pupil's work
 - (3) The methods utilized to evaluate that work (any specified procedure through which a certificated teacher personally assesses the extent to which achievement of the pupils meets the objectives set forth in the written assignment)
 - (4) The specific resources, including materials and personnel, to be made available to the pupils (resources reasonably necessary to the achievement of the objectives in the written agreement, not to exclude resources normally available to all pupils on the same terms as the terms on which they are normally available to all pupils)
 - (5) A statement of the policies adopted pursuant to subdivisions (a) and (b) of Education Code section 51747:
 - (A) The maximum length of time allowed between the assignment and the completion of a pupil's assigned work; and
 - (B) The number of assignments a pupil may miss before there must be an evaluation of whether it is in the pupil's best interests to continue in independent study
 - (6) The duration of the independent study agreement, including the beginning and ending dates for the pupil's participation in independent study under the agreement, with no agreement being longer than one school year
 - (7) A statement of the number of course credits or, for the elementary grades, other measures of academic accomplishment appropriate to the agreement, to be earned by the pupil upon completion

- (8) A statement in each independent study agreement that independent study is an optional educational alternative in which no pupil may be required to participate
- (9) Signatures, affixed prior to the commencement of independent study, by:
 - (A) The pupil;
 - (B) The pupil's parent, legal guardian, or caregiver as that term is used in Family Code section 6550 and following, if the pupil was less than 18 years of age;
 - (C) The certificated employee who was designated as having responsibility for the general supervision of the pupil's independent study; and
 - (D) All other persons, if any, who had direct responsibility for providing assistance to the pupil
- h. Verify that no days of attendance were reported for dates prior to the signing of the agreement by all parties.
- i. Verify that pupil work samples have been retained in the file.
- 5. If any inappropriately reported units of ADA were identified through the foregoing audit procedures, state in a finding such number(s) of units of ADA by grade span and estimate their dollar value. If there are any ungraded units of ADA, then proportionately allocate the disallowance among the grade spans.

DD. DETERMINATION OF FUNDING FOR NONCLASSROOM-BASED INSTRUCTION

If more than 20 percent of the charter school's total ADA was generated through nonclassroom-based instruction (independent study) as set forth in Section AA, perform the following procedures:

- 1. Determine whether the charter school has:
 - a. A multi-year funding determination, made pursuant to Education Code sections 47612.5(d) and 47634.2(d), that applies to the year being audited and that was granted in a year prior to the year being audited; or
 - b. A funding determination otherwise applicable to the year audited.
- 2. If the charter school does not have either type of funding determination specified in subdivision 1 of this section, the charter school was not eligible for funding for any ADA generated through nonclassroom-based instruction. State in a finding the number of units of ADA, by grade span, that were inappropriately reported for apportionment and an estimate of their dollar value. If there are any ungraded units of ADA, then proportionately allocate the disallowance among the grade spans.
- 3. If the charter school has a funding determination as specified in 1(b), and the charter school was in operation in the fiscal year prior to the year being audited, verify the accuracy of the following data submitted by the charter school to the CDE on the nonclassroom-based funding determination form applicable to the year being audited:
 - a. The charter school's federal revenues, including start-up, implementation, and dissemination grant(s); state revenues; local revenues, including in lieu of property taxes; and other financing sources;
 - b. The charter school's total expenditures for instruction and related services;

- c. The charter school's total expenditures for salaries and benefits for all certificated employees as defined in title 5, California Code of Regulations, section 11963.3(c)(1);
 - d. The charter school's pupil-teacher ratio calculated pursuant to title 5, California Code of Regulations, section 11704, and, if submitted, the pupil-teacher ratio of the largest unified school district in the county or counties in which the charter school operates; and
 - e. The listing of entities that received, in the previous fiscal year, \$50,000 or more or ten percent or more of the charter school's total expenditures identified pursuant to title 5, California Code of Regulations, section 11963.3(a)(5), subparagraphs (B), (C), (D) and (E); the amount received by each entity; whether each of any such contract payments was based upon specific services rendered or upon an amount per unit of ADA or some other percentage; and an identification of which entities, if any, had contracts that included provision for payments based on a per unit of ADA amount or some other percentage.
4. If any inaccurate data is identified through the foregoing audit procedures, include in a finding a schedule displaying the inaccurate data and the corresponding correct data.
 5. If a funding determination applicable to the year audited was made for the charter school by the State Board of Education, pursuant to Education Code section 47634.2, confirm that the governing board of the charter school has adopted and implemented conflict of interest policies as required by title 5, California Code of Regulations, section 11963.3(b)(1)(C). If the governing board of the charter school has not adopted, or has adopted but has not implemented, conflict of interest policies as required, include a finding that states the policies were not adopted, if that is the case; or that the policies were not implemented, if that is the case, and describes the relevant facts.

EE. ANNUAL INSTRUCTIONAL MINUTES - CLASSROOM BASED

1. Review the charter school's attendance calendar and bell (class) schedules or other available comparable documentation. If the charter school has multiple sites, select a sample of schoolsites that is representative of the charter school's grade spans (elementary, middle and high schools).
2. For each sampled site, compare the amount of instructional minutes offered for each grade level during the year being audited to the amount of instructional minutes required pursuant Education Code section 47612.5(a)(1).
3. Determine whether the charter school offered optional classes to satisfy instructional minutes requirements. If enrollment in optional classes was low, review the charter school's documentation of class offerings to ensure that the charter school acted effectively to comply with the law. Practices that are not consistent with effectively offering instructional time may include, but are not limited to, offering only a small number of courses that are appropriate only for limited numbers of pupils, and courses scheduled such that pupils may take them only by giving up their lunch period.
4. Prepare the "Schedule of Instructional Time" that must be presented in the Supplementary Information section of the audit report, showing by grade span the

minimum instructional minutes requirements specified in Education Code section 47612.5(a)(1), the instructional minutes offered during the year being audited showing the sampled site with the lowest number of minutes offered at each grade span, and whether the charter school complied with the instructional minutes provisions.

5. If the charter school did not offer the required number(s) of instructional minutes, prepare a separate schedule for each site, showing only the grade level(s) that were not in compliance, and calculate a proportional reduction in apportionment consistent with subdivision (c) of Education Code section 47612.5. In a finding, include both the schedule(s) and the calculated reduction in apportionment.

FF. CHARTER SCHOOL FACILITY GRANT PROGRAM

If the charter school received Charter School Facility Grant Program funding, pursuant to Education Code section 47614.5, for the year audited, perform the following procedures:

1. Verify that grant funds have been used for (1) costs associated with facilities rents and leases, for charter school facilities used principally for classroom instruction, (2) costs for remodeling buildings, deferred maintenance, initially installing or extending service systems and other built-in equipment, and improving sites, or (3) common area maintenance charges limited to maintaining the facility and its common areas.
2. If the charter school was not in compliance with the requirements recited in 1 of this section, include a finding listing by category the amount(s) of grant funds that were inappropriately spent.

Appendix A:

LOCAL SCHOOL CONSTRUCTION BOND AUDITS

SCOPE/AUDITOR JUDGEMENT

This appendix constitutes the guide for the financial and performance audits required for school facility projects by subparagraphs (C) and (D) of paragraph (3) of subdivision (b) of section 1 of Article XIII A of the California Constitution. The regulations in this Appendix are not a complete manual of procedures; auditors must exercise professional judgment.

AUDITING STANDARDS

Audits shall be conducted in accordance with the auditing standards set forth in *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of this Appendix.

REPORT COMPONENTS FOR FINANCIAL AUDITS

- (a) Table of Contents Table of Contents
- (b) Financial Section
- (c) Independent Auditor's Report
- (d) Balance Sheet
- (e) Statement of Revenues, Expenditures, and Changes in Fund Balance
- (f) Notes to the Financial Statements
- (g) Independent Auditor's Report on Internal Control over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Accounting Standards*. [This Report specifies material instances of noncompliance, if any; defines material weakness and, when relevant, significant deficiency, and describes the significant deficiencies and material weaknesses disclosed by the audit; states that the auditor's consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and a statement about whether the auditor believes any of the significant deficiencies noted were material weaknesses; includes a statement that additional matters were communicated to the auditee in a management letter, if that is the case; specifies all instances of fraud and illegal acts, if any, disclosed by the audit, unless clearly inconsequential; specifies material violations of provisions of contracts and grant agreements, if any; specifies material abuse, if any, disclosed by the audit; and does all this in accordance with the financial reporting requirements specified in the Codification of Statements on Auditing Standards, and in *Government Auditing Standards*, as applicable to the year being audited.]
- (h) Schedule of Findings and Recommendations which is that part of the Findings and Recommendations Section that presents all audit year findings and a copy of each management letter issued
- (i) Schedule of Prior Audit Findings, which is that part of the Findings and Recommendations section that presents the status of actions taken by the auditee on each of the findings and recommendations in the prior year audit, and includes as

current year findings and recommendations those prior year findings that have not been resolved

REPORT COMPONENTS FOR PERFORMANCE AUDITS

The report of each performance audit performed pursuant to this Appendix shall contain:

- (a) The objectives, scope, and methodology of the audit
- (b) The audit results, including findings, conclusions, and recommendations, as appropriate
- (c) A statement about the auditor's compliance with *Government Auditing Standards*
- (d) A summary of the views of responsible officials
- (e) If applicable, the nature of any confidential or sensitive information omitted.

A. FINANCIAL AUDIT PROCEDURES

1. Determine whether the bond fund financial statements present fairly, in all material respects, the financial position of the fund for the year ended, and the results of its operations for the period then ended, in conformance with accounting principles generally accepted in the United States of America.
2. Test internal control over financial reporting and compliance with laws, regulations, or provisions of contracts or grant agreements.
3. If deficiencies in internal control, noncompliance with laws, regulations, or provisions of contracts or grant agreements; fraud; or abuse; are identified, describe them in a finding.

B. PERFORMANCE AUDIT PROCEDURES

1. Select a representative sample of expenditures charged to the facilities project(s) and review supporting documentation to ensure that such funds were properly expended on specific projects listed in the text of the applicable ballot measure.
2. Verify that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.
3. Verify that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.
4. If the school district did not properly account for the expenditures, if such expenditures were made for unauthorized bond projects, or if salary transactions were used for general administration or operations, include a finding in the audit report.

APPENDIX B

SCHOOL FACILITY PROGRAM BOND FUND AUDITS

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GENERAL PROVISIONS

SCOPE/AUDITOR JUDGEMENT

This appendix constitutes the guide for the performance audits 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 procedures in this appendix are not a complete manual of procedures; auditors must exercise professional judgement.

Note: Projects that were added to the Unfunded List between May and October 2012 (True Unfunded List) and received State Allocation Board (SAB) approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017 are not subject to a Grant Agreement. However, they are still subject to the performance audit required in Education Code section 41024. See Other Items – True Unfunded List Section VI for procedures specific to these projects.

AUDITING STANDARDS

Audits shall be conducted in accordance with the following standards:

1. Standards generally accepted in the United States of America.
2. Governmental Auditing Standards, also known as the Yellow Book, which contains standards for audits of governmental organizations, programs, activities, and functions. The Yellow Book is published by the United States Governmental Accountability Office.

REPORT COMPONENTS FOR PERFORMANCE AUDITS

The report of each performance audit performed pursuant to this Appendix shall contain:

- a.) The objectives, scope, and methodology of the audit
- b.) The audit results. Including findings, conclusion, and recommendations, as appropriate
- c.) A statement about the auditor's compliance with Government Auditing Standards
- d.) A summary of the views of responsible officials
- e.) If applicable, the nature of any confidential or sensitive information omitted

I. INITIAL STEPS

- A. Identify if LEA has project ready for Audit
 1. Identify if the LEA (LEA) has a project that received a fund release on or after April 1, 2017 and is complete and ready for audit, needs to be Reduced to

Costs Incurred, or reported savings which need to be audited. This is accomplished by determining if a project meets any of the following conditions:

- a) Project Complete/Ready for Audit - The project was completed during the 2017/2018 or 2018/2019 fiscal years, or during current fiscal year after 2018/19.
 - (1) Review the "SFP Expenditure Audit Workload" refreshable report on the OPSC website (K-12 Audit Resources) for a list of completed projects. <http://www.dgs.ca.gov/opsc/Resources.aspx>
- b) Reduction to Costs Incurred - The project failed substantial progress and needs to be reduced to costs incurred, or the LEA requested the project be reduced to costs incurred.
 - (1) Review the "SFP Substantial Progress Audit Workload" refreshable report on the OPSC website (K-12 Audit Resources) for a list of projects ready to be reduced to costs incurred.
 - (2) Review the project(s) folder on the OPSC website (K-12 Audit Resources) for a letter to the LEA indicating they failed substantial progress on the project or a letter from the LEA requesting the project be reduced to costs incurred.
- c) Savings Audit - The LEA reported savings for an applicable SFP project. Review the "SFP Savings Audit Workload" refreshable report on the OPSC website (K-12 Audit Resources) for a list of savings reports submitted by LEAs.
- d) Audits must be completed within one year of project completion or termination.

2. If yes to any of the conditions pursuant to step (1), then perform the audit steps reflected in the subsequent Sections of these audit procedures for any completed projects, projects that failed substantial progress, projects that an LEA requested a reduction to costs incurred, or projects that reported savings.

3. If the performance of any of the required audit procedures detailed in the subsequent sections results in an audit finding then the finding shall be presented in the "Schedule of School Facility Program Summary of Audit Findings (See Section VII).

B. Documents Needed to Audit – All Projects

1. Obtain the following documents located on OPSC website (K-12 Audit Resources) for all projects.
 - a) Letter(s) from the Office of Public School Construction (OPSC) detailing what was verified at Substantial Progress and any issues and/or findings identified with the project.
 - b) Final Escrow Statement (If Applicable)
 - c) Appraisal (If Applicable)

- d) Grant Agreement(s)
- e) Application for Funding (Form SAB 50-04)
- f) Project Transaction Detail and Summary
- g) SAB approval item(s)
- h) Final Form SAB 50-06 Expenditure Report and Detailed Listing of Project Expenditures (DLOPE)
- i) Schedule of School Facility Program – Determination of Savings (If Applicable)
- j) Schedule of School Facility Program – Unspent Funds (If Applicable)
- k) Schedule of School Facility Program – Use of Savings (If Applicable)

C. Verify if the Project is Financial Hardship

1. Verify if the project was granted Financial Hardship (FH) status and determine if the project's FH status expired prior to the project receiving an apportionment for either a design grant, site grant, or construction grant by reviewing the following located on the OPSC website (K-12 Audit Resources):

- a) The SAB Board Item
- b) FH Approvals Letter(s)

Projects that received a FH approval for the construction grant should be tested as a FH project pursuant to the audit steps in Section III.

D. Changes to Project Scope.

Verify if the OPSC identified if there were any changes to the project scope not approved by the SAB by reviewing the documents posted on the OPSC website (K-12 Audit Resources). If documents are not available concerning project scope then contact OPSC for verification.

II. NON-FINANCIAL HARDSHIP PROJECTS

A. CLOSEOUT AUDITS

Note: Projects that were 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, must also complete the procedures detailed in Section VI of the audit guide. For Non-Financial Hardship (FH) New Construction and Modernization projects identified in Section IA, Step 1 as complete and ready for audit, the audit procedures in Section IIA must be completed.

1. Verify the Grantee 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).

Reference: Education Code Section 17076.10

2. Verify 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). The SAB's project approval document for the applicable project can be obtained on the OPSC's website (K-12 Audit Resources) <http://www.dgs.ca.gov/opsc/Resources.aspx>.

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9).

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select 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, agree and trace 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). If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA (LEA) prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine 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 (Section G & Section H). Per

Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

4. Determine if the expenditures were made within an eligible time frame (prior to completion date) by obtaining the Detail Listing of Project Expenditures (DLOPE). Review all expenditure dates listed in the DLOPE to verify they were within the three or four year time limits.

a) A project is deemed complete per the criteria detailed in SFP Regulation Section 1859.104(a)(1)(A) or (B). A project is complete three years from the final fund release for an elementary school and four years for a middle or high school. Review the "Project Transaction Detail" for the final fund release date.

b) Expenditures made after the completion date are not eligible for State Funding unless the expenditures were under contract prior to the completion date.

Reference: SFP Regulation Section 1859.104(a)(2)

5. Verify 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.

Planning Costs

6. 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.

Information:

Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

Construction Costs

7. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

- a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.
- b) Agree and trace 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. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

8. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

9. 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. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 7 and 9 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$2.4 million. \$200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

10. Obtain 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. When the LEA submitted their application for funding they certified that the cost estimate of construction work or construction contract(s) submitted to the Department of State Architect was greater than 60% of the total grant. Prepare the table to report the percent the LEA spent on hard construction costs and display the table in the audit report.

	Amount	Percentage
60% of Total Grant		
Reported Hard Costs & Percentage		
Audited Hard Costs & Percentage		
Difference		

Information:

Hard construction costs are defined as funds spent physically constructing a building (brick and mortar costs). The percentage can be calculated as follows:

Percentage spent on hard construction = Total Reported Hard Construction Expenditures/Total Grant(State Share + District Contribution)

For any New Construction projects that received a site acquisition, relocation assistance, hazardous waste removal, or a Department of Toxic Substances Control grant those amounts are not included in the "Total Grant" portion of the calculation.

Construction manager expenditures are not included in the "Total Reported Construction Expenditures" portion of the calculation because that is not a hard construction cost. However, if the LEA can document that the Construction Manager is an "at risk" contract then it can be considered a hard construction cost. For a Construction Manager to be considered "at risk" they have to be the one that takes out the construction bond to assume the liability for the project.

11. Inspect 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.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, and for which the LEA will be entitled to reimburse itself for the State portion of the project upon receiving State funding. In these cases it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

12. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited savings funds in procedure 21 or 22.

13. Verify 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.

Information:

If any of the Restricted Maintenance Account Requirements are not met, the LEA must take corrective action to fix the deficiency. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. Add COE Criteria

New Construction Project(s)

Information:

A project must have received a grant for Site Purchase, Site Relocation, and Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a), expenditures reported for Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

Site Purchase

14. Identify if the project received a separate grant for site purchase. If yes, complete procedure 14 and then proceed to procedure 15. If no, any reported

site purchase expenditures are not eligible for State Site Purchase Grant funding. In this case, proceed directly to procedure 16.

- a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

- b) Identify the lesser of either (a) actual cost paid on final escrow statement for site purchase or (b) appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs or the appraised value of the site. The lesser of the two amounts is eligible for State funding (and shall be considered the audited site purchase costs). Exception: if a court ordered amount was higher than the appraisal amount, then the court order (minus costs not related to site purchase) amount for site purchase would be the amount that was eligible for State Site Purchase Grant funding.

- c) Prepare the following table to report the audited amounts.

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Information:

The amount listed in court orders may combine other costs with site purchase. Examples may include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding.

Reference: Ed Code Section 17072.12, SFP Regulation Section 1859.74; 1859.74.1; 1859.74.5; 1859.106.

15. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and completed the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California Department of Education (CDE). The difference shall be included in the "Schedule of SFP – Site Grant Adjustments" pursuant to step 19 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be located on the OPSC website (K-12 Audit Resources).

Reference: SFP Regulation Section 1859.74; 1859.74.3

Site Relocation

16. Identify if the project was approved for and received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State Site Relocation Grant funding. In that case, skip to the next numbered procedure.

Obtain the LEA's reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H). Prepare the following table to report the audited amounts.

A	Site Relocation Grant Amount (Approved by SAB)	
B	Reported Amount of relocation cost	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A + E)	

See the OPSC website (K-12 Audit Resources) for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106

Site Hazardous Waste Removal Costs

17. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either, complete this procedure. If neither, skip to the next numbered procedure.

- a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous Waste Removal costs to be eligible for this State grant funding, the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State Hazardous Waste Removal funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However those costs are not eligible for the State Hazardous Waste Removal funding.

- b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding. Prepare the following table to report the audited amounts.

A	Hazardous Waste Removal Grant Amount (Approved by SAB)	
B	Reported Amount of Hazardous Waste Removal	
C	Audited Hazardous Waste Removal Cost	
D	Difference	
E	Grant Adjustment (C - A)	
F	Final Grant Amount (A + E)	

See the OPSC website (K-12 Audit Resources) for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106

Department of Toxic Substance Control Costs:

18. Identify if the project received a separate grant for Department of Toxic Substance Control (DTSC) fees. If yes, complete this procedure. If no, any reported DTSC expenditures are not eligible for State DTSC Grant funding. In this case, skip to the next numbered procedure.

Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H). Prepare the following table to report the audited amounts.

A	DTSC Fee Grant Amount (Approved by SAB)	
B	Reported Amount of DTSC Fee	
C	Audited DTSC Fee	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

See the OPSC website (K-12 Audit Resources) for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74(a)(3); 1859.74(a)(3) and (b)(3); 1859.106.

19. Complete the "Schedule of School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 14 through 18 of this section. Note: the LEA will already have completed columns A and B in the schedule. The totals in this schedule will be carried over to the "Schedule of School Facility Program - Summary of Final Funding Determination".

20. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. See OPSC website (K-12 Audit Resources). If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

- (1) School Board Minutes
- (2) Fire Marshall Inspection Letter
- (3) Copy of news story indicating the date school opened
- (4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Reference: SFP Regulation Section 1859.70

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. Such a project shall be denied or rescinded by the SAB and all funding returned to the State with interest.

Determination of Project Savings-New Construction

At the time the LEA submits their final expenditure report (Form SAB 50-06) they will be required to report if the project had savings or was overspent by completing the "Schedule of School Facility Program – Determination of Project Savings.

21. If the District had project savings, obtain the District's calculation of savings on the Non-FH New Construction project on the "Schedule of School Facility Program Determination of Project Savings" and recalculate the amounts reported:

Information:

Savings = Grant Amount + District Contribution + Audited Interest (Earned on State Funds) – Final Expenditures reported to the OPSC.

Unallowable in Savings Calculation:

New Construction projects that received grants for any of the following:

- Site acquisition
- Relocation assistance
- Hazardous waste removal
- DTSC fees

Those amounts, plus any reported expenditures associated with those grants, are not included in the calculation of savings.

A negative number in the calculation means there were more eligible expenditures reported on the project than project funding. Therefore the project is overspent and there is no savings to report or track in subsequent years. Savings from a Non-FH new construction project may be retained by the District to use on any High Priority Capital needs of the District that is consistent with eligible expenditures detailed in Section H of the Grant Agreement.

Savings reported	
Savings funds audited	
Difference	

Display the audited Savings Amount in the “Schedule of School Facility Program Determination of Project Savings”.

Reference: Education Code Section 17070.63(c); 41024(b)(1)(B); and SFP Regulation Section 1859.103.

Determination of Project Savings – Modernization

At the time the LEA submits their final expenditure report (Form SAB 50-06) they will be required to report if the project had savings or was overspent by completing the “Schedule of School Facility Program – Determination of Project Savings”.

22. If the District had project savings, obtain the District’s calculation of savings on the Non-FH Modernization project on the “Schedule of School Facility Program Determination of Project Savings” and recalculate the amounts reported.

Information:

$Savings = Grant\ Amount + District\ Contribution + Audited\ Interest\ (Earned\ on\ State\ Funds) - Final\ Expenditures\ reported\ to\ the\ OPSC.$

Savings from a Non-FH modernization project may be retained by the District to use on any High Priority Capital needs of the District that is consistent with eligible expenditures detailed in Section H of the Grant Agreement.

Savings reported	
Savings funds audited	
Difference	

Display the audited Savings Amount in the “Schedule of School Facility Program Determination of Project Savings”.

Reference: Education Code Section 17070.63(c); 41024(b)(1)(B) and SFP Regulation Section 1859.103.

23. Display in "Schedule of School Facility Program Summary of Final Project Funding" (Section VII) the total amount to be returned to the State.

B. REDUCTION TO COSTS INCURRED

For Non-FH New Construction and Modernization projects identified in Section IA, Step 1 as failing substantial progress, or if a LEA requested their project(s) be reduced to costs incurred, the audit procedures in Section IIB must be completed.

Note: Projects that were 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, must also complete the procedures detailed in Section VI of the audit guide.

Information:

Savings do not exist in a Reduction to Costs Incurred audit. All funds not used on eligible SFP expenditures are considered unspent funds that must be returned to the State.

1. Determine which grant(s) the project received by reviewing the SAB apportionment item and Grant Agreement, previously obtained from the OPSC website (K-12 Audit Resources). The following audit procedures should be completed for each applicable type of grant received for a project:
 - a) Design Grant (New Construction or Modernization project) – Complete Items 2-6, and 17-21.
 - b) Site Grant (New Construction project) – Complete Items 2-6, 7-12, and 17-21.
 - c) Adjusted Grant (New Construction) – Complete Items 2-6, 7-12, 13, 14-16, and 17-21.
 - d) Adjusted Grant (Modernization) – Complete Items 2-6, 14-16, and 17-21.

2. Verify the Grantee 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).

Reference: Education Code Section 17076.10.

3. Verify 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. The SAB's project approval document for the applicable project can be obtained on the OPSC's website (K-12 Audit Resources) <http://www.dgs.ca.gov/opsc/Resources.aspx>

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9).

4. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select 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, Agree and trace 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). If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine 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 (Section G & Section H). Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

5. Verify 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.

Planning Costs – Design Grant

6. Obtain any Architect/Design contract to 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.

Information:

Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

New Construction – Site Grants

Information:

A project must have received a grant for Site Purchase, Site Relocation, and Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a) expenditures reported for Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

Site Purchase

7. Identify if the project received a separate grant for site purchase. If yes, complete procedure 7 and then proceed to procedure number 8. If no, any reported site purchase expenditures are not eligible for State Site Purchase Grant funding. In this case, go directly to procedure number 9.
 - a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

b) Identify the lower of actual cost paid on final escrow statement for site purchase and appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs and the appraised value of the site. The lower of the two is the amount that is eligible for State funding (and shall be considered the audited site purchase costs). Exception: if a court ordered amount was higher than appraisal amount then the court order (minus costs not related to site purchase) amount for site purchase would be the amount eligible for State Site Purchase Grant funding.

Information:

The amount listed in court orders may combine other costs with site purchase. This would include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding.

Prepare the following table to report the audited amounts:

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: Ed Code Section 17072.12; SFP Regulation Section 1859.74; 1859.74.1; 1859.74.5; 1859.106

8. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and complete the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California CDE and shall be included in the "Schedule of School Facility Program – Site Grant Adjustments pursuant to step 12 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be located on the OPSC website (K-12 Audit Resources).

Reference: SFP Regulation Section 1859.74; 1859.74.3

Site Relocation

9. Identify if the project was approved for and received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State Site Relocation Grant funding. In this case, skip to the next numbered procedure.

- a) Obtain the LEA's reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).
- b) Prepare the following table to report the audited amounts:

A	Site Relocation Grant Amount (Approved by SAB)	
B	Reported Amount of relocation cost	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the OPSC website (K-12 Audit Resources) for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106

Site Hazardous Waste Removal Costs:

10. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either or both, complete this procedure. If neither, skip to the next numbered procedure.

- a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous waste removal costs to be eligible for this State grant funding, the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State Hazardous Waste Removal funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However those costs are not eligible for the State Hazardous Waste Removal funding.

- b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding.

Prepare the following table to report the audited amounts.

A	Hazardous Waste Removal Grant Amount (Approved by SAB)	
B	Reported Amount of Hazardous Waste Removal	
C	Audited Hazardous Waste Removal Cost	
D	Difference	
E	Grant Adjustment (C - A)	
F	Final Grant Amount (A+E)	

See the OPSC website (K-12 Audit Resources) for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106.

Department of Toxic Substance Control Costs:

11. Identify if the project received a separate grant for DTSC fees. If no, any reported DTSC Cost expenditures are not eligible for State DTSC Grant funding.

In this case, skip to the next numbered procedure. If yes, complete this procedure.

- a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H).
- b) Prepare the following table to report the audited amounts.

A	DTSC Fee Grant Amount (Approved by SAB)	
B	Reported Amount of DTSC Fee	
C	Audited DTSC Fee	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: SFP Regulation Section 1859.74(a)(3) and (b)(3); 1859.106

12. Complete the "Schedule OF School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 7 through 11 of this section. Note: the LEA will already have completed columns A and B in the schedule. The totals in this schedule will be carried over to the "Schedule of School Facility Program - Summary of Final Funding Determination".

13. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. See OPSC website (K-12 Audit Resources). If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

- (1) School Board Minutes
- (2) Fire Marshall Inspection Letter
- (3) Copy of news story indicating the date school opened
- (4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Construction Costs – Adjusted Grant

14. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

- a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.
- b) Agree and trace 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. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

15. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding, and the LEA did not comply with the provisions of the PCC concerning competitive bidding, then any reported expenditure associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

16. 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. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 14 & 16 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$2.4 million. \$200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

17. Inspect 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.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

18. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure.

19. Verify the LEA (1) has 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 Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

If any of the Restricted Maintenance Account Requirements are not met, the LEA shall take corrective action to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. Add COE Criteria

20. Obtain the LEA's calculation of unspent funds from the "Schedule of School Facility Program - Unspent Funds" located on the OPSC website (K-12 Audit Resourced) and perform the following procedures. All funds not spent on eligible SFP expenditures will be considered unspent and will be returned to the State.

a) Recalculate the unspent funds by applying the following formula:

$$\text{Unspent funds} = (\text{Grant(s) received} + \text{district contribution} + \text{audited interest (on State funds)}) - \text{reported expenditures.}$$

(1) Unspent funds due to the State (if reported expenditures are less than project financing).

(2) The amount to be returned to the State for Reduction to Costs Incurred adjustment equals the State's share of the Unspent Funds.

b) Prepare the following table based on the audit procedure performed:

Unspent funds reported	
Unspent funds audited	
Difference	

Display the audited Unspent Funds in the "Schedule of School Facility Program Summary of Final Project Funding".

21. Display in "Schedule of School Facility Program Summary of Final Project Funding" (Section VII) the total amount to be returned to the State. This will include: (1) The Reduction to Costs incurred adjustments (Unspent Funds) and (2) Any ineligible expenditures.

C. SAVINGS AUDIT

The savings audit procedures in Section III(C) must be completed for Non-FH New Construction and Modernization projects identified in Section I(A), Step 1 as having use of savings reported.

Savings for Non-FH new construction and modernization projects, including interest, and its use for high priority capital needs of the LEA shall be audited until ALL savings plus interest have been expended pursuant to Education Code Section 41024(b)(1)(B).

Information:

A project's total savings amount is determined when the closeout audit is completed. Subsequent to the closeout audit, LEAs are required to report use of savings annually on the "Schedule of School Facility Program – Use of Savings Summary" until all savings are exhausted. The LEA is required to report savings including years when there was no use of savings to report.

1. Agree and trace the savings reported on the "Schedule of School Facility Program – Use of Savings Summary" and Detailed Listing of Project Expenditures (DLOPE) to the LEA's General Ledger and other account records.
2. Select a sample of savings expenditures from the Detailed Listing of Project Expenditures (DLOPE) and agree and trace the amounts reported to the related invoices, construction billings, and other supporting documents to verify that the use of savings is eligible. Reported savings expenditures must be consistent with the eligible expenditures detailed in Section H of the Grant Agreement. Any ineligible expenditure will be remitted back to the State.
3. Complete the following table to report the audited amount(s):

	Original Total Savings Determined at Closeout Audit	Remaining Savings Balance to Date	Savings Used Reported This Period	Balance of Unused Savings
Amount reported				
Amount audited				
Difference				

III. FINANCIAL HARDSHIP PROJECTS

For projects identified in Section IC as FH the audit procedures in Section III must be completed.

A. Close-out Audit – Financial Hardship Projects

For FH New Construction and Modernization projects identified in Section IA, Step 1 as project complete and ready for audit, the audit procedures in Section IIIA must be completed.

Note: Projects that were added to the Unfunded List between May and October 2012 and that received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, must also complete the procedures detailed in Section VI of the audit guide.

1. Verify the Grantee 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).

Reference: Education Code Section 17076.10.

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District from the matching funds 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. The SAB's project approval document for the applicable project can be obtained on the OPSC's website (K-12 Audit Resources) <http://www.dgs.ca.gov/opsc/Resources.aspx>.

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9).

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select 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, agree and trace 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) If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

c) Determine 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 (Section G & Section H).

Per Education Code Section 41024, the State share (State Share + FH Share) of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

4. Determine if the expenditures were made within an eligible time frame (prior to completion date) by obtaining the Detail Listing of Project Expenditures (DLOPE). Review all expenditure dates listed in the DLOPE to verify they were within the three or four year time limits.

a) A project is deemed complete per the criteria detailed in SFP Regulation Section 1859.104(a)(1)(A) or (B). A project is complete three years from the final fund release for an elementary school and four years for a middle or high school. Review the "Project Transaction Detail" for the final fund release date.

b) Expenditures made after the completion date are not eligible for State Funding unless the expenditures were under contract prior to the completion date.

Reference: SFP Regulation Section 1859.104(a)(2).

5. Verify 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.

6. Determine the amount of expenditures that occurred prior to fund release (for each grant received) did not exceed the district's contribution.

a) Check the SAB Board item and/or the District's FH approval letter for amount of District contribution applied to the project(s) and compare it to expenditures on the final expenditure report that occurred prior to the fund release. If the expenditures prior to fund release did exceed the

district contribution the FH apportionment will be reduced by the amount of the excess.

b) Similarly determine whether expenditures prior to fund release exceeded the District contribution in each phase if the LEA received a separate design and/or separate site grant before receiving the construction grant.

(1) Exception – Per the SAB approved Bridge Financing/Interfund Borrowing policy, the district temporarily borrowed funds to move their FH project(s) along while they were on the unfunded list.

(2) The LEA's project(s) should have FH approval prior to any bridge financing/borrowing otherwise the expenditures will be considered contribution due to expenditure.

(3) Any financing instrument issued for bridge financing must be retired within 60 days of receipt of State funding.

(4) Any expenditure prior to fund release that exceeded the district contribution will decrease the FH apportionment and increase the district contribution accordingly and those funds will be due the State.

Reference: SFP Regulation Section 1859.81(a).

Planning Costs

7. 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.

Information:

Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

Construction Costs

8. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.

b) Agree and trace 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. Any expenditure beyond the contract amount (as increased by approved change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

9. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

10. 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. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 8 & 10 if expenditures reported exceeded final billing and were not reported.

Example 1: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$2.4 million. \$200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

11. Obtain the approval document from the OPSC website (K-12 Audit Resources) that indicates the LEA estimate of project costs listed 60 percent of the project funding would be spent on hard construction costs. When the LEA

submitted their application for funding they certified that the cost estimate of construction work or construction contract(s) submitted to the Department of State Architect was greater than 60% of the total grant.

Information:

Hard construction costs are defined as funds spent physically constructing a building (brick and mortar costs). The percentage can be calculated as follows:

Percentage spent on hard construction = Total Reported Hard Construction Expenditures/Total Grant (State Share + District Contribution)

For any New Construction projects that received a site acquisition, relocation assistance, hazardous waste removal, or a DTSC grant those amounts are not included in the "Total Grant" portion of the calculation.

Construction manager expenditures are not included in the "Total Reported Construction Expenditures" portion of the calculation because that is not a hard construction cost. However, if the LEA can document that the Construction Manager is an "at risk" contract then it can be considered a hard construction cost. For a Construction Manager to be considered "at risk" they have to be the one that takes out the construction bond to assume the liability for the project.

Prepare the table to report the percent the LEA spent on hard construction costs and display the table in the audit report.

	Amount	Percentage
60% of Total Grant		
Reported Hard Costs & Percentage		
Audited Hard Costs & Percentage		
Difference		

12. Inspect 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.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

13. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited savings funds in procedure 22 or 23.

14. Verify 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 Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

If any of the Restricted Maintenance Account Requirements are not met this shall result in a corrective action by the LEA to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. Add COE Criteria.

NEW CONSTRUCTION PROJECT(S)

Information:

A project must have received a grant for Site Purchase, Site Relocation, and Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a) expenditures reported for Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

Site Purchase

15. Identify if the project received a separate grant for site purchase. If yes, complete procedure 15 and then proceed to procedure number 16. If no, any reported site purchase expenditures are not eligible for State Site Purchase Grant funding and then go directly to procedure number 17.

- a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

- b) Identify the lower of actual cost paid on final escrow statement for site purchase and appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs and the appraised value of the site. The lower of the two is the amount that is eligible for State funding (and shall be considered the audited site purchase costs). Exception: if a court ordered amount was higher than appraisal amount then the court order (minus costs not related to site purchase) amount for site purchase would be the amount that was eligible for State Site Purchase Grant funding.

Information:

The amount listed in court orders may combine other costs with site purchase. Examples may include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding.

Prepare the following table to report the audited amounts.

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: Ed Code Section 17072.12; SFP Regulation Section 1859.74; 1859.74.1; 1859.74.5; 1859.106.

16. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and completed the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California CDE and shall be included in the "Schedule of School Facility Program – Site Grant Adjustments pursuant to step 20 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be located on the OPSC website (K-12 Audit Resources).

Reference: SFP Regulation Section 1859.74; 1859.74.3

Site Relocation

17. Identify if the project received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State Site Relocation Grant funding. In this case, skip to the next numbered procedure.

Obtain the LEA's reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H). Prepare the following table to report the audited amounts.

A	Grant Amount (Approved by SAB)	
B	Amount of relocation cost reported	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the OPSC website (K-12 Audit Resources) for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106.

Site Hazardous Waste Removal Costs:

18. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either or both, complete this procedure. If neither, skip to the next numbered procedure.
- a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous Waste Removal costs to be eligible for this State grant funding, the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State Hazardous Waste Removal funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However those costs are not eligible for the State Hazardous Waste Removal funding.

- b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding. Prepare the following table to report the audited amounts.

A	Grant Amount (Approved by SAB)	
B	Amount of hazardous waste removal reported	
C	Audited hazardous waste removal cost	
D	Difference	
E	Grant Adjustment (C - A)	
F	Final Grant Amount (A+E)	

See the OPSC website (K-12 Audit Resources) for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106

Department of Toxic Substance Control Costs:

19. Identify if the project received a separate grant for DTSC fees. If yes, complete this procedure. If no, any reported DTSC Cost expenditures are not eligible for State DTSC Grant funding. In this case, skip to the next numbered procedure.

a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H). See the OPSC website (K-12 Audit Resources) for detailed procedures on reviewing DTSC costs for eligibility.

b) Prepare the following table to report the audited amounts.

A	Grant Amount (Approved by SAB)	
B	Amount of DTSC reported	
C	Audited DTSC cost	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: SFP Regulation Section 1859.74(a)(3) and (b)(3); 1859.106

20. Complete the "Schedule OF School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 15 through 19 of this section. Note: the LEA will already have completed columns A and B in the schedule. The totals in this schedule will be carried over to the "Schedule of School Facility Program - Summary of Final Funding Determination".

21. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. See OPSC website (K-12 Audit Resources). If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

- (1) School Board Minutes
- (2) Fire Marshall Inspection Letter
- (3) Copy of news story indicating the date school opened
- (4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Determination of Project Savings – New Construction

At the time the LEA submits their final expenditure report (Form SAB 50-06) they will be required to report if the project had savings or was overspent by completing the "Schedule of School Facility Program – Determination of Project Savings".

22. If the District had project savings obtain the District's calculation of savings on the FH New Construction project on the "Schedule of School Facility Program Determination of Project Savings" and recalculate the amounts reported:

Information:

Savings = Grant Amount + District Contribution + Audited Interest (Earned on State Funds) – Final Expenditures reported to the OPSC.

For any New Construction projects that received a site acquisition, relocation assistance, hazardous waste removal, or a DTSC grant those amounts, plus any reported expenditures associated with those grants, are not included in the calculation of savings.

Pursuant to SFP Regulation Section 1859.103, savings from a FH New Construction project may be returned to OPSC or held up to three years to offset the apportionment on a future FH project.

After three years any unused saving plus interest must be returned to the state.

A negative number in the calculation means there were more eligible expenditures reported on the project than project funding, therefore the project is overspent.

A FH project that is overspent has the following choices for the overspent amount:

- 1) Apply the overspent amount to a future hardship project of the LEA, if they apply for funding within the next three years.
- 2) If the LEA stays out of the FH Program for three years then the overspent amount is not due back the State.

Prepare the following table to report audited amounts.

Savings reported	
Savings funds audited	
Difference	

Display the audited Savings Amount in the “Schedule of School Facility Program Determination of Project Savings”.

Reference: Education Code Section 41024(b)(1)(F); SFP Regulation Section 1859.103 and 1859.106(a); Grant Agreement Section F, Paragraph 8

Determination of Project Savings – Modernization

At the time the LEA submits its final expenditure report (Form SAB 50-06) they will be required to report if the project had savings or was overspent by completing the “Schedule of School Facility Program (SFP) – Determination of Project Savings”.

23. If the District had project savings obtain the District’s calculation of the savings on the FH Modernization project on the “Schedule of School Facility Program Determination of Project Savings” and recalculate the amounts reported:

Information:

Savings = Grant Amount + District Contribution + Audited Interest (Earned on State Funds) – Final Expenditures reported to the OPSC.

Pursuant to SFP Regulation Section 1859.103, savings from a FH modernization project may be returned to OPSC or held up to three years to offset the apportionment on a future FH project.

After three years any unused saving plus interest must be returned to the state.

A negative number in the calculation means there were more eligible expenditures reported on the project than project funding, therefore the project is overspent.

A FH project that is overspent has the following choices for the overspent amount:

- 1) Apply the overspent amount to a future hardship project of the LEA, if they apply for funding within the next three years.
- 2) If the LEA stays out of the FH Program for three years then the overspent amount is not due back the State.

Prepare the following table to report audited amounts.

Savings reported	
Savings funds audited	
Difference	

Display the audited Savings Amount in the "Schedule of School Facility Program Determination of Project Savings".

Reference: SFP Regulation Section 1859.103; Grant Agreement Section F, Paragraph 8

24. Display in "Schedule of School Facility Program Summary of Final Project Funding" (Section VII) the total amount to be returned to the State.

B. REDUCTION TO COSTS INCURRED – FINANCIAL HARDSHIP PROJECTS

For projects identified in Section IA, Step 1(ii) as failing substantial progress or if a LEA requested their project(s) be reduced to costs incurred the audit procedures in Section IIIB must be completed.

Note: Projects that were 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, must also complete the procedures detailed in Section VI of the audit guide.

Information:

Savings do not exist in a Reduction to Costs Incurred audit. All funds not used on eligible SFP expenditures are considered unspent funds that must be returned to the State.

1. Determine which grant(s) the project received by reviewing the SAB apportionment item and Grant Agreement, previously obtained from the OPSC website (K-12 Audit Resources). The following audit procedures should be completed for each applicable type of grant received for a project:

a) Design Grant (New Construction or Modernization project) – Complete Items 2-7, and 18-22.

- b) Site Grant (New Construction project) – Complete Items 2-7, 8-13, and 18-22.
- c) Adjusted Grant (New Construction) – Complete Items 2-7, 8-13, 14, 15-17, and 18-22.
- d) Adjusted Grant (Modernization) – Complete Items 2-7, 15-17, and 18-22.

2. Verify the Grantee 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).

Reference: Education Code Section 17076.10.

3. Verify 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. The SAB’s project approval document for the applicable project can be obtained on the OPSC’s website (K-12 Audit Resources) <http://www.dgs.ca.gov/opsc/Resources.aspx>

Information:

If the LEA’s matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final “Notice of Completion” received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9).

4. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select 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, Agree and trace 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).
 - (1) If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.
- b) Determine 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 (Section G & Section H). Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

- 5. Verify 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.
- 6. Determine the amount of expenditures that occurred prior to fund release (for each grant received) did not exceed the district's contribution. Make this determination by performing the following procedure:
 - a) Check the SAB Board item and/or the District's FH approval letter for amount of District contribution applied to the project(s) and compare it to expenditures on the final expenditure report that occurred prior to the fund release. If the expenditures prior to fund release did exceed the district contribution the FH apportionment will be reduced by the amount exceeded.
 - b) This determination shall be completed for each phase if the LEA received a separate design and/or separate site grant before receiving the construction grant.
 - (1) Exception – Per the SAB approved Bridge Financing/Interfund Borrowing policy, the district temporarily borrowed funds to move their FH project(s) along while they were on the unfunded list.
 - (2) The LEA's project(s) should have FH approval prior to any bridge financing/borrowing otherwise the expenditures will be considered contribution due to expenditure.
 - (3) Any financing instrument issued for bridge financing must be retired within 60 days of receipt of State funding.

Any expenditure prior to fund release that exceeded the district contribution will decrease the FH apportionment and increase the district contribution accordingly and those funds will be due the State.

Planning Costs

7. Obtain any Architect/Design contract to 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.

Information:

Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

New Construction – Site Grants

Information:

A project must have received a grant for Site Purchase, Site Relocation, and Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a) expenditures reported for Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

Site Purchase

8. Identify if the project received a separate grant for site purchase. If yes, complete procedure 8 and then proceed to procedure number 9. If no, any reported site purchase expenditures are not eligible for State Site Purchase Grant funding and then go directly to procedure number 10.
 - a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

b) Identify the lower of actual cost paid on final escrow statement for site purchase and appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs and the appraised value of the site. The lower of the two is the amount that is eligible for State funding (and shall be considered the audited site purchase costs). The exception being if a court ordered amount was higher than appraisal amount then the court order (minus costs not related to site purchase) amount for site purchase would be the amount that was eligible for State Site Purchase Grant funding.

Information:

The amount listed in court orders may combine other costs with site purchase. Examples may include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding.

Prepare the following table to report the audited amounts.

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: Ed Code Section 17072.12; SFP Regulation Section 1859.74; 1859.74.1; 1859.74.5; 1859.106

9. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval item and completed the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California CDE and shall be included in the

“Schedule of School Facility Program – Site Grant Adjustments pursuant to step. 13 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be located on the OPSC website (K-12 Audit Resources).

Reference: SFP Regulation Section 1859.74; 1859.74.3

Site Relocation:

10. Identify if the project received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State Site Relocation Grant funding. In this case, skip to the next numbered procedure.

a) Obtain the LEA’s reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H). Prepare the following table to report the audited amounts.

A	Site Relocation Grant Amount (Approved by SAB)	
B	Reported Amount of relocation cost reported	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the OPSC website (K-12 Audit Resources) for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106.

Site Hazardous Waste Removal Costs:

11. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either or both, complete this procedure. If neither, skip to the next numbered procedure.

a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections

17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous Waste Removal costs to be eligible for this State grant funding, the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State Hazardous Waste Removal funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However those costs are not eligible for the State Hazardous Waste Removal funding.

- b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding.

Prepare the following table to report the audited amounts.

A	Grant Amount (Approved by SAB)	
B	Amount of hazardous waste removal reported	
C	Audited hazardous waste removal cost	
D	Difference	
E	Grant Adjustment (C - A)	
F	Final Grant Amount (A + E)	

See the OPSC website (K-12 Audit Resources) for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106

Department of Toxic Substance Control Costs:

12. Identify if the project received a separate grant for DTSC fees. If yes, complete this procedure. If no, any reported DTSC Cost expenditures are not eligible for State DTSC Grant funding. In this case, skip to the next numbered procedure.

- a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H).
- b) Prepare the following table to report the audited amounts.

A	DTSC Fee Grant Amount (Approved by SAB)	
B	Reported Amount of DTSC Fee	
C	Audited DTSC Fee	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: SFP Regulation Section 1859.74(a)(3) and (b)(3); 1859.106

13. Complete the "Schedule of School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 8 through 12 of this section. Note: the LEA will already have completed columns A and B in the schedule. The totals in this schedule will be carried over to the "Schedule of School Facility Program - Summary of Final Funding Determination".

14. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. See OPSC website (K-12 Audit Resources). If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

- (1) School Board Minutes
- (2) Fire Marshall Inspection Letter
- (3) Copy of news story indicating the date school opened
- (4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Construction Costs – Adjusted Grant

15. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

- a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.
- b) Agree and trace 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. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

16. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

17. 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. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 15 & 17 if expenditures reported exceeded final billing.

Example 1: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$2.4 million. \$200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

18. Inspect 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.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

19. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure 21.

20. Verify 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 Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

If any of the Restricted Maintenance Account Requirements are not met this shall result in a corrective action by the LEA to fix the condition that is deficient. In addition, per Education

Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. Add COE Criteria

21. Obtain the LEA's calculation of unspent or overspent funds from the "Schedule of School Facility Program - Unspent Funds" located on the OPSC website (K-12 Audit Resourced) and perform the following procedures. All funds not spent on eligible SFP expenditures will be considered unspent and will be returned to the State.

Note: Per SFP Regulation Section 1958.81(a) all expenditures made from Capital Project Funds after the FH approval must be previously approved encumbrances or the funds may be due the State.

a) Recalculate the unspent or overspent funds by applying the following formula:

Unspent funds = (Grant(s) received + district contribution + audited interest (on State funds)) – reported expenditures.

(1) Unspent funds due to the State (if reported expenditures are less than project financing).

(2) Overspent amount due to the State for FH projects (if reported expenditures are more than project financing)

The amount to be returned to the State for Reduction to Costs Incurred adjustment includes: (1) The Unspent Funds or Overspent Amount and (2) Expenditures prior to fund release that exceeded district contribution.

b) Prepare the following table based on the audit procedure performed:

Unspent or Overspent funds reported	
Unspent funds or Overspent funds audited	
Difference	

Display the audited Unspent Funds or Overspent Funds in the "Schedule of School Facility Program Summary of Final Project Funding".

22. Display in "Schedule of School Facility Program Summary of Final Project Funding" the total amount to be returned to the State. This will include: (1) The Reduction to Costs incurred adjustments (Unspent Funds or Overspent Funds and expenditures prior to fund release that exceeded district contribution) and (2) Any ineligible expenditures.

IV. CAREER TECHNICAL EDUCATION

A. **CLOSEOUT AUDIT**

For Career Technical Education projects identified in Section I(A), Step 1 as project complete and ready for audit, the audit procedures in Section IV(A) must be completed.

Note: Projects that were 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, must also complete the procedures detailed in Section VI of the audit guide.

1. Verify the Grantee 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).

Reference: Education Code Section 17076.10.

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District 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. The SAB's project approval document for the applicable project can be obtained on the OPSC's website (K-12 Audit Resources)

<http://www.dgs.ca.gov/opsc/Resources.aspx>

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9).

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select 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, agree and trace 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).

(1) If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine 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 (Section G & Section H).

Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

4. Determine if the expenditures were made within the eligible 4-year time frame (prior to completion date) by obtaining the Detail Listing of Project Expenditures (DLOPE). Review all expenditure dates listed in the General Ledger detail report to verify they were within the four year time limit.

a) A Career Technical Education (CTE) project shall be deemed complete when either of the following occurs, whichever occurs first:

(1) The final notice of completion is filed for the project; or

(2) Four years have elapsed from the final fund release for the project.

5. Verify 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.

Planning Costs

6. 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.

Information:

Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

Construction Costs

- 7. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:
 - a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.
 - b) Agree and trace 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. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

- 8. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding.
 - a) If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

- 9. 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. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 7 & 9 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$2.4 million. \$200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

10. Inspect 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.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

11. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure 14.

12. Verify 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 Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

If any of the Restricted Maintenance Account Requirements are not met this shall result in a corrective action by LEA to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. COE Criteria

13. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. See OPSC website (K-12 Audit Resources). If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

- (1) School Board Minutes
- (2) Fire Marshall Inspection Letter
- (3) Copy of news story indicating the date school opened
- (4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Determination of Unspent Funds – Career Technical Education

At the time the LEA submits their final expenditure report (Form SAB 50-06) they will be required to report if the project had unspent funds by completing the "Schedule of School Facility Program –Unspent Funds".

14. If the LEA had unspent funds, obtain the District's calculation of unspent funds on the Career Technical Education project on the "Schedule of School Facility Program Unspent Funds" and recalculate the amounts reported:

Information:

Report the State share of remaining unspent funds on the Career Technical Education project:

State Share of Unspent Funds =

$(\text{Grant Amount} + \text{District Contribution} + \text{audited Interest} - \text{Final Expenditures reported to OPSC})/2$

A district may not retain savings realized from by a Career Technical Education Facilities Project. The State share (50%) of any unused funds will be returned to the State.

Reference: SFP Regulation Section 1859.199 and Grant Agreement Section F, paragraph 5.

Unspent Funds reported	
Unspent funds audited	
Difference	

15. Display in "Schedule of School Facility Program Summary of Final Project Funding" (Section VII) the total amount to be returned to the State. This would include: (1) Unspent Funds and (2) any ineligible expenditures.

B. REDUCTION TO COSTS INCURRED – CAREER TECHNICAL EDUCATION

For Career Technical Education projects identified in Section IA, Step 1 as failing substantial progress or if a LEA requested their project(s) be reduced to costs incurred the audit procedures in Section IVB must be completed.

Note: Projects that were 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, must also complete the procedures detailed in Section VI of the audit guide.

1. Verify the Grantee 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).

Reference: Education Code Section 17076.10.

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District 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. The SAB's project approval document for the applicable project can be obtained on the OPSC's website (K-12 Audit Resources)
<http://www.dgs.ca.gov/opsc/Resources.aspx>

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9)

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select 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, agree and trace 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).
 - (1) If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.
 - b) Determine 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 (Section G & Section H). Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4

4. Verify 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.

Planning Costs

5. 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.

Information:

Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

6. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. See OPSC website (K-12 Audit Resources). If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

- (1) School Board Minutes
- (2) Fire Marshall Inspection Letter
- (3) Copy of news story indicating the date school opened
- (4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Reference: SFP Regulation Section 1859.70

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Construction Costs

7. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:
 - a) Agree the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.
 - b) Agree 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. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

8. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possible be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

9. 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. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 7 & 9 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$2.4 million. \$200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

10. Inspect 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.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures

11. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure 13.

12. Verify 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 Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

If any of the Restricted Maintenance Account Requirements are not met this shall result in a corrective action by LEA to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. COE Criteria.

13. Obtain the LEA's calculation of unspent funds from the "Schedule of School Facility Program - Unspent Funds" located on the OPSC website (K-12 Audit Resourced) and perform the following procedures. All funds not spent on eligible SFP expenditures will be considered unspent and will be returned to the State.

- a) Recalculate the unspent funds by applying the following formula:

$$\text{Unspent funds} = (\text{Grant(s) received} + \text{district contribution} + \text{audited interest (on State funds)}) - \text{reported expenditures}$$

Unspent funds due to the State (if reported expenditures are less than project financing)

The amount to be returned to the State for Reduction to Costs Incurred adjustment equals the State's share of the Unspent Funds.

- b) Prepare the following table based on the audit procedure performed:

Unspent funds reported	
Unspent funds audited	
Difference	

Display the audited Unspent Funds in the "Schedule of School Facility Program Summary of Final Project Funding".

14. Display in "Schedule of School Facility Program Summary of Final Project Funding" the total amount to be returned to the State. This will include: (1) The

Reduction to Costs incurred adjustments (Unspent Funds) and (2) Any ineligible expenditures.

V. CHARTER SCHOOL FACILITIES PROGRAM

A. CLOSEOUT AUDIT

For Charter School projects identified in Section IA, Step 1 as project complete and ready for audit, the audit procedures in Section VA must be completed.

Note: Projects that were 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, must also complete the procedures detailed in Section VI of the audit guide.

1. Verify the Grantee 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).

Reference: Education Code Section 17076.10.

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District 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. The SAB's project approval document for the applicable project can be obtained on the OPSC's website (K-12 Audit Resources)
<http://www.dgs.ca.gov/opsc/Resources.aspx>

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9)

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select 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, agree and trace 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).

(1) If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine 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 (Section G & Section H). Expenditures made with the Final Charter School Apportionment must comply with Education Code Section 17072.35 and 17078.54(a) and the Grant Agreement Section G. Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

4. Determine if the expenditures were made within an eligible time frame (prior to completion date) by obtaining a General Ledger detail report that is run in date order of all project expenditures from the LEA. Review all expenditure dates listed in the General Ledger detail report to verify they were within the three or four year time limits.

a) A project is deemed complete per the criteria detailed in SFP Regulation Section 1859.104(a)(1)(A) or (B). A project is complete three years from the final fund release for an elementary school and four years for a middle or high school. Review the "Project Transaction Detail" for the final fund release date.

b) Expenditures made after the completion date are not eligible for State Funding unless the expenditures were under contract prior to the completion date.

Reference: SFP Regulation Section 1859.104(a)(2)

5. Verify 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.

Planning Costs

6. 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.

Information:

Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

Construction Costs

7. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:
 - a) Agree the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.
 - b) Agree 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. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

8. Determine if construction contract(s) was entered into on or after September 27, 2002. Expenditures for construction are eligible only if the construction contract was entered into on or after that date.
9. For construction contracts sampled,
 - a) Inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding.
 - b) If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC

concerning competitive bidding then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

10. If the District has used a Construction Manager, perform the following procedure:

- a) Agree the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts.
- b) Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 7, 8, & 10 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$2.4 million. \$200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

11. Obtain the approval document from the OPSC website (K-12 Audit Resource) that indicates the LEA's estimate of project costs listed 60 percent of the project funding would be spent on hard construction costs. When the LEA submitted their application for funding they certified that the cost estimate of construction work or construction contract(s) submitted to the Department of State Architect was greater than 60% of the total grant.

Information:

Hard construction costs are defined as funds spent physically constructing a building (brick and mortar costs). The percentage can be calculated as follows:

Percentage spent on hard construction = Total Reported Hard Construction Expenditures/Total Grant (State Share + District Contribution)

For any Charter School New Construction projects that received a site acquisition, relocation assistance, hazardous waste removal, or a DTSC grant those amounts are not included in the "Total Grant" portion of the calculation.

Construction manager expenditures are not included in the "Total Reported Construction Expenditures" portion of the calculation because that is not a hard construction cost.

Construction manager expenditures are not included in the "Total Reported Construction Expenditures" portion of the calculation because that is not a hard construction cost. However, if the LEA can document that the Construction Manager is an "at risk" contract then it can be considered a hard construction cost. For a Construction Manager to be considered "at risk" they have to be the one that takes out the construction bond to assume the liability for the project.

- a) Prepare the table to report the percent the LEA spent on hard construction costs and display the table in the audit report.

	Amount	Percentage
60% of Total Grant		
Reported Hard Costs & Percentage		
Audited Hard Costs & Percentage		
Difference		

12. Inspect 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.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

13. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
-------------------	--

Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure 22.

14. Verify 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 Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

If any of the Restricted Maintenance Account Requirements are not met, the LEA shall take corrective action to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. COE Criteria

Charter School - New Construction Project(s)

Information:

A project must have received a grant for Site Purchase, Site Relocation, and Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a) expenditures reported for Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

Site Purchase

15. Identify if the project received a separate grant for site purchase. If yes, complete procedure 15 and then proceed to procedure number 16. If No, any reported site purchase expenditures are not eligible for State funding and then go directly to procedure number 17.

- a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

b) Identify the lesser of either (a) actual cost paid on final escrow statement for site purchase or (b) appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs or the appraised value of the site. The lesser of the two amounts is eligible for State funding (and shall be considered the audited site purchase costs). Exception: if a court ordered amount was higher than appraisal amount then the court order (minus costs not related to site purchase) amount for site purchase would be the amount that was eligible for State Site Purchase Grant funding.

Information:

The amount listed in court orders may combine other costs with site purchase. Examples may include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding.

Prepare the following table to report the audited amounts.

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: Ed Code Section 17072.12; SFP Regulation Section 1859.74; 1859.74.1; 1859.74.5; 1859.106

16. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and completed the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California CDE and shall be included in the "Schedule of School Facility Program – Site Grant Adjustments pursuant to step 20 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be located on the OPSC website (K-12 Audit Resources).

Reference: SFP Regulation Section 1859.74; 1859.74.3

Site Relocation

17. Identify if the project received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State funding. In this case, skip to the next numbered procedure.

a) Obtain the LEA's reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

b) Prepare the following table to report the audited amounts:

A	Site Relocation Grant Amount (Approved by SAB)	
B	Reported Amount of relocation cost	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the OPSC website (K-12 Audit Resources) for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106.

Site Hazardous Waste Removal Costs:

18. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either or both, complete this procedure. If neither, skip to the next numbered procedure.
- a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous Waste Removal costs to be considered eligible for this State grant funding, the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However those costs are not eligible for the State Hazardous Waste Removal funding

- b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding. Prepare the following table to report the audited amounts.

A	Hazardous Waste Removal Grant Amount (Approved by SAB)	
B	Reported Amount of Hazardous Waste Removal	
C	Audited Hazardous Waste Removal Cost	
D	Difference	
E	Grant Adjustment (C -A)	
F	Final Grant Amount (A+E)	

See the OPSC website (K-12 Audit Resources) for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106

Department of Toxic Substance Control Costs:

19. Identify if the project received a separate grant for DTSC fees. If yes, complete this procedure 21. If no, any reported DTSC Cost expenditures are not eligible for State DTSC Grant funding and proceed to the next procedure.

- a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable

pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H).

b) Prepare the following table to report the audited amounts.

A	DTSC Fee Grant Amount (Approved by SAB)	
B	Reported Amount of DTSC Fee	
C	Audited DTSC Fee	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

See the OPSC website (K-12 Audit Resources) for detailed procedures on reviewing DTSC costs for eligibility.

Reference: SFP Regulation Section 1859.74(a)(3) and (b)(3); 1859.106

20. Complete the "Schedule of School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 15 through 19 of this section. Note: the LEA will already have completed columns A and B in the schedule.

21. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. See OPSC website (K-12 Audit Resources). If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

- (1) School Board Minutes
- (2) Fire Marshall Inspection Letter
- (3) Copy of news story indicating the date school opened
- (4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Determination of Unspent Funds – Charter Schools

At the time the LEA submits their final expenditure report (Form SAB 50-06) they will be required to report if the project had unspent funds by completing the “Schedule of School Facility Program –Unspent Funds”.

22. If the LEA had unspent funds, obtain the District’s calculation of unspent funds on the Charter Schools project on the “Schedule of School Facility Program Unused Funds” and recalculate the amounts reported:

Information:

Report the State share of remaining unspent funds on the Charter Schools project:

$$\text{State Share of Unspent Funds} = (\text{Grant Amount} + \text{District Contribution} + \text{Audited Interest} - \text{Final Expenditures reported to OPSC})/2$$

For any Charter School New Construction projects that received a site acquisition, relocation assistance, hazardous waste removal, or a DTSC grant those amounts, plus any reported expenditures associated with those grants, are not included in the calculation of unused funds.

Projects funded under the Charter School Facility Program (CFSP) do not generate savings pursuant to SFP Regulation Section 1859.103. In addition, State funds remaining at the completion a project may not be used to satisfy the local match obligation. State in the audit report any remaining State share of funds that must be returned to the State.

Unspent Funds reported	
Unspent funds audited	
Difference	

Display the audited Unspent Funds in the “Schedule of School Facility Program Summary of Final Project Funding”.

Reference: Regulation Section 1859.103; SFP Regulation Section 1859.169.1; 1859.163.2; 1859.163.3 and Grant Agreement Section F, paragraph 5.

23. Display in “Schedule of School Facility Program Summary of Final Project Funding” (Section VII) the total amount to be returned to the State. This would include: (1) Unspent Funds and (2) any ineligible expenditures.

B. REDUCTION TO COSTS INCURRED – CHARTER SCHOOL

For Charter School projects identified in Section IA, Step 1 as failing substantial progress or if a LEA requested their project(s) be reduced to costs incurred the audit procedures in Section VB must be completed.

Note: Projects that were 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, must also complete the procedures detailed in Section VI of the audit guide.

1. Verify the Grantee 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).

Reference: Education Code Section 17076.10.

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District 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. The SAB's project approval document for the applicable project can be obtained on the OPSC's website (K-12 Audit Resources)
<http://www.dgs.ca.gov/opsc/Resources.aspx>

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9)

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select 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, agree and trace 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).

(1) If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine 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 (Section G & Section H). Expenditures made with the Final Charter School Apportionment must comply with Education Code Section 17072.35 and 17078.54(a) and the Grant Agreement Section G.

Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4

4. Verify 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.

Planning Costs

5. 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.

Information:

Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

Construction Costs

6. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:
 - a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.
 - b) Agree and trace 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. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

7. Determine if construction contract(s) was entered into on or after September 27, 2002. Expenditures for construction are eligible only if the construction contract was entered into on or after that date.
8. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

9. 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.

Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 6, 7, & 9 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$2.4 million. \$200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = \$2.2 million. LEA reported \$1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

10. Inspect 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.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

11. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure 20.

12. Verify 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 Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

If any of the Restricted Maintenance Account Requirements are not met this shall result in a corrective action by LEA to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. COE Criteria

New Construction

Information:

A project must have received a grant for Site Purchase, Site Relocation, and Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a) expenditures reported for Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

Site Purchase

13. Identify if the project received a separate grant for site purchase. If yes, complete procedure 13 and then proceed to procedure number 14. If no, any reported site purchase expenditures are not eligible for State funding and then go directly to procedure number 15.

- a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

b) Identify the lesser of either (a) actual cost paid on final escrow statement for site purchase or (b) appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs or the appraised value of the site. The lesser of the two amounts is eligible for State funding (and shall be considered the audited site purchase costs). The exception being if a court ordered amount was higher than appraisal amount then the court order (minus costs not related to site purchase) amount for site purchase would be the amount that was eligible for State Site funding.

Information:

The amount listed in court orders may combine other costs with site purchase. Examples may include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding

Prepare the following table to report the audited amounts.

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: Ed Code Section 17072.12; SFP Regulation Section 1859.74; 1859.74.1; 1859.74.5; 1859.106.

14. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and complete the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California CDE and shall be included in the "Schedule of School Facility Program – Site Grant Adjustments pursuant to step 18 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be located on the OPSC website (K-12 Audit Resources).

Reference: SFP Regulation Section 1859.74; 1859.74.3).

Site Relocation

15. Identify if the project received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State Site Relocation Grant funding. In this case, skip to the next numbered procedure.

- a) Obtain the LEA’s reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).
- b) Prepare the following table to report the audited amounts.

A	Site relocation Grant Amount (Approved by SAB)	
B	Reported Amount of relocation cost	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the OPSC website (K-12 Audit Resources) for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106

Site Hazardous Waste Removal Costs:

16. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either or both, complete this procedure. If neither, skip to the next numbered procedure.

- a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous Waste Removal costs to be eligible for this State grant funding the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State Hazardous Waste Removal funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However those costs are not eligible for the State Hazardous Waste Removal funding.

- b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding. Prepare the following table to report the audited amounts:

A	Hazardous Waste Removal Grant Amount (Approved by SAB)	
B	Reported Amount of Hazardous Waste Removal	
C	Audited Hazardous Waste Removal Cost	
D	Difference	
E	Grant Adjustment (C - A)	
F	Final Grant Amount (A + E)	

See the OPSC website (K-12 Audit Resources) for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106.

Department of Toxic Substance Control Costs:

17. Identify if the project received a separate grant for DTSC fees. If yes, complete this procedure. If no, any reported DTSC Cost expenditures are not eligible for State DTSC Grant funding. In this case, skip to the next numbered procedure.

- a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H).
- b) Prepare the following table to report the audited amounts:

A	DTSC Fee Grant Amount (Approved by SAB)	
B	Reported Amount of DTSC Fee	
C	Audited DTSC Fee	
D	Difference	

E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

See the OPSC website (K-12 Audit Resources) for detailed procedures on reviewing DTSC costs for eligibility.

Reference: SFP Regulation Section 1859.74(a)(3) and (b)(3); 1859.106

18. Complete the “Schedule OF School Facility Program – Site Grant Adjustments”, that must be presented in the audit report, using the information from the tables completed in audit procedures 13 through 17 of this section. Note: the LEA will already have completed columns A and B in the schedule.

19. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. See OPSC website (K-12 Audit Resources). If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

- (1) School Board Minutes
- (2) Fire Marshall Inspection Letter
- (3) Copy of news story indicating the date school opened
- (4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

20. Obtain the LEA’s calculation of unspent funds from the “Schedule of School Facility Program - Unspent Funds” located on the OPSC website (K-12 Audit Resourced) and perform the following procedures. All funds not spent on

eligible SFP expenditures will be considered unspent and will be returned to the State.

- a) Recalculate the unspent funds by applying the following formula:

$$\text{Unspent funds} = (\text{Grant(s) received} + \text{district contribution} + \text{audited interest (on State funds)}) - \text{reported expenditures}$$

Unspent funds due to the State (if reported expenditures are less than project financing)

The amount to be returned to the State for Reduction to Costs Incurred adjustment equals the State's share of the Unspent Funds.

- b) Prepare the following table based on the audit procedure performed:

Unspent funds reported	
Unspent funds audited	
Difference	

Display the audited Unspent Funds in the "Schedule of School Facility Program Summary of Final Project Funding".

- 21. Display in "Schedule of School Facility Program Summary of Final Project Funding" the total amount to be returned to the State. This will include: (1) the Reduction to Costs incurred adjustments (Unspent Funds) and (2) any ineligible expenditures.

VI. UNFUNDED LIST PROJECTS

Projects that were 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, are not subject to a Grant Agreement. However, these projects are still subject to the performance audit required in Education Code section 41024. When applicable, the procedures in this section must be completed in addition to the appropriate procedures detailed in other sections of the audit guide.

- 1. Obtain the LEA's listing of purchased Computers, Printers, and computer carts.
- 2. If Computers, Printers, or computer carts were purchased, inspect the following documentation to determine if expenditures were made within the scope of the project funded:
 - a) The District must submit a letter or other documents which details:
 - (1) Location of computers

- (2) Use of computers
- (3) District's rationale for the amount of computers purchased
- b) Per Education Code Section 17071.25(a)(2)(A) the California classroom loading standard has been used to determine number of eligible computers.
 - (1) K-6 = 25 pupils per classroom
 - (2) 7-8 = 27 pupils per classroom
 - (3) 9-12 = 27 pupils per classroom
 - (4) Non-Severe = 13 pupils per classroom
 - (5) Severe = 9 pupils per classroom

In addition to above, one additional computer per classroom has been allowed for the teaching station.

- 3. Obtain the number of classrooms approved for the project and type of project approved from the SAB item that approved the project apportionment.
- 4. Calculate the number of eligible computers.
 - a) Eligible Computers = (Number of classrooms x loading standard (as determined by type of project)) + (1 additional computer (teaching station) x number of classroom).
 - b) Computers reported beyond the calculated eligible computer total are not eligible for State funding.
 - c) The amount associated with ineligible computers = Number of ineligible computers X Amount paid by LEA per computer.

A	Cost of Computers and Related Equipment	
B	Number of Computers Purchased	
C	Average Cost Per Computer (A/B)	
D	Eligible Computers Calculation	
E	Difference (D-B)	
F	Audited—Amount Associated with Ineligible Computers (E*C)	

Information:

For the purpose of this section, computers mean desktops, laptops, tablets, portable devices, printers, and computer carts.

Any computers that were determined ineligible and the amount associated with the ineligible computers shall be returned to the State.

Reference: Education Code Section 17071.25(a)(2)(A); SFP Regulation Section 1859.51(l) and 1859.61(g).

VII. SUMMARY OF AUDIT SCHEDULES

Prepare and present the following schedules associated with performance of the preceding audit procedures located on the OPSC website (K-12 Audit Resources):

<http://www.dgs.ca.gov/opsc/Resources.aspx>

- A. Schedule of School Facility Program Summary of Audit Findings (prepared for all audits)
- B. Schedule of School Facility Program Site Grant Adjustments Summary (prepared for all audits except for Savings Audits, where it is not applicable.)
- C. Schedule of School Facility Program Determination of Project Savings (prepared for all audits except for Savings Audits, where it is not applicable.)
- D. Schedule of School Facility Program Summary of Final Project Funding (prepared for all audits, except for Savings Audits, where it is not applicable.) It shall include (If Applicable):
 1. Total Ineligible Expenditures Due the State
 2. Total Grant Adjustments Due the State or Due the LEA
 3. Audited Unspent Funds Due the State

VIII. GLOSSARY OF AUDIT DEFINITIONS AND ACRONYMS

Apportionment: shall have the meaning set forth in Education Code Section 17070.15(a).

Career Technical Education Facilities Project: shall mean a project approved by the SAB pursuant to Education Code Section 17078.72.

CCR: shall mean the California Code of Regulations (CCR) is the codification of the general and permanent rules and regulations (sometimes called administrative law) announced in the California Regulatory Notice Register by California State Agencies. Such rules and regulations are reviewed, approved, and made available to the public by the Office of Administrative Law (OAL) and are also filed with the Secretary of State.

CDE: shall mean the California Department of Education. The role of CDE in the school construction process is to review and approve school district sites and construction plans.

Charter School: shall mean a school established pursuant to Education Code, Title 2, Division 4, Part 26.8, Section 47600, et seq.

Classroom: shall mean a teaching station that has the same meaning as the term used in Education Code Section 17071.25(a)(1).

DGS: shall mean the Department of General Services. DGS serves as business manager for the state of California. General Services helps to better serve the public by providing a variety of services to state agencies through procurement and acquisition solutions, real estate management and design, environmentally friendly transportation, professional printing, design and web services, administrative hearings, legal services, building standards, oversight of

structural safety, fire/life safety and accessibility for the design and construction of K-12 public schools and community colleges, and funding for school construction.

DLOPE: shall mean the Detailed Listing of Project Expenditures - Expenditure reporting worksheet used by LEAs to report specific project expenditures to OPSC.

DSA: shall mean the Division of the State Architect. DSA is the State office within the Department of General Services that reviews school building plans and specifications for structural, fire safety and access compliance.

DTSC: shall mean the California Department of Toxic Substance Control. The role of DTSC in the school construction process begins with the California Department of Education site approval process. The DTSC will assist the district with an assessment of any possible contamination, and, if necessary, with the development and implementation of a mitigation plan.

FH: shall mean Financial Hardship – State funding for all or a portion of an LEA’s matching share required by SFP Regulation Section 1859.77.1 or 1859.79; can provide up to 100% State funding.

Final Charter School Apportionment: shall mean a Preliminary Charter School Apportionment that has been converted to a Final Charter School Apportionment in accordance with SFP Regulation Section 1859.165.

Form SAB 50-04: shall mean the *Application For Funding*, Form SAB 50-04

Form SAB 50-05: shall mean the *Fund Release Authorization*, Form SAB 50-05

Form SAB 50-06: shall mean the *Expenditure Report*, Form SAB 50-06

Form SAB 50-09: shall mean the *Application for Charter School Preliminary Apportionment*, Form SAB 50-09

Form SAB 50-10: shall mean the *Application for Career Technical Education Facilities Funding*, Form SAB 50-10

Grant Agreement: shall mean the binding document that defines the responsibilities of funding applicants and the State, including the determination of the amount of eligible State funding and the reporting of all project funds, including any savings achieved. It is also designed as a useful tool to ensure that the LEA grantees receiving funds have a thorough understanding of the requirements in receiving State funds.

Independent Audit: shall mean an examination and report of the district’s accounts by a certified public accounting firm.

LEA: shall mean a LEA (School Districts, County Offices of Education, and Charter Schools).

MI: shall mean Material Inaccuracy. MI is defined by SFP Regulation Section 1859.2 as any falsely certified eligibility or funding application that allowed the LEA an advantage in the funding process. Education Code (EC) Section 17070.51 requires the OPSC to notify the SAB if any such certifications have been found. EC Section 17070.51 also provides the SAB with the authority to impose penalties if a finding of Material Inaccuracy is made by the SAB.

Modernization Adjusted Grant: shall mean the Modernization Grant, plus any other funding provided by SFP Regulations.

Modernization Grant: shall mean the funding provided pursuant to Education Code Section 17074.10(a) and SFP Regulation Sections 1859.78, 1859.78.3, 1859.78.6, and 1859.78.8.

New Construction Adjusted Grant: shall mean the New Construction Grant, plus any other funding provided by SFP Regulations.

New Construction Grant: shall mean the funding provided pursuant to Education Code Section 17072.10(a) and SFP Regulation Sections 1859.71 and 1859.71.1.

Occupancy: shall mean the point at which pupils occupy a classroom as evident by district documents such as the school board's adopted calendar, classroom attendance rosters, fire marshal approval of the classroom, etc.

OPSC: shall mean the Office of Public School Construction (OPSC) is under the authority of the state of California's Department of General Services. As staff to the State Allocation Board, OPSC implements and administers voter-approved school facilities construction programs per the Leroy F. Greene School Facilities Act of 1998.

PCC: shall mean the California Public Contract Code. Legal codes enacted by the California State Legislature and part of general statutory law of California. The PCC provides relevant statutory law for areas such as proper contracting practices, bidding practices, etc.

SAB: shall mean the State Allocation Board (SAB) membership is comprised of the Director of Finance (the traditional chair), the Director of the Department of General Services, the Superintendent of Public Instruction, three members of the Senate, three members of the Assembly, and one appointee by the Governor. The SAB meets monthly to apportion funds to the LEAs, act on appeals, and adopt policies and regulations regarding the SFP.

SFP: shall mean the School Facility Program (SFP), which provides funding grants for school districts to acquire school sites, construct new school facilities, or modernize existing school facilities. The two major funding types available are "new construction" and "modernization". In addition, the SFP provides funding for Career Technical Education and Charter Schools.

Unfunded List: shall mean an information list of unfunded projects, with the exception of the unfunded list defined below as "Unfunded List (Lack of AB 55 Loans)".

Unfunded List (Lack of AB 55 Loans): shall mean an information list of unfunded projects that was created due to the State's inability to provide interim financing from the Pooled Money Investment Account (AB 55 loans) to fund school construction projects as declared in the Department of Finance Budget Letter #33 issued on December 18, 2008.

REPEAL

2017-18

Guide for Annual Audits of K-12 Local Education Agencies
and State Compliance Reporting



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