

# OFFICE OF PUBLIC SCHOOL CONSTRUCTION

## School Facility Program Close-out Audits

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Presenters: Jason Hernandez  
Lori Namba

## Topics of Discussion

- Mission
- Successful SFP Audit Planning
- Reporting Requirements
- Final Expenditure Audit
- Savings Usage
- Questions

## School Facility Program Audits

### Mission

The Office of Public School Construction is committed to a philosophy of service and accountability to the public, whose best interest is served through utilizing the Generally Accepted Auditing Principles and following the guidelines in the California School Accounting Manual. We believe that this can most effectively be accomplished through audit procedures that hold school districts accountable to the statutory requirements. Additionally, we provide equitable and fair enforcement of the School Facility Program Statutes and Regulations to ensure that the school district's expenditures are properly reported and that the District's program certifications are made accurately. At the same time, throughout the auditing process, we provide assistance and education to the school districts through outreach, thereby creating more positive audit results.

## Successful Audit Planning

### District Accounting

- Track and report each SFP project separately for expenditures, interest and savings.
- Set up a subsidiary fund for each project
  - School Facility Fund (Fund 35)
  - Other Capital Facility Fund(s)

## Successful Audit Planning

### Two concurrent processes:

1. Substantial Progress  
(Regulation Sections 1859.105, 105.1 & 105.2)
2. Expenditure Close Out Audit  
(Regulation Section 1859.106)

## Successful Audit Planning

### Substantial Progress Audit:

#### Time Line for Submitting Evidence

Due 18 months from the date of Fund Release

- Separate Design (Financial Hardship)
- Separate Site (Financial Hardship)
- Adjusted Grant

Due 12 months from Apportionment Date

- Separate Site (Environmental Hardship)

## Successful Audit Planning

### Substantial Progress Audit:

#### Type of Evidence Required

- Separate Design (Financial Hardship)
- Separate Site (Financial Hardship)
- Separate Site (Environmental Hardship)
- Adjusted Grant

## Successful Audit Planning

### Substantial Progress Audit:

- Progress Review (Checklist Audit)
- Audit Response
- Close-out Process

## Reporting Requirements

### Expenditures

- Track and report each project separately
- Annual report required
- Report all project expenditures on *Expenditure Report (Form SAB 50-06)* and cumulative Detailed Listing of Project Expenditures Worksheets
- District's expenditure window

## Reporting Requirements

### Interest

- Track and report each project separately
- Annual report required
- Report interest earned in the School Facility Fund (Fund 35) on *Expenditure Report (Form SAB 50-06)*

## Reporting Requirements

### Savings

- Track and report each project separately
- Savings = State Grant + District Match + Interest *less* Eligible Project Expenditures
- Annual report required
- Report State and District share on *Expenditure Report (Form SAB 50-06)*

## Final Expenditure Audit

### Close Out Audit Trigger

- District indicates 100% complete, or
- District's 3/4 year expenditure deadline expires

### OPSC Timelines

- Audit started within 2 years
- Audit completed within 6 months

## Final Expenditure Audit

### Required Documents:

- ✓ Bid announcement and summary
- ✓ Disabled Veteran Business Enterprises
- ✓ Qualifications Appraisal and Agreement
  - Architect, Construction Manager, Engineer
- ✓ Labor Compliance Program (LCP) Verification
  - Department of Industrial Relations (DIR) Approval(s)
  - If applicable, Third Party Contract

## Final Expenditure Audit

### Required Documents (continued):

- ✓ Main Construction Contracts
- ✓ Main Construction Contracts Final Billing
- ✓ All Change Orders
- ✓ Sample of warrants and invoices

## Final Expenditure Audit

### District Certifications

- ✓ *Application for Funding (Form SAB 50-04)*
  - 60% Commensurate
- ✓ *Fund Release Authorization (Form SAB 50-05)*
  - Funds must be released within 18-months of apportionment
  - District's share

## Final Expenditure Audit

### District Certifications (continued)

- ✓ *Fund Release Authorization (Form SAB 50-05)(continued)*
  - Self-Certification on Part 4 of the SAB 50-05
  - Meeting the 50% threshold with signed contracts
  - Construction Management fees/  
Construction Manager @ Risk

## Final Expenditure Audit

### District Certifications (continued)

- ✓ Labor Compliance Program (LCP) Verification
  - Labor Code 1771.7
  - Self-certification on Form SAB 50-04
  - LCP documentation submitted with Fund Release Authorization Form SAB 50-05

## Final Expenditure Audit

### District Certifications (continued)

- ✓ Labor Compliance Program (LCP) Verification (continued)
  - LCP documents required by OPSC prior to release of funds
  - Proposition 1D not subject to LCP requirements
  - LCP questions should be directed to Lori Namba at [Lori.Namba@dgs.ca.gov](mailto:Lori.Namba@dgs.ca.gov) or (916) 322-0140.

## Final Expenditure Audit

### District Certifications (continued)

- ✓ Routine Restricted Maintenance Account deposit  
(Education Code 17070.75)
- ✓ Force Account Labor
- ✓ Disabled Veteran Business Enterprises

## Savings Usage

### Non-Financial Hardship Projects

#### State's Share

- District's matching share
- High priority capital facility needs of the District

Exception: For new construction project reimbursement (180 day grandfather period), the State's share of savings must be returned to the State pursuant to Regulation 1859.70.2(d).

## Savings Usage

### Non-Financial Hardship Projects

#### District's Share

- High priority capital facility needs of the District

#### Document Savings Usage

(Regulation Section 1859.103)

## Savings Usage

### Financial Hardship Projects

- Return Savings to State, or
- Apply Savings to a future Financial Hardship Project not yet apportioned.

## OPSC Fiscal Contacts

#### Chief of Fiscal Services

David Zian (916) 322-9448

#### Operations Managers

Suzanne Reese (916) 323-4461  
Lisa Silverman (916) 322-0264

#### SFP Audit Supervisors

Rick Asbell (916) 322-0196

*Special Projects/Appeals*

Julie Ennis (916) 445-0019

*Substantial Progress/RRMA*

Jason Hernandez (916) 324-4687

*Financial Hardship*

Lori Namba (916) 322-0140

*Labor Compliance Program*

Wan Wong (916) 323-3454

*Lease-Purchase Program/Sale of Site Proceeds*

Michael Watanabe (916) 324-2557

*Audit Policy/Deferred Maintenance*

#### Accounting Supervisor

Jean Liu (916) 445-3156

## Resources

### OPSC Website ([www.opsc.dgs.ca.gov](http://www.opsc.dgs.ca.gov))

- SFP Substantial Progress and Expenditure Audit Guide
- SFP Regulations
- Forms, Checklists, and Worksheets
- Financial Hardship Information Brochure
- Advisory Actions Articles

Questions

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