

C.A.S.H. 29TH ANNUAL CONFERENCE ON SCHOOL FACILITIES

NEW PROGRAMS, NEW PROMISE CALIFORNIA SCHOOL FACILITIES 2008

Tuesday, February 26, 2008
3:30 p.m. - 4:30 p.m.
Sacramento Convention Center
Room # 306

Workshop #12

Office of Public School Construction – Fiscal Hot Topics

Moderator:

Suzanne Reese

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Panelists:

Jason Hernandez

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Office of Public School Construction

2008 CASH Conference

Fiscal Hot Topics

February 26, 2008

Introduction

- Panel Members
 - Michael Watanabe
School Facility Program and Deferred Maintenance Audits
 - Jason Hernandez
Financial Hardship Audits
- Moderator
 - Suzanne Reese
Operations Manager, Fiscal Services

Fiscal Hot Topics

- SFP Audit Process Improvements
- On-site Audits
- Management Representation Letter
- Financial Hardship Program Review

SFP Audit Improvements

- SFP Audit Process Improvements
- Revised Audit Finding
 - Review of Project Financing and Expenditures
 - Summary of Project Funding and Expenditures
 - User Friendly
 - Easier to Understand
 - Audit Schedules for further explanation

Management Representation Letter

- Advisory Letter
- Effective January 1, 2008
- Frequently Asked Questions

Management Representation Letter

- Advisory Letter
 - Mailed to all Superintendents and County Superintendents of Schools
 - 2nd mailing to all District Representatives
- Purpose

Management Representation Letter

- Effective January 2008
 - District may receive a copy of the Management Representation Letter on both current and future audits.
 - Must be returned as part of the audit closeout process.

Management Representation Letter

- Frequently Asked Questions
 - What is it that I am signing?
 - Why now?
 - What if I don't sign it?

Financial Hardship Program Review

- Financial Hardship Program Improvements
 - Performance Audit Performed on Financial Hardship Program
 - Recommendations on Program Improvements

Financial Hardship Program Review

- Update on Financial Hardship Program Improvements
 - Revamping the Financial Hardship Framework
 - Developing and Implementing Program Policies
 - Revamping the Worksheets & Instructions
 - Implementing Process Improvements & training

Financial Hardship Program Review

- Revised Financial Hardship Checklist
 - Mass Mailer – January 8, 2008
 - Why did it change?
 - What changed?
 - Checklist for County Office of Education
 - Benefits for School Districts

Financial Hardship Program Review

- Complete Financial Hardship Package
 - What is considered a complete package?
 - What happens if my package is incomplete?

Fiscal Audit Staff

- New Audit Staff Members
 - Christine Anderson, SFP Auditor
 - Karen Crosby, SFP Auditor
 - Steve Inman, Auditor - Financial Hardship Reviews
 - John Souza, SFP Auditor
 - Keith Jung, SFP Audit Supervisor

Questions

???

Resources

- OPSC Chief of Fiscal Services
 - David Zian (916) 322-9448
- OPSC Fiscal Operations Managers
 - Suzanne Reese (916) 323-4461
 - Lisa Silverman (916) 322-0264
- OPSC Fiscal Supervisors
 - Rick Asbell, Audits (916) 322-0196
 - Julie Ennis, Audits (916) 445-0019
 - Jason Hernandez, Audits (916) 324-4687
 - Keith Jung, Audits (916) 322-0140
 - Michael Watanabe, Audits (916) 324-2557
 - Wan Wong, Audits (916) 323-3454
 - Ken Lam, Accounting (916) 445-3156

Financial Hardship Checklist and Certification

(February 2008)

SCHOOL DISTRICT
COUNTY
DATE OF FINANCIAL HARDSHIP REQUEST

Attention: In order to streamline the process of completing a Financial Hardship package, it is the district's responsibility to clearly report all sources of funding and pertinent information as part of their Financial Hardship submittal package. All incomplete Financial Hardship packages will be returned. This Financial Hardship checklist and funding certification must be submitted in its original form and without any modifications or the district's Financial Hardship package will be marked incomplete and returned to the district.

In addition, the OPSC strongly encourages district's to provide supporting schedules and all necessary documents to accommodate shorter review periods.

I. QUALIFYING CRITERIA [Per Education Code Sections 17075.15(d)(1-5) & Regulation Section 1859.81(c)(1-5)]

District must meet Section A and at least one of the items listed in Section B below in order to qualify for Financial Hardship.

Section A

1. Is the district levying developer fees at the maximum rate justified under law? Yes No

As of the January 2008 SAB meeting, Level 1 rates were set by the SAB at \$2.97 per square foot for residential permits and \$0.47 per square foot for commercial/industrial permits.

2. Is the district renewing their Financial Hardship for a new construction project? Yes No

If yes, it must also show evidence of the appropriate level of developer fees assessed (i.e. Level I, Level II, or alternate fee determined by current needs analysis study). The district must have a current (dated within one year of the Financial Hardship request) Needs Analysis Study to justify its fees.

Has a copy of the Needs Analysis Study and the school board resolution implementing the fees been submitted? Yes No

If no, district does not meet current financial hardship criteria.

3. Is a copy of the school board resolution implementing the current fees attached? Yes No

4. If the district is sharing developer fees with other school district(s): has a copy of the agreement been submitted with the financial hardship package? Yes No

What percentage of fees does the district receive from the sharing agreement and what is the rate? _____

If the district is levying the maximum developer fees as indicated in A1., go to Section B1.

5. If the district is not levying the maximum developer fees, does the district have a current (dated within 2 years of the financial hardship request) developer fee justification study showing a lesser amount to be collected? Is the justification study included in the financial hardship submittal? Yes No

What is the lower rate that is being assessed? _____

If the district is either levying the maximum developer fee authorized or justifies a lower fee, then go to Section B1.

If no, district does not meet current financial hardship criteria.

Section B

1. Is the district's current outstanding bonded or school facility related indebtedness at least 60% of the total bonding capacity of the district? Yes No

What is the district's percentage of indebtedness? _____

If qualifying under this criteria has a copy from County Audit-Controller certifying the district's current year assessed valuation been enclosed? Yes No

If yes, go to Funding Certification section; if no, go to section B2

Financial Hardship Checklist and Certification

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- 2. Did the district have a successful registered voter bond election for at least the maximum amount allowed under Prop 39 within the previous two years from the date of request for financial hardship status? Yes No

The proceeds from the bond election (that represent the maximum amount allowed under the provisions of Prop 39) must be used to fund SFP project(s).

If qualifying under this criteria, has the following been submitted:

- A copy of ballot issue/voter bond pamphlet. Yes No
- Certification from Registrar of Voters. Yes No
- Documentation supporting date of election, amount of bond; purpose of bond; percent of "Yes" vote on bond. Yes No

If yes, go to II. Funding Certification; if no, go to Section B3

- 3. Is the applicant a County Superintendent of Schools? Yes No

If yes, go to II. Funding Certification; if no, go to Section B4

- 4. Is the district's total bonding capacity at the time of the request for Financial Hardship status \$5 million or less? Yes No

If qualifying under this criteria has a copy from County Audit-Controller certifying the district's current year assessed valuation been enclosed? Yes No

If yes, go to II. Funding Certification; if no, district does not qualify for financial hardship

II. FUNDING CERTIFICATIONS (Per Education Code Section 17075.15(c) & Regulation Section 1859.81(a))

NOTE: All fund sources that could be used for capital facility purposes need to be included in the Financial Hardship package, regardless of what fund the proceeds are deposited into.

- A. Has the district issued any Certificates of Participation (COP) in the last three years? Yes No

If yes:

- Please indicate the date(s) issued and the dollar amount(s): _____
- Please indicate what Fund the proceeds were deposited into: _____
- Please provide a trial balance and/or General Ledger detail evidencing the proceeds were deposited in that fund.
- Please provide a copy of the COP booklet(s) as part of the district's Financial Hardship package.

Enclosed:
 Yes No

If no, the package will be returned.

- B. Will any Certificates of Participation (COP) be issued within the next 12 months from the date of the Financial Hardship submittal? Yes No

If yes, please indicate the proposed date of issuance and the amount: _____

- C. Has the district passed any General Obligation Bonds (2/3, Proposition 39) or Mello Roos Bonds within the last three years? Yes No

If yes:

- Please indicate the date(s) passed and the dollar amount(s): _____
- Please indicate what Fund the proceeds were deposited into: _____
- Please provide a trial balance and/or General Ledger detail evidencing the proceeds were deposited in that fund.
- Please provide a copy of the bond book(s) and official copy of the ballot issue(s) as part of the Financial Hardship package.

Enclosed:
 Yes No

If no, the package will be returned.

Financial Hardship Checklist and Certification

(February 2008)

D. Has the district entered into any developer fee "In Lieu" agreement(s) within the last three years that decreased the amount of developer fees collected by the district? Yes No

If yes:

• Please provide a copy of the mitigation(s) agreements and school board minutes approving the agreement been submitted as part of the Financial Hardship request package. **Enclosed:** Yes No

• If the district received any benefit, building, land, etc., in lieu of Developer Fees, has documentation been submitted verifying the "in lieu" received and the value of developer fees that were negated due to the "in lieu" agreements? Yes No

This documentation should include the General Ledger detail to reflect the asset value and date posted.

If no, the package will be returned.

E. Is the district currently receiving Redevelopment Funds or have they received Redevelopment Funds within the last three years? Yes No

If yes,

• Please indicate the dollar amount(s): _____

• Please indicate what Fund the proceeds were deposited into: _____

• Please provide a trial balance or General Ledger detail evidencing the proceeds were deposited in that fund.

• Please provide a copy of the redevelopment agreement(s) currently in effect as part of the Financial Hardship request package. **Enclosed:** Yes No

If no, the package will be returned.

F. Has the district received any proceeds from sale of surplus property within the last three years? Yes No

If yes, please indicate the dollar amount(s): _____

In addition, please indicate what Fund the proceeds were deposited into: _____

• Please provide a trial balance or General Ledger detail evidencing the proceeds were deposited in that fund.

G. Has the district received any other source of funding within the last three years not previously listed that could be used for capital facility purposes? Yes No

If yes:

• Please indicate the source of funding: _____

• Please indicate the dollar amount(s): _____

• Please indicate what Fund the proceeds were deposited into: _____

• Please provide a trial balance or General Ledger detail evidencing the proceeds were deposited in that fund.

H. What Inter-Fund transfers has the district made over the last two fiscal years?

• Please submit General Ledger detail which documents the transfers over the last two fiscal years. **Enclosed:** Yes No

• Please provide a schedule of all the Inter-Fund transfers that lists:
(1) the fund transferred from, (2) the fund transferred to, (3) describes the purpose of the transfer, and (4) the date of the transfer. **Enclosed:** Yes No

III. EVIDENCE REQUIRED

A. Summary of why the district is requesting financial hardship. This can be a short paragraph summarizing how the district meets the financial hardship criteria. Yes No

B. District's Capital Outlay Plan for the next 5 years. Yes No

C. "Financial Hardship Project Worksheet" for each project and each phase of a project the district is requesting Financial Hardship assistance for. Yes No

Financial Hardship Checklist and Certification

(February 2008)

- D. "Financial Hardship Fund Worksheet" submitted for each fund within the Capital Project Funds and/or each Fund that contains capital facility related proceeds. These summarized fund worksheets reflect the district's financial condition pursuant to data from the latest Independent Audit Report, along with subsequent transactions in column 2 of the worksheets to arrive at the current available funds. A separate worksheet must be submitted for each fund that contains capital facility related proceeds. Yes No
- E. Trial Balance for each financial hardship fund worksheet the district is submitting. The trial balance should reflect the balances through the date of the fund worksheets. Yes No
- F. General Ledger (GL) Detail Report for the information in Column 1 and Column 2 of each Financial Hardship Fund Worksheet submitted. Yes No

For example: The district's Fund 25 worksheet has Column 1 information for the 2005/2006 Fiscal Year ending 6/30/06. The Column 2 information is dated as of 10/1/07, therefore it contains data from the 2006/2007 Fiscal Year ending 6/30/07 and 3 months of information (7/1/07 thru 10/1/07) from the 2007/2008 Fiscal Year. This would mean the district would submit 3 General Ledger detail reports for Fund 25: (1) 7/1/05 thru 6/30/06, (2) 7/1/06 thru 6/30/07, and (3) 7/1/07 thru 10/1/07.

NOTE: If the General Ledger detail report does not clearly delineate what project the reported expenditures were completed on then it will be necessary to submit a support schedule which lists all the expenditures, the work done, the project, and ties back to the individual General Ledger detail report(s).

- G. Identify the purpose and provide necessary documentation for any restrictions on funds within the Special Reserve Fund listed in the district's Capital Projects Fund. Yes No
- H. Report all funds spent (to date) on SFP financial hardship project(s) requested on a detailed expenditure report. A separate expenditure report must be submitted for each Financial Hardship Project Worksheet. If no funds have been spent on the project(s), submit a written statement to that effect. Yes No
- I. Documentation supporting any encumbrances the district is claiming (i.e. contracts/payment schedules). All material should be clearly cross referenced and identified to the contract and to the encumbrance(s). Yes No
- J. If the district will be requesting an "Interim Housing" deduction against funds that would otherwise be considered available for future SFP Financial Hardship projects, they must submit the following: This allowance is only when the district is applying for new construction projects. Yes N/A
 - (1) Current Enrollment Certification/Projection (Form SAB 50-01),
 - (2) Existing School Building Capacity(Form SAB 50-02),
 - (3) The district's written estimation of the Interim Housing deduction needed for the coming year.

These documents are needed so OPSC can calculate the maximum "Interim Housing" deduction allowed.

NOTE: Small school districts have an option to not update their eligibility for a period of three years in case of declining enrollment. However, for financial hardship purposes, the Form SAB 50-01 must be completed based on the latest CBEDS information.

- K. Complete copy of last Two Independent Audit Reports. Yes No
- L. Listing of the district's unused site(s) and intended purpose(s) or a statement that the district has no unused site. Yes No

I certify, as the District Representative, that the information, and all supporting documentation, on this form is true, correct, and complete.

SIGNATURE OF DISTRICT REPRESENTATIVE	DATE
PLEASE PRINT NAME:	



November 26, 2007

To: All School Districts and County Superintendents of Schools

Subject: Office of Public School Construction's Process Improvements – Internal Controls

The Office of Public School Construction's (OPSC) goal is to improve the audit process and reduce the amount of time being spent by OPSC and school district staff in auditing our closeout projects. The OPSC will be adopting a Management Representation Letter (MRL) in our audit process that is a certification by a school district that it has proper internal controls. We are confident that you are following these internal control standards since districts must make this same certification as part of their annual independent audit reports. Providing evidence of sound internal controls will enable us to streamline your audits.

Education Code Section 41020 requires each school district's books and accounts to be audited annually by certified public accountants that comply fully with Generally Accepted Government Auditing Standards (GAGAS). One component of GAGAS requires independent auditors to obtain a sufficient understanding of internal controls.

Proper internal accounting and administrative controls ensure that assets are safeguarded, accounting data is accurate, and that managerial policies are being followed. Some examples of proper internal controls include:

- Separation of duties – This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing transactions, and handling assets. No one individual should control all key aspects of a transaction.
- Controls over Information Processing – This includes edit checks of data entered, accounting for transactions in numerical sequences, comparing file totals with control accounts, and controlling access to data, files, and programs.
- Physical Control Over Vulnerable Assets – This includes security for and limited access to assets such as cash, securities, inventories, and equipment which might be vulnerable to risk of loss or unauthorized use.
- Monitoring conflict of interest – Staff authorized to approve contracts should not hold a financial interest in potential vendors.
- A system of checks and balances – Policies should be in place to ensure that authorization for approvals are in place.

Beginning in January 2008, we will be requesting that an authorized district representative sign and return the MRL. The OPSC must verify this information during its audit of State bond dollars and this certification is essential to ensure the integrity of the audits. By adopting the MRL, we will be able to reduce the amount of time that we mutually spend on your closeout audits.

If you have any questions regarding this matter, please feel free to contact Ms. Lisa Silverman, Fiscal Operations Manager, at (916) 322-0264.

Sincerely,
ROB COOK
Executive Officer
Office of Public School Construction



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Sincerely,
ROB COOK
Executive Officer
Office of Public School Construction