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## **C.A.S.H. WORKSHOP:**

### **OPSC Audits**

**Friday, January 29, 2010**

9:00 a.m. to 12:30 p.m.

Ontario Airport Marriott

2200 East Holt Blvd.

Ontario, California

### **PREPARING FOR THE AUDIT**

Case Study: Los Angeles Unified School District

### **SHAWN ATLOW**

Los Angeles Unified School District

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## Preparing for OPSC Audits

### Case Study: Los Angeles Unified School District

- **SHAWN ATLOW**  
*Los Angeles USD*



## Case Study

- Background
- Timeline
- Audit Before September 2008 (familiar process)
- Audit Since September 2008 (process changed)
- What's Next?



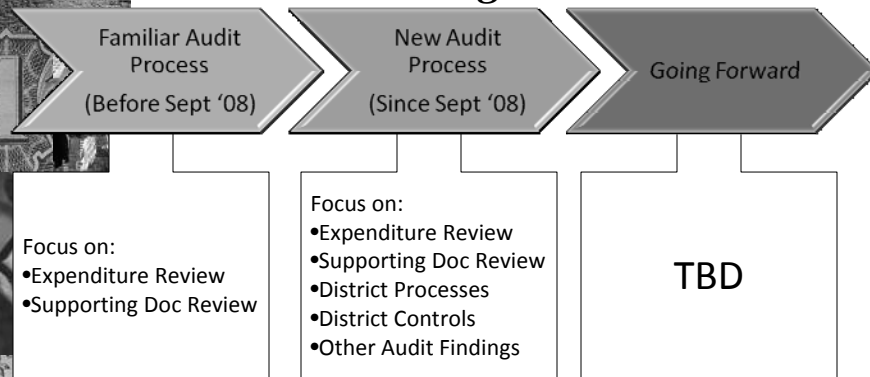
## Background

- 105 projects with OPSC-declared savings
  - Closeout reviews by OPSC in 2004-06 timeframe
- OPSC wanted report on how LAUSD had spent savings
- Iterative process over 1-1/2 years
  - Lengthy response times between agencies
  - Evolving process of OPSC-required documentation
- OPSC indicated desire for onsite visit / audit
  - Initial visit in February 2009
  - Full audit team for 3 weeks in June-September 2009



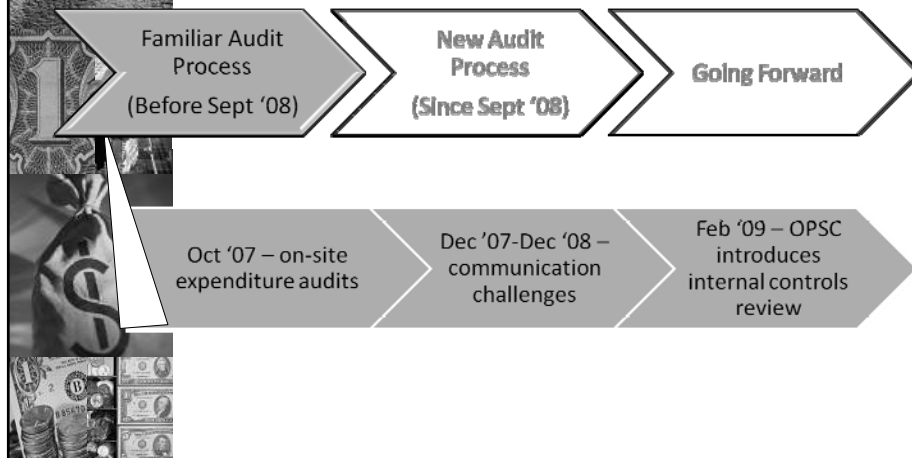
## Timeline

### *Audit of 100+ Projects that Generated Savings*



## Before September 2008

### *Timeline*



## Before September 2008

- Initial audit scope was to verify expenditures
- Focus on 16 projects identified by OPSC
  - Included review of savings expenditures
  - Possible review of other projects
  - District believed audit would be complete when savings were used, reported and verified
  - OPSC requests for additional information indicated otherwise (First indication that something changed)

Familiar  
(Pre 9/2008)



## Before September 2008

- On-site audit in Oct 2007
  - Expenditure & document review
  - School site visit
  - Follow-up on savings use
- Sent more info in Dec 2007, Mar 2008 & Sept 2008 – OPSC says insufficient
- OPSC visits in Feb 2009 & introduces internal controls review concept
- OPSC expresses need to visit again

Familiar  
(Pre 9/2008)



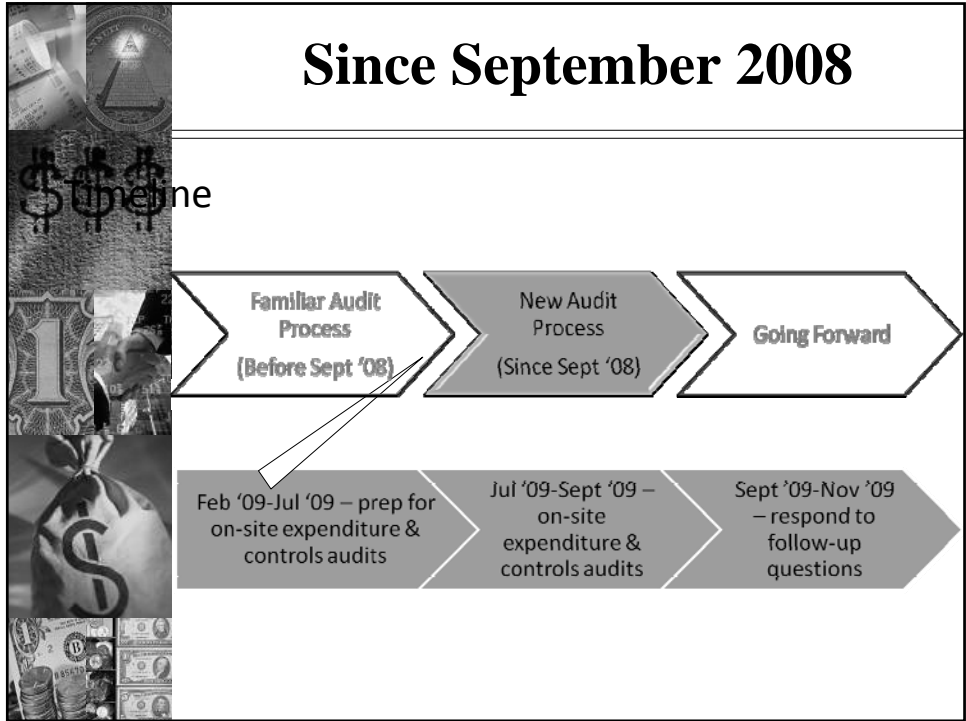
## Before September 2008

### Observations/Conclusions

Up to this point...

- Audit focused on expenditures
- No major hitches (for District)
- No major revelations (for District)

Familiar  
(Pre 9/2008)



## Since September 2008

### Audit scope expanded

- Continued review of savings use
- OPSC request start to include:
  - General ledger data
    - District contribution to projects
    - Financial trail showing savings transfer from SFP project to savings user
  - Chart of accounts from financial system
  - Interest allocation flowcharts/worksheets
  - Organization charts
  - Walkthrough of project life-cycle
  - Project budget



## Since September 2008

- Initially provided info via phone and letters
  - Was fine for providing documents
  - Failed at addressing complex topics
    - General ledger entries
    - Chart of accounts
    - Interest allocation worksheets
- OPSC visit in February 2009
- On-site audit beginning July 2009



## Since September 2008

### Preparation for on-site audit:

- Collect OPSC requested documents
  - Policies for savings use
  - Process flow charts for declaring and using savings
  - Process flow charts for preparing expenditure reports
  - Organizational charts
  - Interest allocation worksheets
  - Last two CAFRs
  - Sample invoice with supporting documents (payment packet)
- Document & info reviews by subject matter experts





## Since September 2008

### Preparation for on-site audit:

- Confirm participation of and conduct pre-meetings with subject matter experts
  - Chief Facilities Executive
  - District Controller
  - District finance experts
  - Facilities finance experts
  - District's SFP experts
  - Facilities program controls experts
  - Legal



## Since September 2008

### OPSC on-site audit – stated scope/objectives:

- Determine accuracy of SFP-savings accounting
- Determine appropriateness of interest allocation
- Determine whether required district contribution was made
- Determine whether reported expenditures were allowable and supported
- Establish reliable audit trails to facilitate audit of more projects
- Document the district's internal controls

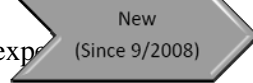




## Since September 2008

### OPSC on-site audit:

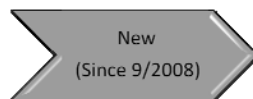
- Entrance conference
  - Introductions
  - Provided all collected documents
  - Housekeeping items (bldg access, POC, etc)
- Working sessions (2 wks in July & 1 wk in Sept)
  - Questions on submitted documents – especially financial info and flow charts
  - Analysis of findings from annual audits and Federal OIG audit
  - Lengthy discussions on LAUSD financial system and processes
  - Some discussions on SFP requirements, documents and processes
  - Discussions with subject matter experts



## Since September 2008

### OPSC on-site audit:

- Exit conferences
  - Preliminary – discussion on action items and next steps
  - Final – discussion on preliminary findings
- Follow-up
  - Additional OPSC questions
  - District evaluation of preliminary findings
  - OPSC audit report???





## Since September 2008

### Observations/Conclusions:

- OPSC new audit scope is very broad
- What worked
  - On-site review key to understanding questions & responses
  - Communicating challenges to auditors – they worked with us to find solutions
  - Clearing calendars (at least trying) to facilitate spending considerable time with auditors
  - Including subject-matter experts
  - Insisting on single point of contact

New  
(Since 9/2008)



## Since September 2008

### Observations/Conclusions:

- What didn't work
  - Trying to answer complex questions by phone, email and letter
  - Timing/Scheduling
  - Not having clear State expectations before the project started (or even before the audit started)
  - Assuming terms meant the same thing to all involved
    - General ledger vs. system-of-record
    - Project
    - Savings
  - Insisting on single point of contact

New  
(Since 9/2008)



## Since September 2008

### Observations/Conclusions:

- What I wish I would have known before audit
  - How much the auditors knew (or thought they knew)
    - What OPSC expected to see when they requested general ledger data
    - Financial system
    - District accounting practices
    - SFP
  - How many District people would be involved
  - Which OPSC requests were veiled competency tests

New  
(Since 9/2008)



## What's Next?

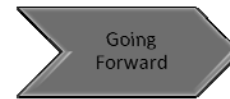
Timeline





## What's Next?

- I don't know what's next
- So what do I know?
  - LAUSD wants to close the audited projects (and many others)
  - SAB Sub-Committee on Audits is evaluating audit practices for the SFP
  - OPSC is conducting a pilot program to test methods of helping districts prepare for new audit protocols



## Summary

- Despite OPSC changes, audit felt familiar up until September 2008 – focus on expenditures
- Audit scope became very broad after September 2008
- OPSC field review is done but still no indication of whether projects closed by State
- Current SAB and OPSC activities may lead to more change