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C.A.S.H. WORKSHOP:

OPSC Audits

Tuesday, January 26, 2010

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

Doubletree Hotel

2001 Point West Way

Sacramento, California

PREPARING FOR THE AUDIT

Case Study: Elk Grove Unified School District


ROB PIERCE

Elk Grove Unified School District

CALIFORNIA'S COALITION *for* ADEQUATE SCHOOL HOUSING

1130 K Street, Suite 210 • Sacramento, CA 95814 • Phone (916) 448-8577 • Fax (916) 448-7495 • www.cashnet.org

Handout materials are available online after the workshop. To download the materials, visit www.cashnet.org/meetings and click on the link labeled "Workshop and Conference Handouts."



January 26, 2010

C.A.S.H. Winter Workshop Preparing for OPSC Audits

Case Study:
Elk Grove Unified School District

Robert Pierce
Associate Superintendent



Case Study: Elk Grove Unified School District

- I. Project Closeout Audits
- II. New Audit Measures
 - a. Notification
 - b. Requests
 - c. Entrance Conference
 - d. Audit Observations
 - e. Internal Controls
 - f. Fiscal/SFP Audit
 - g. Exit Conference
 - h. Site visits
 - i. Closeout/Findings



Project Closeout Audits

- Standard closeout audit
 - Early December 2008 notification
 - 20 projects
- Closeout audit initial requests
 - Final DLOPE's for 20 projects
 - Independent Financial Audits for 06/07 and 07/08 including:
 - IA's report letters
 - IA's report on internal controls
 - IA's report on audit findings
 - IA's summary of findings from prior audits



Project Closeout Audits

- Contacted by OPSC in March 2009 for additional information:
 - Main construction contracts
 - Change order descriptions submitted to DSA
 - DSA approval of all change orders
 - Description from District or architects regarding scope changes on all 20 projects
 - Pending change orders on all 20 projects
 - Final billings and final escrow disbursement evidence



Project Closeout Audits

- Additional information continued:
 - Bid advertisements and bid summaries or evidence of alternative delivery compliance
 - LCP contracts
 - Various consultant contracts
 - Escrow statements and appraisals
 - GL reports for five fiscal years
 - NTP and NOC for all 20 projects
 - Warrants for 58 various billings
 - Management Representation Letter/Form



New Audit Measures Notification

- In District Audit Notification
 - Contacted via telephone in June 2009
 - Coordinated dates for in district audit
 - Follow-up (July 2009) to ensure objectives and agenda
 - Written confirmation of “site visit audit” in July 2009



New Audit Measures Initial Requests

- Written confirmation of site visit audit included request for additional information:
 - Two additional fiscal year GL's
 - Site plans and maps
 - Bid summaries
 - Complete appraisal for one project
 - Flow charts for SFP internal control process
 - Various warrants
 - Audit reports for an additional six fiscal years



New Audit Measures Entrance Conference

- Introductions
- Audit Authority Presentation
 - SFP Regulation 1859.106
 - Ed. Code Section 17076.10
 - Governor's Executive Order S-02-2007
- Scope and Objective of Audit Engagement
 - Final expenditure audit for all 20 projects
 - In-depth audit of expenditures
 - Internal controls testing/questions
 - Site visits to five projects (seven schools)
- Distribution of the latest requested documents



New Audit Measures Audit Observations

- Discussions and questions:
 - Prior audit findings and actions taken
 - Prior legal matters (capital & non-capital)
 - Grand Jury reports
 - Settlement agreements
 - Fiscal and facilities staff turnover
 - Fiscal and facilities staff competence



New Audit Measures Internal Controls

- Reviewed the District's SFP flow chart
 - Ensuring SFP timelines and requirements are met
 - PCC, professional services, and District standards
 - Bidding procedures, contracting requirements, PO approvals
 - Detailed questions pertaining to the flow chart
- Pay application/contractor payment process
- Ensuring quality and “getting what you paid for”
- Payment approvals and accountability
- Tracking of SFP funds from SAB to County to Project



New Audit Measures Fiscal/SFP Audit

- Discussions and questions:
 - Comparing total expenditures on GL's to DLOPE's and explanation of differences
 - Inter-fund transfers
 - Reported 50-06 interest differing from GL's
 - Site purchase amounts on DLOPE's or GL's more than OPSC amounts
 - Various consultant scope and payments
 - Multiple accounting and reporting questions



New Audit Measures Fiscal/SFP Audit

- Discussions and questions continued:
 - Total expenses to contractor reported exceeding final pay application and CO's
 - Classroom counts relative to site plan and CDE approval letters
 - Testing various expenditures
 - Request for additional information to review on the following day
 - Continued testing samples and requesting fiscal reports
 - DSA not showing all change orders



New Audit Measures Exit Conference

- Broad findings of audit
- General discussion of how things went
- Formal findings to be issued with a summary of project expenditures
 - District will have 15 days to respond
- Additional documents and/or explanations were requested



New Audit Measures Site Visits

- Ensuring District built the project as funded
- Location of schools verified
- Athletic fields verified
- Classroom counts verified at random
- Support facilities verified at random
 - Libraries, Gymnasiums, M/P rooms, Locker rooms



Preparing for OPSC Audits Summary

- Started in December 2008 (closeout audit)
- Closeout ran from December 2008 to April 2009
- June 2009 contact regarding closeout audit and in district audit measures
- In district audit occurred in late August 2009
- Multiple follow up documents and explanations requested before, during, and after
- “Final” documents/explanations submitted on September 8, 2009
- Findings are pending