

# Planning for a Successful Audit and the Audit Process

Office of Public School Construction

NOÉ VALADEZ, SFP Audit Supervisor  
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## Proper Accounting

- Separately for each project
  - Subsidiary funds
  - Within the School Facility fund (fund 35)
  - Outside fund 35
    - General Fund
    - Local Bond Funds

## Proper Accounting

- Track Interest
  - Separately for each project
  - Report only Amount accrued in Fund 35

## Proper Accounting

- Identify Savings
  - Separately for Each Project
  - Both State and District Share
  - Calculation:  
State Grant + District Match + Interest Earned  
/less Eligible Project Expenditures

## Proper Accounting

- Document Savings Usage (*1859.103*)
- Non-Financial Hardship Projects
  - Other High Priority Capital Facility Needs
  - District's Matching Share

## Proper Accounting

- Document Savings Usage (*1859.103*)
- Financial Hardship Projects
  - Reduce the Financial Hardship Grant of Project, or
  - District's Contribution of Future Project

## Fund Release Authorization

- Form SAB 50-05 Submittal
  - 18 months from 50-04 submittal
    - 50 Percent Construction Work Under Contract
    - Notice to Proceed issued

## Substantial Progress

- Separate Design
- Separate Site
- Adjusted Grant

## Separate Design

- 40 Percent of the Adjusted Grant Amount Released Early
- One Of The Following:
  - Adjusted Grant Application Package
  - Certification RE: DSA Approval
  - Separate Site Application
- SAB Case-by-Case Review

## Separate Site

- All Of The Following:
  - Final Site Appraisal
  - CEQA
  - CDE Site Approval
  - Final Escrow Or Condemnation Proceedings
- SAB Case-by-Case Review

## Separate Site – Environ Hardship

- One Of The Following:
  - Progress Checklist
  - Request For 12 month Extension
  - Other Reasonable Evidence

## Adjusted Grant

- One Of The Following:
  - 75% Site Development
  - 90% Under Contract
  - 50% Complete
- SAB Case-by-Case Review

# Substantial Progress Audit Process

- Expenditure Reports Verified
- Substantial Progress Narrative/Checklist Reviewed.
- Construction Management Agreement Requested.
- Construction Contract(s) Requested.
- Sample Warrants Requested.

# Substantial Progress Checklists

**SCHOOL FACILITY PROGRAM (SFP) PROGRAM ACCOUNTABILITY  
SUBSTANTIAL PROGRESS CHECKLIST - SEPARATE SITE OR ADJUSTED GRANT  
Form 1001**

**GENERAL INFORMATION**  
SFP Regulation Section 1001.10(c) requires a substantial progress report in the form of a narrative. The progress reports due 12 months from the start-up funds were waived for the period of the project. The warrant may be submitted in lieu of completed checklists. The project start report shall include information regarding the school to assist the local board in determining the progress of the project.

**PROJECT NUMBER:** \_\_\_\_\_ **APPLICANT'S NAME:** \_\_\_\_\_  
**SCHOOL NAME:** \_\_\_\_\_ **CITY:** \_\_\_\_\_

**DESCRIPTION:**  
Check the appropriate boxes if the school has been completed in each section to verify the status by which the district has met the substantial progress agreement.

SECTION 1 - Response to the financial reporting or response to the environmental response program report. Refer to Regulation Section 1001.10(c)(1) or Section 1001.10(f)	SECTION 2 - Adjusted Grant Program Report. Refer to Regulation Section 1001.10(c)(2).
<p>Acceptable evidence of substantial progress will be considered that when the district has completed all of the following:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> obtained the final approved plan of the site.</li> <li><input type="checkbox"/> completed all California Environmental Quality Act requirements.</li> <li><input type="checkbox"/> obtained final approval of the site by the California Department of Education.</li> <li><input type="checkbox"/> obtained the central education authority's consent that the district has had construction proceedings and agrees to respond in error or payment of the site.</li> </ul>	<p>Acceptable evidence of substantial progress will be considered that when the district has completed any of the following:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> At least 15 percent of site development work that is necessary prior to building construction activity is complete.</li> <li><input type="checkbox"/> At least 25 percent of the building construction activities are under contract, unless the building construction activities are subject to a contract of <b>CONSTRUCTION CONTRACT WORK</b>.</li> <li><input type="checkbox"/> An expenditure schedule was entered into the district's budget.</li> <li><input type="checkbox"/> The district is submitting to the State Education Board of Accountability beyond the control of the district the substantial progress program being met <b>(which is a written expenditure and operating commitment)</b>.</li> </ul>

The Office of Public School Construction reserves the right to request copies of supporting evidence or will conduct a site visit for this program.

**Completion:** \_\_\_\_\_

*Complete as the District Representative. Mark the information reported on this checklist as true and correct.*

	DATE	SIGNATURE	TITLE
REPORTING YEAR:	1994	LEGAL	1994-1995
REPORTING YEAR:	1995/1996	LEGAL	1996-1997

**SCHOOL FACILITY PROGRAM (SFP) PROGRAM ACCOUNTABILITY  
SUBSTANTIAL PROGRESS CHECKLIST - SEPARATE DESIGN  
Form 1002**

**GENERAL INFORMATION**  
SFP Regulation Section 1001.10(c) outlines the methods for demonstrating substantial progress when design funds have been received pursuant to Section 1001.10(d)(1). The checklist may be used to assist the SFP in identifying and verifying the substantial progress requirements.

**PROJECT NUMBER:** \_\_\_\_\_ **APPLICANT'S NAME:** \_\_\_\_\_  
**SCHOOL NAME:** \_\_\_\_\_ **CITY:** \_\_\_\_\_

**INSTRUCTIONS:**  
Read the applicable instructions listed below. Identify the area below that the District has most recently satisfied. For that section, check off the appropriate boxes, unless under the school's discretion it wishes to check **Non-compliance/Not Met**, when Subsection 1001.10(c)(2) is checked, and under the school's discretion and circumstances, the District should also be aware that if it wishes Subsection 1001.10(c)(2) will be required to satisfy Subsection 1001.10(c)(1) within 18 months of State Education Board approval of the agreement. Any change in application shall be reported to the District by the date of State Education Board approval (SAC) of a subsequent plan in the 24 months prior to the satisfaction of Subsection 1001.10(c)(1) or 1001.10(c)(2).

SECTION 1 - RESPONSE TO THE FINANCIAL REPORTING OR RESPONSE TO THE ENVIRONMENTAL RESPONSE PROGRAM REPORT. REFER TO REGULATION SECTION 1001.10(C)(1) OR SECTION 1001.10(F)	SECTION 2 - ADJUSTED GRANT PROGRAM REPORT. REFER TO REGULATION SECTION 1001.10(C)(2)
<p>Acceptable evidence of substantial progress will be considered that when the district has completed all of the following:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> obtained the final approved plan of the site.</li> <li><input type="checkbox"/> completed all California Environmental Quality Act requirements.</li> <li><input type="checkbox"/> obtained final approval of the site by the California Department of Education.</li> <li><input type="checkbox"/> obtained the central education authority's consent that the district has had construction proceedings and agrees to respond in error or payment of the site.</li> </ul>	<p>Acceptable evidence of substantial progress will be considered that when the district has completed any of the following:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> At least 15 percent of site development work that is necessary prior to building construction activity is complete.</li> <li><input type="checkbox"/> At least 25 percent of the building construction activities are under contract, unless the building construction activities are subject to a contract of <b>CONSTRUCTION CONTRACT WORK</b>.</li> <li><input type="checkbox"/> An expenditure schedule was entered into the district's budget.</li> <li><input type="checkbox"/> The district is submitting to the State Education Board of Accountability beyond the control of the district the substantial progress program being met <b>(which is a written expenditure and operating commitment)</b>.</li> </ul>

The Office of Public School Construction reserves the right to request copies of supporting evidence or will conduct a site visit for this program.

**Completion:** \_\_\_\_\_

*Complete as the District Representative. Mark the information reported on this checklist as true and correct.*

	DATE	SIGNATURE	TITLE
REPORTING YEAR:	1994	LEGAL	1994-1995
REPORTING YEAR:	1995/1996	LEGAL	1996-1997

## Substantial Progress Not Met

- Narrative/Checklist Not Submitted in a Timely Manner
  - Project Rescinded
    - At District's Request
    - No Expenditure Reports and Supporting Documentation Submitted
  - Reduced to Costs Incurred
    - At District's Request
    - Expenditure Reports and Supporting Documentation Submitted
  - Pupils Added Back to Eligibility Baseline

## Expenditure Reporting

- Form SAB 50-06 & Detailed Listing of Project Expenditures
  - Annual Submittal Requirement
  - Report Costs Associated with Grant
  - Submitted Annually
  - 3 or 4 Years for Final Expenditures



## Detailed Listing of Project Expenditures

- Instructions Page
- Site Worksheet
- Relocation Worksheet
- Planning Worksheet
- Construction Worksheet
- Savings Worksheet

## OPSC's Audit Requirements

- Started Within 2 Years of Final Expenditure Report.
- Completed Within 6 Months of District Notification that the Audit Started.

## Expenditure Audit

- Historical LPP Data
  - Cost Categories Identified
  - Categorical Thresholds
  - Problem Areas Identified

## Expenditure Audit

- Expenditures Reported
  - Applicable Project Expenditures Only
  - Categorize Expenditures Appropriately
  - Provide a Proper Description/Purpose

## Expenditure Audit

### ■ Expenditures Reported

- Prorate Expenditures
  - Between Multiple Projects
  - Between Multiple Programs
  - Between Multiple Districts
- Form SAB 50-06 For Each Project
- Detailed Listing of Project Expenditures Not Necessarily Needs to be Prorated

## Expenditure Audit

### ■ Expenditure Report Verified

- Backup Documentation Requested
- Project Verified
- Certifications Verified

## Expenditure Audit

### ■ Backup Documentation Requested

- Small Number of Warrants
- Architect Agreement(s)
- Construction Manager Contract\*
- Construction Contracts\*
- Addendas\*
- Change Orders\*
- Contractor Final Billing\*

\* Documentation to be submitted with final Expenditure Report, Form SAB 50-06

## Expenditure Audit

### ■ Project Verified

- Scope of Project
- 8/27/98 – Modernization Reimbursement
- Savings Usage

## Expenditure Audit

### ■ Scope of Project

- Number of Classrooms Requested = Number of Classrooms Constructed
- Minimum Essential Facilities Meet Minimum Requirement If Reduced in Size

## Expenditure Audit

### ■ 8/27/98 - Modernization Reimbursement

- Construction Contract(s) & Expenditures Ineligible for State Funding
- If 60% Commensurate Met, Project Is Allowed to Move Forward

## Expenditure Audit

### ■ Savings Usage

#### – Non-Financial Hardship Projects

##### ■ Through the OPSC:

- Modernization Savings Applied to Modernization Projects.
- New Construction Savings Applied to New Construction Projects.

##### ■ Outside the OPSC:

- Other High Priority Capital Outlay Purposes.
- Notify OPSC of New Classroom Area.

## Expenditure Audit

### ■ Savings Usage

#### – Financial Hardship Projects

- Savings Applied to Reduce Financial Hardship Apportionment.
- Savings Applied to Reduce Financial Hardship Apportionment on Future Project.
- Unapplied Savings Amount + Interest Returned to State After 3 Years.

## Expenditure Audit

### ■ District Self-Certifications

- Application For Funding, Form SAB 50-04
- Fund Release Authorization, Form SAB 50-05

## Expenditure Audit

### ■ Application For Funding, Form SAB 50-04

- 60 Percent Commensurate
- Routine Restricted Maintenance Account
- Qualifications Appraisals
- Force Account Labor
- DVBE Contracting Requirement
- District Matching Funds
- Labor Compliance Program
- Funding Application Submittal Prior to Date of Occupancy

## Expenditure Audit - Certifications

- Application for Funding, Form SAB 50-04
  - 60 Percent Commensurate
    - Cost Estimate Developed by Architect
    - Excludes Site Acquisition
    - Certification Verified Through Actual Expenditures

## Expenditure Audit - Certifications

- Routine Restricted Maintenance Account
  - Currently 3 Percent of General Fund Expenditures
  - Specific to Amount Deposited into Restricted Maintenance Account, Not Amount Spent
  - May include the 0.5% in Deferred Maintenance Account
  - Required for 20 Years

## Expenditure Audit - Certifications

- Qualifications Appraisals
  - Architect, Construction Manager, and Surveying vendors
  - Comparison Matrix with Criteria and Ratings
  - Submitted Proposals
  - Other Evidence

## Expenditure Audit - Certifications

- Force Account Labor
  - District Employees Perform Services on Project
  - Excludes Administrative Services, except for Small Districts (less than 2,500 ADA)

## Expenditure Audit - Certifications

- Disabled Veterans Business Enterprises Contracting Requirement
  - Participation Goal of 3 Percent
  - District-wide Goal

## Expenditure Audit - Certifications

- District Matching Funds
  - Includes Previous Lease-Purchase Apportionment, if applicable
  - Verified only When Savings is Achieved
  - State's Share in Fund 35
  - District's Share in Fund 35 or Other Restricted Facility Fund

## Expenditure Audit - Certifications

- Application For Funding, Form SAB 50-05
  - 50 Percent of Work In Plans Under Contract and Notice to Proceed Issued.
    - Early Fund Release – Penalties
    - 18-Months Exceeded

## Noteworthy Site Information

- Hazardous Waste Mitigation
- Relocation Assistance
- Toxics Remediation Oversight Fees
- Site Other
- Early Site Adjustment (if requested)

## Noteworthy Site Information

- Hazardous Waste Mitigation
  - Additional Grant
  - Up to 150 Percent of the “Appraised as a Clean Site Value”, or Up to SAB-approved Amount
  - Grant May be Adjusted at Closeout

## Noteworthy Site Information

- Relocation Assistance – New Expenditure Reporting Worksheet
  - Eligible Expenditures In Accordance with California Code of Regulations, Title 25
  - Moving Expenses
  - Re-Establishment Expenses
  - Loss of Goodwill
  - In-Lieu Payments

## Noteworthy Site Information

- **Toxics Remediation Oversight Fees**
  - DTSC Review, Approval, and Oversight
  - Addition to Grant beyond 4% or \$50K Site Other

## Noteworthy Site Information

- **Site Other**
  - 4% of Site Acquisition or \$50K
  - Appraisals, Escrow Fees, Legal Fees Associated with the Site Purchase, Etc.

## Noteworthy Site Information

- Early Site Adjustment
  - Review Purchase Agreement(s)
  - Relocation Plan
  - Hazardous Waste Mitigation Documentation
  - Court Orders

## Resources

- OPSC Website ([www.opsc.dgs.ca.gov](http://www.opsc.dgs.ca.gov))
  - Financial Hardship Information Brochure
  - SFP Substantial Progress and Expenditure Audit Guide
  - Forms, Checklists, and Worksheets
  - SFP Regulations

## Resources - continued

### ■ Managers:

- David Zian 916-322-9448
- Suzanne Reese 916-323-4461

### ■ Supervisors:

- Bryan Breaks 916-445-3156
- Julie Ennis 916-445-0019
- Jason Hernandez 916-324-4687
- Lien Hoang 916-322-0315
- Lori Namba 916-322-0140
- Noé Valadez 916-322-7628
- Wan Wong 916-323-3454

## Planning for a Successful Audit and the Audit Process

### ■ Questions???