

## **Appendix A:**

### **LOCAL SCHOOL CONSTRUCTION BOND AUDITS**

#### SCOPE/AUDITOR JUDGEMENT

This appendix constitutes the guide for the financial and performance audits required for school facility projects by subparagraphs (C) and (D) of paragraph (3) of subdivision (b) of section 1 of Article XIII A of the California Constitution. The regulations in this Appendix are not a complete manual of procedures; auditors must exercise professional judgment.

#### AUDITING STANDARDS

Audits shall be conducted in accordance with the auditing standards set forth in *Government Auditing Standards* issued by the Comptroller General of the United States, and the provisions of this Appendix.

#### REPORT COMPONENTS FOR FINANCIAL AUDITS

- (a) Table of Contents Table of Contents
- (b) Financial Section
- (c) Independent Auditor's Report
- (d) Balance Sheet
- (e) Statement of Revenues, Expenditures, and Changes in Fund Balance
- (f) Notes to the Financial Statements
- (g) Independent Auditor's Report on Internal Control over Financial Reporting and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Accounting Standards*. [This Report specifies material instances of noncompliance, if any; defines material weakness and, when relevant, significant deficiency, and describes the significant deficiencies and material weaknesses disclosed by the audit; states that the auditor's consideration of internal control over financial reporting would not necessarily identify all deficiencies in internal control that might be significant deficiencies, and a statement about whether the auditor believes any of the significant deficiencies noted were material weaknesses; includes a statement that additional matters were communicated to the auditee in a management letter, if that is the case; specifies all instances of fraud and illegal acts, if any, disclosed by the audit, unless clearly inconsequential; specifies material violations of provisions of contracts and grant agreements, if any; specifies material abuse, if any, disclosed by the audit; and does all this in accordance with the financial reporting requirements specified in the Codification of Statements on Auditing Standards, and in Government Auditing Standards, as applicable to the year being audited.]
- (h) Schedule of Findings and Recommendations which is that part of the Findings and Recommendations Section that presents all audit year findings and a copy of each management letter issued
- (i) Schedule of Prior Audit Findings, which is that part of the Findings and Recommendations section that presents the status of actions taken by the auditee on each of the findings and recommendations in the prior year audit, and includes as

current year findings and recommendations those prior year findings that have not been resolved

#### REPORT COMPONENTS FOR PERFORMANCE AUDITS

The report of each performance audit performed pursuant to this Appendix shall contain:

- (a) The objectives, scope, and methodology of the audit
- (b) The audit results, including findings, conclusions, and recommendations, as appropriate
- (c) A statement about the auditor's compliance with *Government Auditing Standards*
- (d) A summary of the views of responsible officials
- (e) If applicable, the nature of any confidential or sensitive information omitted.

#### **A. FINANCIAL AUDIT PROCEDURES**

- 1. Determine whether the bond fund financial statements present fairly, in all material respects, the financial position of the fund for the year ended, and the results of its operations for the period then ended, in conformance with accounting principles generally accepted in the United States of America.
- 2. Test internal control over financial reporting and compliance with laws, regulations, or provisions of contracts or grant agreements.
- 3. If deficiencies in internal control, noncompliance with laws, regulations, or provisions of contracts or grant agreements; fraud; or abuse; are identified, describe them in a finding.

#### **B. PERFORMANCE AUDIT PROCEDURES**

- 1. Select a representative sample of expenditures charged to the facilities project(s) and review supporting documentation to ensure that such funds were properly expended on specific projects listed in the text of the applicable ballot measure.
- 2. Verify that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects.
- 3. Verify that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.
- 4. If the school district did not properly account for the expenditures, if such expenditures were made for unauthorized bond projects, or if salary transactions were used for general administration or operations, include a finding in the audit report.