APPENDIX B
SCHOOL FACILITY PROGRAM BOND FUND AUDITS

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GENERAL PROVISIONS

SCOPE/AUDITOR JUDGEMENT

This appendix constitutes the guide for the performance audits required in Education Code Section 41024 for a LEA agency that receives any funds (commencing April 1, 2017) pursuant to the Leroy F. Greene School Facilities Act of 1998 (Chapter 12.5 (commencing with Section 17070.10) of Part 10 of Division 1 of Title 1 of the Education Code). The procedures in this appendix are not a complete manual of procedures; auditors must exercise professional judgement.

Note: Projects that were added to the Unfunded List between May and October 2012 (True Unfunded List) and received State Allocation Board (SAB) approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017 are not subject to a Grant Agreement. However, they are still subject to the performance audit required in Education Code section 41024. See Other Items – True Unfunded List Section VI for procedures specific to these projects. In addition, the audit detailed in Education Code Section 41024 shall not apply to any school facilities project that was apportioned before July 1, 2017.

AUDITING STANDARDS

Audits shall be conducted in accordance with the following standards:

1. Standards generally accepted in the United States of America.
2. Governmental Auditing Standards, also known as the Yellow Book, which contains standards for audits of governmental organizations, programs, activities, and functions. The Yellow Book is published by the United States Governmental Accountability Office.

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, conclusion, 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

AUDIT REPORT SUBMITTAL AND DUE DATES

Completed audit reports are to be submitted to the State Controller's Office (SCO) for review and certification. Audit reports for Completed Projects, Reduction to Costs Incurred (RCI) projects, or Savings Usage are due one year from the final submission of the Final Form SAB

50-06 Expenditure Report to OPSC per Education Code Section 41024(a)(6). Audit reports for savings audits are due one year from the submission of the "Use of Savings" report to OPSC.

In accordance with Education Code Section 41024 (c)(1), the auditor conducting the audit pursuant to this section shall file the audit with the Controller within 60 days of the completion of the audit. The Controller shall be allowed access to audit working papers. Adjustments pursuant to paragraph (2) of subdivision (b) shall not be appealable to the Education Audit Appeals Panel pursuant to this section.

I. INITIAL STEPS

A. Identify if LEA has project ready for Audit

Identify if the LEA (LEA) has a project that received a fund release on or after April 1, 2017, was apportioned on or after July 1, 2017, and is complete and ready for audit, needs to be Reduced to Costs Incurred, or reported savings which need to be audited. This is accomplished by determining if a project meets any of the following conditions:

a) Project Complete/Ready for Audit - The project was completed during the 2017/2018 or 2018/2019 fiscal years, or during current fiscal year after 2018/19.

(1) Review the "SFP Expenditure Audit Workload" refreshable report on the Office of Public School Construction (OPSC) website (K-12 Audit Resources) for a list of completed projects. http://www.dgs.ca.gov/opsc/Resources.aspx

b) Reduction to Costs Incurred - The project failed substantial progress and needs to be reduced to costs incurred, or the LEA requested the project be reduced to costs incurred.

(1) Review the "SFP Substantial Progress Audit Workload" refreshable report on the OPSC website (K-12 Audit Resources) for a list of projects ready to be reduced to costs incurred.

(2) ~~Review the project(s) folder on~~ Contact the OPSC ~~website (K-12 Audit Resources)~~ for a letter to the LEA indicating they failed substantial progress on the project or a letter from the LEA requesting the project be reduced to costs incurred.

c) Savings Audit - The LEA reported savings for an applicable SFP project. Review the "SFP Savings Audit Workload" refreshable report on the OPSC website (K-12 Audit Resources) for a list of savings reports submitted by LEAs.

d) Audits must be completed within one year of project completion or termination.

2. If yes to any of the conditions pursuant to step (1), then perform the audit steps reflected in the subsequent Sections of these audit procedures for any completed projects, projects that failed substantial progress, projects that an LEA requested a reduction to costs incurred, or projects that reported savings.

3. If the performance of any of the required audit procedures detailed in the subsequent sections results in an audit finding, then the finding shall be presented in the "Schedule of School Facility Program Summary of Audit Findings (See Section VII). Note: The state bond fund source of any ineligible expenditures should be noted. The state bond fund source for the project can be found in the Grant Agreement. If it is not in the Grant Agreement, then contact OPSC.

B. Documents Needed to Audit – All Projects

1. Obtain the following documents, for all projects, ~~located on~~ by contacting OPSC ~~website (K-12 Audit resources)~~ ~~for all projects~~.

a) Letter(s) from the Office of Public School Construction (OPSC) detailing what was verified at Substantial Progress and any issues and/or findings identified with the project.

b) Final Escrow Statement (If Applicable)

c) Appraisal (If Applicable)

d) Grant Agreement(s)

e) Application for Funding (Form SAB 50-04)

f) Project Transaction Detail and Summary

g) SAB approval item(s)

h) Final Form SAB 50-06 Expenditure Report and Detailed Listing of Project Expenditures (DLOPE)

i) Schedule of School Facility Program – Determination of Savings (If Applicable)

j) Schedule of School Facility Program – Unspent Funds (If Applicable)

k) Schedule of School Facility Program – Use of Savings (If Applicable)

C. Verify if the Project is Financial Hardship

1. Verify if the project was granted Financial Hardship (FH) status and determine if the project's FH status expired prior to the project receiving an apportionment for either a design grant, site grant, or construction grant by reviewing the following ~~located on~~ obtained from the OPSC ~~website (K-12 Audit Resources)~~:

a) The SAB Board Item

b) FH Approvals Letter(s)

Projects that received a FH approval for the construction grant should be tested as a FH project pursuant to the audit steps in Section III.

D. Changes to Project Scope.
Verify if the OPSC identified if there were any changes to the project scope not approved by the SAB by reviewing the documents ~~posted on~~ provided by the OPSC ~~website (K-12 Audit Resources)~~ (i.e. substantial progress report from OPSC). If documents are not available concerning project scope, then contact OPSC for verification.

II. NON-FINANCIAL HARDSHIP PROJECTS

A. CLOSEOUT AUDITS

Note: Projects that were added to the Unfunded List between May and October 2012 and received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, must also complete the procedures detailed in Section VI of the audit guide. For Non-Financial Hardship (FH) New Construction and Modernization projects identified in Section IA, Step 1 as complete and ready for audit, the audit procedures in Section IIA must be completed.

1. Verify the Grantee has maintained over the course of the project a general ledger that reflects expenditures at a Project-specific level that includes fund, resource, project year, goal, function, and object codes for all expenditures for the Project, including furniture and equipment, as they are described in the California School Accounting Manual, Procedure 301: Overview of the Standardized Accounting Code Structure and Procedure 345: Illustrations Using Account Code Structure. Pursuant to Grant Agreement (Section F, paragraph 1).

Reference: Education Code Section 17076.10

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District from the matching funding source prior to the "Notice of Completion" by inspecting the SAB's project approval document for the applicable project and supporting accounting records provided by the LEA (LEA). The SAB's project approval document for the applicable project can be obtained ~~on the~~ by contacting OPSC ~~website (K-12 Audit Resources)~~.

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9).

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select a representative sample of the project expenditures reported on the final form SAB 50-06 and Detailed Listing of Project Expenditures (DLOPE) previously obtained ~~on the~~ by contacting OPSC ~~website (K-12 Audit Resources)~~ to perform the following procedures:

a) For each item selected, agree and trace expenditures reported on the Final form SAB 50-06 and the DLOPE to the supporting documentation (invoices, contract or purchase order, warrant and posting to the general ledger). If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA (LEA) prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine if the type of project expenditures reported are eligible in accordance with the laws and regulations of the SFP and/or the Advisory Listings in the Grant Agreement (Section G & Section H). Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

4. Determine if the expenditures were made within an eligible time frame (prior to completion date) by obtaining the Detail Listing of Project Expenditures (DLOPE). Review all expenditure dates listed in the DLOPE to verify they were within the three or four year time limits.

a) A project is deemed complete per the criteria detailed in SFP Regulation Section 1859.104(a)(1)(A)or(B). A project is complete three years from the final fund release for an elementary school and four years for a middle or high school. Review the "Project Transaction Detail" for the final fund release date.

b) Expenditures made after the completion date are not eligible for State Funding unless the expenditures were under contract prior to the completion date.

Reference: SFP Regulation Section 1859.104(a)(2)

5. Verify the final Detailed Listing of Project Expenditures (DLOPE) grand total for the project reconciles back to the district's general ledger grand total for the project.

Planning Costs

6. Obtain any Architect/Design contracts and perform the following procedures:

a) Agree and trace the final contracted amount to the final billed amount.

b) Determine if the expenditures reported for an Architect/Design contract on the Final Form SAB 50-06 and DLOPE were paid to the architect by agreeing to the LEA's General Ledger and final billed amount.

Information:
Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

Construction Costs

7. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.

b) Agree and trace the expenditures reported on the Detailed Listing of Project Expenditures (DLOPE) and General Ledger to the final billed amounts to ensure the expenditures were not over reported. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

8. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding, then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

9. If the District has used a Construction Manager, agree the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 7 and 9 if expenditures reported exceeded final billing and were not supported.
Example 1: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $2.4 million. $200,000 is unsupported and ineligible for State funding.
Example 2: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

10. Obtain, by contacting the OPSC, the approval document ~~from the OPSC website (K-12 Audit Resource)~~ that indicates that the LEA's estimate of project costs required that 60 percent of the project funding be spent on hard construction costs. When the LEA submitted their application for funding they certified that the cost estimate of construction work or construction contract(s) submitted to the Department of State Architect was greater than 60% of the total grant. Prepare the table to report the percent the LEA spent on hard construction costs and display the table in the audit report.

	Amount	Percentage
60% of Total Grant		
Reported Hard Costs & Percentage		
Audited Hard Costs & Percentage		
Difference		

Information:

Hard construction costs are defined as funds spent physically constructing a building (brick and mortar costs). The percentage can be calculated as follows:
Percentage spent on hard construction = Total Reported Hard Construction Expenditures/Total Grant (State Share + District Contribution)
For any New Construction projects that received a site acquisition, relocation assistance, hazardous waste removal, or a Department of Toxic Substances Control grant those amounts are not included in the "Total Grant" portion of the calculation.
Construction manager expenditures are not included in the "Total Reported Construction Expenditures" portion of the calculation because that is not a hard construction cost. However, if the LEA can document that the Construction Manager is an "at risk" contract then it can be considered a hard construction cost. For a Construction Manager to be considered "at risk" they have to be the one that takes out the construction bond to assume the liability for the project.

11. Inspect supporting documentation for any transfers of SFP funds out of Fund 35 (School Facility Fund) to other LEA funds and determine if they are allowable.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, and for which the LEA will be entitled to reimburse itself for the State portion of the project upon receiving State funding. In these cases, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

12. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited savings funds in procedure 21 or 22.

13. Verify the LEA has (1) established a "Restricted Maintenance Account" for the exclusive purpose of providing ongoing and major maintenance of school buildings, (2) commencing fiscal year ~~2018-19~~ 2019-20 has deposited into the

account a minimum of three percent (exception for small school districts – see information box below) of the LEA's total general fund expenditures for the most recent fiscal year and prior fiscal years after receipt of funds including the fiscal year that it received funds, and (3) has developed an ongoing major maintenance plan that complies with and is implemented under the provisions of Education Code Sections 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

Per Education Code Section 17070.75(c), a small school district can certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance than the required 3 percent. Small school districts are defined as the following:

- High school districts with an average daily attendance < 300 pupils
- Elementary school districts with an average daily attendance < 900 pupils
- Unified school districts with an average daily attendance < 1,200 pupils

If any of the Restricted Maintenance Account Requirements are not met, the LEA must take corrective action to fix the deficiency. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. Add COE Criteria

New Construction Project(s)

Information:

A project must have received a grant for (1) Site Purchase, (2) Site Relocation, and (3) Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a), expenditures reported for (4) Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

NOTE: Expenditures that are not considered eligible for a site grant increase (i.e., identified in the four categories mentioned above), may be considered an eligible SFP project cost that would not result in moneys being returned to the State.

Site Purchase

14. Identify if the project received a separate grant for site purchase. If yes, complete procedure 14 and then proceed to procedure 15. If no, any reported site purchase expenditures are not eligible for State Site Purchase Grant funding.

In this case, proceed directly to procedure 16.

a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

b) Identify the lesser of either (a) actual cost paid on final escrow statement for site purchase or (b) appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs or the appraised value of the site. The lesser of the two amounts is eligible for State funding (and shall be considered the audited site purchase costs). Exception: if a court ordered amount was higher than the appraisal amount, then the court order (minus costs not related to site purchase) amount for site purchase would be the amount that was eligible for State Site Purchase Grant funding.

c) Prepare the following table to report the audited amounts.

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Information:

The amount listed in court orders may combine other costs with site purchase. Examples may include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding.

Reference: Ed Code Section 17072.12, SFP Regulation Section 1859.74; 1859.74.1; 1859.74.5; 1859.106.

15. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and completed the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California Department of Education (CDE). The difference shall be included in the "Schedule of SFP – Site Grant Adjustments" pursuant to step 19 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be ~~located~~ obtained ~~on the~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~.

Reference: SFP Regulation Section 1859.74; 1859.74.3

Site Relocation

16. Identify if the project was approved for and received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State Site Relocation Grant funding. In this case, skip to the next numbered procedure.

a) Obtain the LEA's reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

b) Prepare the following table to report the audited amount:

A	Site Relocation Grant Amount (Approved by SAB)	
B	Reported Amount of relocation cost	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the projects' Grant Agreement for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106

Site Hazardous Waste Removal Costs

17. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either, complete this procedure. If neither, skip to the next numbered procedure.

a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous Waste Removal costs to be eligible for this State grant funding, the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State Hazardous Waste Removal funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However, those costs are not eligible for the State Hazardous Waste Removal funding.

b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding. ~~Prepare the following table to report the audited amount.~~

c) Prepare the following table to determine the 150% maximum threshold.

A	Final Eligible Grant Amount (Procedure 14(c) – Table Item F)	
B	Multiply by 150 Percent	150%
C	Maximum Eligible Hazardous Waste Costs (A * B = C)	

d) Prepare the following table to report the audited amounts.

A	Hazardous Waste Removal Grant Amount (Approved by SAB)	
B	Reported Amount of Hazardous Waste Removal	
C	Audited Hazardous Waste Removal Cost	
D	Difference	
E	Grant Adjustment (C –A)	
F	Final Grant Amount (A+E)	
G	Maximum Eligible Hazardous Waste Grant (Procedure 17(c), Item C	
H	Final Maximum Eligible Grant (Lesser of F or G)	

NOTE: Per SFP Regulation Section 1859.74.2(d) the final grant amount listed in the table above cannot exceed 150 percent of the appraised value of the site

See the ~~OPSC website (K-12 Audit Resource)~~ projects' Grant Agreement for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106

Department of Toxic Substance Control Costs:

18. Identify if the project received a separate grant for Department of Toxic Substance Control (DTSC) fees. If yes, complete this procedure. If no, any reported DTSC expenditures are not eligible for State DTSC Grant funding. In this case, skip to the next numbered procedure.

a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H).

b) Prepare the following table to report the audited amounts.

A	DTSC Fee Grant Amount (Approved by SAB)	
B	Reported Amount of DTSC Fee	
C	Audited DTSC Fee	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

See the ~~OPSC website (K-12 Audit Resources)~~ projects' Grant Agreement for detailed procedures on reviewing ~~hazardous waste costs~~ DTSC costs

for eligibility.

Reference: SFP Regulation Section 1859.74(a)(3); 1859.74(a)(3) and (b)(3); 1859.106.

19. Complete the "Schedule of School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 14 through 18 of this section. Note: the LEA will already have completed columns A and B in the schedule. The totals in this schedule will be carried over to the "Schedule of School Facility Program - Summary of Final Funding Determination".

20. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. ~~See~~ Contact OPSC website (K-12 Audit Resource) for verification. If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

(1) School Board Minutes
(2) Fire Marshall Inspection Letter
(3) Copy of news story indicating the date school opened
(4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Reference: SFP Regulation Section 1859.70

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. Such a project shall be denied or rescinded by the SAB and all funding returned to the State with interest.

Determination of Project Savings-New Construction
At the time the LEA submits its final expenditure report (Form SAB 50-06), the LEA will be required to report if the project had savings or was overspent by completing the "Schedule of School Facility Program – Determination of Project Savings.

21. If the District had project savings, obtain the District's calculation of savings on the Non-FH New Construction project on the "Schedule of School Facility Program Determination of Project Savings" and recalculate the amounts reported:

Information:

Savings = Grant Amount + District Contribution + Audited Interest (Earned on State Funds) – Final Expenditures reported to the OPSC.

Unallowable in Savings Calculation:
New Construction projects that received grants for any of the following:

- Site acquisition
- Relocation assistance
- Hazardous waste removal
- DTSC fees

Those amounts, plus any reported expenditures associated with those grants, are not included in the calculation of savings.

A negative number in the calculation means there were more eligible expenditures reported on the project than project funding. Therefore, the project is overspent and there is no savings to report or track in subsequent years. Savings from a Non-FH new construction project may be retained by the District to use on any High Priority Capital needs of the District that is consistent with eligible expenditures detailed in Section H of the Grant Agreement.

Savings reported	
Savings funds audited	
Difference	

Display the audited Savings Amount in the "Schedule of School Facility Program Determination of Project Savings".

Reference: Education Code Section 17070.63(c); 41024(b)(1)(B); and SFP Regulation Section 1859.103.

Determination of Project Savings – Modernization
At the time the LEA submits their final expenditure report (Form SAB 50-06) they will be required to report if the project had savings or was overspent by completing the "Schedule of School Facility Program – Determination of Project

Savings".

22. If the District had project savings, obtain the District's calculation of savings on the Non-FH Modernization project on the "Schedule of School Facility Program Determination of Project Savings" and recalculate the amounts reported.

Information:

Savings = Grant Amount + District Contribution + Audited Interest (Earned on State Funds) – Final Expenditures reported to the OPSC.

Savings from a Non-FH modernization project may be retained by the District to use on any High Priority Capital needs of the District that is consistent with eligible expenditures detailed in Section H of the Grant Agreement.

Savings reported	
Savings funds audited	
Difference	

Display the audited Savings Amount in the "Schedule of School Facility Program Determination of Project Savings".

Reference: Education Code Section 17070.63(c); 41024(b)(1)(B) and SFP Regulation Section 1859.103.

23. Display in "Schedule of School Facility Program Summary of Final Project Funding" (Section VII) the total amount to be returned to the State.

B. REDUCTION TO COSTS INCURRED

For Non-FH New Construction and Modernization projects identified in Section IA, Step 1 as failing substantial progress, or if a LEA requested their project(s) be reduced to costs incurred, the audit procedures in Section IIB must be completed.

Note: Projects that were added to the Unfunded List between May and October 2012 and received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, must also complete the procedures detailed in Section VI of the audit guide.

Information:

Savings do not exist in a Reduction to Costs Incurred audit. All funds not used on eligible SFP expenditures are considered unspent funds that must be returned to the State.

1. Determine which grant(s) the project received by reviewing the SAB apportionment item and Grant Agreement, previously obtained from the OPSC ~~website (K-12 Audit Resources)~~. The following audit procedures should be completed for each applicable type of grant received for a project:

a) Design Grant (New Construction or Modernization project) – Complete Items 2-6, and 17-21.

b) Site Grant (New Construction project) – Complete Items 2-6, 7-12, and 17-21.

c) Adjusted Grant (New Construction) – Complete Items 2-6, 7-12, 13, 14-16, and 17-21.

d) Adjusted Grant (Modernization) – Complete Items 2-6, 14-16, and 17-21.

2. Verify the Grantee has maintained over the course of the project a general ledger that reflects expenditures at a Project-specific level that includes fund, resource, project year, goal, function, and object codes for all expenditures for the Project, including furniture and equipment, as they are described in the California School Accounting Manual, Procedure 301: Overview of the Standardized Accounting Code Structure and Procedure 345: Illustrations Using Account Code Structure. Pursuant to Grant Agreement (Section F, paragraph 1).

Reference: Education Code Section 17076.10.

3. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District from the matching funding source prior to the "Notice of Completion" by inspecting the SAB's project approval document for the applicable project and supporting accounting records provided by the LEA. The SAB's project approval document for the applicable project can be obtained ~~on the~~ by contacting OPSC~~'s website (K-12 Audit Resources) http://www.dgs.ca.gov/opsc/Resources.aspx~~

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9).

4. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select a representative sample of the project expenditures reported on the final form SAB 50-06 and Detailed Listing of Project Expenditures (DLOPE) previously obtained ~~on the~~ by contacting OPSC ~~website (K-12 Audit Resources)~~ to perform the following procedures:

a) For each item selected, Agree and trace expenditures reported on the Final form SAB 50-06 and the DLOPE to the supporting documentation (invoices, contract or purchase order, warrant and posting to the general ledger). If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine if the type of project expenditures reported are eligible in accordance with the laws and regulations of the SFP and/or the Advisory Listings in the Grant Agreement (Section G & Section H). Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

5. Verify the final Detailed Listing of Project Expenditures (DLOPE) grand total for the project reconciles back to the district's general ledger grand total for the project.

Planning Costs – Design Grant

6. Obtain any Architect/Design contract to perform the following procedures:

a) Agree and trace the final contracted amount to the final billed amount.

b) Determine if the expenditures reported for an Architect/Design contract on the Final Form SAB 50-06 and DLOPE were paid to the architect by agreeing to the LEA's General Ledger and final billed amount.

Information:
Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

New Construction – Site Grants

Information:

A project must have received a grant for (1) Site Purchase, (2) Site Relocation, and (3) Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a) expenditures reported for (4) Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

NOTE: Expenditures that are not considered eligible for a site grant increase (i.e., identified in the four categories mentioned above), may be considered an eligible SFP project cost that would not result in moneys being returned to the State.

Site Purchase

7. Identify if the project received a separate grant for site purchase. If yes, complete procedure 7 and then proceed to procedure number 8. If no, any reported site purchase expenditures are not eligible for State Site Purchase Grant funding. In this case, go directly to procedure number 9.

a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:
Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

b) Identify the lower of actual cost paid on final escrow statement for site purchase and appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs and the appraised value of the site. The lower of the two is the amount that is eligible for State funding (and shall be considered the audited site purchase costs). Exception: if a court ordered amount was higher than appraisal amount then the court order (minus costs not related to site purchase) amount for site purchase would be the amount eligible for State Site Purchase Grant funding.

Information:

The amount listed in court orders may combine other costs with site purchase. This would include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding.

c) Prepare the following table to report the audited amounts:

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: Ed Code Section 17072.12; SFP Regulation Section1859.74; 1859.74.1; 1859.74.5; 1859.106

8. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and complete the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California CDE and shall be included in the "Schedule of School Facility Program – Site Grant Adjustments pursuant to step 12 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be ~~located on the OPSC website (K-12 Audit Resources)~~ obtained by contacting the OPSC.

Reference: SFP Regulation Section 1859.74; 1859.74.3

Site Relocation

9. Identify if the project was approved for and received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State Site Relocation Grant funding. In this case, skip to the next numbered procedure.

a) Obtain the LEA's reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and

other supporting documents to validate that reported costs are allowable and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

b) Prepare the following table to report the audited amounts:

A	Site Relocation Grant Amount (Approved by SAB)	
B	Reported Amount of relocation cost	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the ~~OPSC website (K-12 Audit Resources)~~ project's grant agreement for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106

Site Hazardous Waste Removal Costs:

10. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either or both, complete this procedure. If neither, skip to the next numbered procedure.

a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous waste removal costs to be eligible for this State grant funding, the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State Hazardous Waste Removal funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However, those costs are not eligible for the State Hazardous Waste Removal funding.

b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding.

c) Prepare the following table to determine the 150% maximum threshold

A	Final Eligible Grant Amount (Procedure 7(c) – Table Item F)	
B	Multiply by 150 Percent	150%
C	Maximum Eligible Hazardous Waste Costs (A * B = C)	

d) Prepare the following table to report the audited amounts.

A	Hazardous Waste Removal Grant Amount (Approved by SAB)	
B	Reported Amount of Hazardous Waste Removal	
C	Audited Hazardous Waste Removal Cost	
D	Difference	
E	Grant Adjustment (C –A)	
F	Final Grant Amount (A+E)	
G	Maximum Eligible Hazardous Waste Grant (Procedure 10(c), Item C	
H	Final Maximum Eligible Grant (Lesser of F or G)	

NOTE: Per SFP Regulation Section 1859.74.2(d) the final grant amount listed in the table above cannot exceed 150 percent of the appraised value of the site

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106.

Department of Toxic Substance Control Costs:

11. Identify if the project received a separate grant for DTSC fees. If no, any reported DTSC Cost expenditures are not eligible for State DTSC Grant funding. In this case, skip to the next numbered procedure. If yes, complete this procedure.

a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H).

b) Prepare the following table to report the audited amounts.

A	DTSC Fee Grant Amount (Approved by SAB)	
B	Reported Amount of DTSC Fee	
C	Audited DTSC Fee	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for detailed procedures on reviewing ~~hazardous waste~~ DTSC costs for eligibility.

Reference: SFP Regulation Section 1859.74(a)(3) and (b)(3); 1859.106

12. Complete the "Schedule OF School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 7 through 11 of this section. Note: the LEA will already have completed columns A and B in the schedule. The totals in this schedule will be carried over to the "Schedule of School Facility Program - Summary of Final Funding Determination".

13. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. See OPSC website (K-12 Audit Resources). If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

(1) School Board Minutes
(2) Fire Marshall Inspection Letter
(3) Copy of news story indicating the date school opened
(4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Construction Costs – Adjusted Grant

14. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.

b) Agree and trace the expenditures reported on the Detailed Listing of Project Expenditures (DLOPE) and General Ledger to the final billed amounts to ensure the expenditures were not over reported. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

15. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding, and the LEA did not comply with the provisions of the PCC concerning competitive bidding, then any reported expenditure associated with those contracts are not eligible for State funding.

Information:
The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

16. If the District has used a Construction Manager, agree the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 14 & 16 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $2.4 million. $200,000 is unsupported and ineligible for State funding.
Example 2: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

17. Inspect supporting documentation for any transfers of SFP funds out of Fund 35 (School Facility Fund) to other LEA funds and determine if they are allowable.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

18. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure.

19. Verify the LEA (1) has established a "Restricted Maintenance Account" for the exclusive purpose of providing ongoing and major maintenance of school buildings, (2) commencing fiscal year ~~2018~~2019-~~19~~20 has deposited into the account a minimum of three percent (exception for small school districts – see information box below) of the LEA's total general fund expenditures for the most recent fiscal year and prior fiscal years after receipt of funds including the

fiscal year that it received funds, and (3) has developed an ongoing major maintenance plan that complies with and is implemented under the provisions of Education Code Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

Per Education Code Section 17070.75(c), a small school district can certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance than the required 3 percent. Small school districts are defined as the following:

- High school districts with an average daily attendance < 300 pupils
- Elementary school districts with an average daily attendance < 900 pupils
- Unified school districts with an average daily attendance < 1,200 pupils

If any of the Restricted Maintenance Account Requirements are not met, the LEA shall take corrective action to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. Add COE Criteria

20. Obtain the LEA's calculation of unspent funds from the "Schedule of School Facility Program - Unspent Funds" ~~located on~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~ and perform the following procedures. All funds not spent on eligible SFP expenditures will be considered unspent and will be returned to the State.

a) Recalculate the unspent funds by applying the following formula: Unspent funds = (Grant(s) received + district contribution + audited interest (on State funds)) – reported expenditures.

(1) Unspent funds due to the State (if reported expenditures are less than project financing).

(2) The amount to be returned to the State for Reduction to Costs Incurred adjustment equals the State's share of the Unspent Funds.

b) Prepare the following table based on the audit procedure performed:

Unspent funds reported	
Unspent funds audited	
Difference	

Display the audited Unspent Funds in the "Schedule of School Facility

Program Summary of Final Project Funding".

21. Display in "Schedule of School Facility Program Summary of Final Project Funding" (Section VII) the total amount to be returned to the State. This will include: (1) The Reduction to Costs incurred adjustments (Unspent Funds) and (2) Any ineligible expenditures.

C. SAVINGS AUDIT

The savings audit procedures in Section III(C) must be completed for Non-FH New Construction and Modernization projects identified in Section I(A), Step 1 as having use of savings reported.

Savings for Non-FH new construction and modernization projects, including interest, and its use for high priority capital needs of the LEA shall be audited until ALL savings plus interest have been expended pursuant to Education Code Section 41024(b)(1)(B).

Information:

A project's total savings amount is determined when the closeout audit is completed. Subsequent to the closeout audit, LEAs are required to report use of savings annually on the "Schedule of School Facility Program – Use of Savings Summary" until all savings are exhausted. The LEA is required to report savings including years when there was no use of savings to report.

1. Agree and trace the savings reported on the "Schedule of School Facility Program – Use of Savings Summary" and Detailed Listing of Project Expenditures (DLOPE) to the LEA's General Ledger and other account records.

2. Select a sample of savings expenditures from the Detailed Listing of Project Expenditures (DLOPE) and agree and trace the amounts reported to the related invoices, construction billings, and other supporting documents to verify that the use of savings is eligible. Reported savings expenditures must be consistent with the eligible expenditures detailed in Section H of the Grant Agreement. Any ineligible expenditure will be remitted back to the State.

3. Complete the following table to report the audited amount(s):

	Original Total Savings Determined at Closeout Audit	Remaining Savings Balance to Date	Savings Used Reported This Period	Balance of Unused Savings
Amount reported				
Amount audited				
Difference				

III. FINANCIAL HARDSHIP PROJECTS

For projects identified in Section IC as FH the audit procedures in Section III must be completed.

A. Close-out Audit – Financial Hardship Projects

For FH New Construction and Modernization projects identified in Section IA, Step 1 as project complete and ready for audit, the audit procedures in Section IIIA must be completed.

Note: Projects that were added to the Unfunded List between May and October 2012 and that received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, must also complete the procedures detailed in Section VI of the audit guide.

1. Verify the Grantee has maintained over the course of the project a general ledger that reflects expenditures at a Project-specific level that includes fund, resource, project year, goal, function, and object codes for all expenditures for the Project, including furniture and equipment, as they are described in the California School Accounting Manual, Procedure 301: Overview of the Standardized Accounting Code Structure and Procedure 345: Illustrations Using Account Code Structure. Pursuant to Grant Agreement (Section F, paragraph 1).

Reference: Education Code Section 17076.10.

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District from the matching funds source prior to the "Notice of Completion" by inspecting the SAB's project approval document for the applicable project and supporting accounting records provided by the LEA. The SAB's project approval document for the applicable project can be obtained ~~on~~ by contacting the OPSC ~~website (K-12 Audit Resources) http://www.dgs.ca.gov/opsc/Resources.aspx~~.

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1),

17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9).

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select a representative sample of the project expenditures reported on the final form SAB 50-06 and Detailed Listing of Project Expenditures (DLOPE) previously obtained ~~on~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~ to perform the following procedures:

a) For each item selected, agree and trace expenditures reported on the Final form SAB 50-06 and the DLOPE to the supporting documentation (invoices, contract or purchase order, warrant and posting to the general ledger). If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine if the type of project expenditures reported are eligible in accordance with the laws and regulations of the SFP and/or the Advisory Listings in the Grant Agreement (Section G & Section H).

Per Education Code Section 41024, the State share (State Share + FH Share) of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

4. Determine if the expenditures were made within an eligible time frame (prior to completion date) by obtaining the Detail Listing of Project Expenditures (DLOPE). Review all expenditure dates listed in the DLOPE to verify they were within the three or four year time limits.

a) A project is deemed complete per the criteria detailed in SFP Regulation Section 1859.104(a)(1)(A)or(B). A project is complete three years from the final fund release for an elementary school and four years for a middle or high school. Review the "Project Transaction Detail" for the final fund release date.

b) Expenditures made after the completion date are not eligible for State Funding unless the expenditures were under contract prior to the completion date.

Reference: SFP Regulation Section 1859.104(a)(2).

5. Verify the final Detailed Listing of Project Expenditures (DLOPE) grand total for the project reconciles back to the district's general ledger grand total for the project.

6. Determine the amount of expenditures that occurred prior to fund release (for each grant received) did not exceed the district's contribution.

a) Check the SAB Board item and/or the District's FH approval letter for amount of District contribution applied to the project(s) and compare it to expenditures on the final expenditure report that occurred prior to the fund release. If the expenditures prior to fund release did exceed the district contribution the FH apportionment will be reduced by the amount of the excess.

b) Similarly determine whether expenditures prior to fund release exceeded the District contribution in each phase if the LEA received a separate design and/or separate site grant before receiving the construction grant.

(1) Exception – Per the SAB approved Bridge Financing/Interfund Borrowing policy, the district temporarily borrowed funds to move their FH project(s) along while they were on the unfunded list.

(2) The LEA's project(s) should have FH approval prior to any bridge financing/borrowing otherwise the expenditures will be considered contribution due to expenditure.

(3) Any financing instrument issued for bridge financing must be retired within 60 days of receipt of State funding.

(4) Any expenditure prior to fund release that exceeded the district contribution will decrease the FH apportionment and increase the district contribution accordingly and those funds will be due the State.

Reference: SFP Regulation Section 1859.81(a).

Planning Costs

7. Obtain any Architect/Design contracts and perform the following procedures:

a) Agree and trace the final contracted amount to the final billed amount.

b) Determine if the expenditures reported for an Architect/Design contract on the Final Form SAB 50-06 and DLOPE were paid to the architect by agreeing to the LEA's General Ledger and final billed amount.

Information:

Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

Construction Costs

8. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.

b) Agree and trace the expenditures reported on the Detailed Listing of Project Expenditures (DLOPE) and General Ledger to the final billed amounts to ensure the expenditures were not over reported. Any expenditure beyond the contract amount (as increased by approved change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

9. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

10. If the District has used a Construction Manager, agree the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 8 & 10 if expenditures reported exceeded final billing and were not reported.

Example 1: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $2.4 million. $200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

11. Obtain, by contacting the OPSC, the approval document ~~from the OPSC website (K-12 Audit Resource)~~ that indicates the LEA estimate of project costs listed 60 percent of the project funding would be spent on hard construction costs. When the LEA submitted their application for funding they certified that the cost estimate of construction work or construction contract(s) submitted to the Department of State Architect was greater than 60% of the total grant.

Information:

Hard construction costs are defined as funds spent physically constructing a building (brick and mortar costs). The percentage can be calculated as follows:

Percentage spent on hard construction = Total Reported Hard Construction Expenditures/Total Grant (State Share + District Contribution)

For any New Construction projects that received a site acquisition, relocation assistance, hazardous waste removal, or a DTSC grant those amounts are not included in the "Total Grant" portion of the calculation.

Construction manager expenditures are not included in the "Total Reported Construction Expenditures" portion of the calculation because that is not a hard construction cost. However, if the LEA can document that the Construction Manager is an "at risk" contract then it can be considered a hard construction cost. For a Construction Manager to be considered "at risk" they have to be the one that takes out the construction bond to assume the liability for the project.

Prepare the table to report the percent the LEA spent on hard construction costs and display the table in the audit report.

	Amount	Percentage
60% of Total Grant		
Reported Hard Costs & Percentage		
Audited Hard Costs & Percentage		
Difference		

12. Inspect supporting documentation for any transfers of SFP funds out of Fund 35 (School Facility Fund) to other LEA funds and determine if they are allowable.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

13. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited savings funds in procedure 22 or 23.

14. Verify the LEA has (1) established a "Restricted Maintenance Account" for the exclusive purpose of providing ongoing and major maintenance of school buildings, (2) commencing fiscal year ~~2018~~2019-~~19~~20 has deposited into the account a minimum of three percent (exception for small school districts – see information box below) of the LEA's total general fund expenditures for the most recent fiscal year and prior fiscal years after receipt of funds including the fiscal year that it received funds, and (3) has developed an ongoing major maintenance plan that complies with and is implemented under the provisions of Education Code Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

Per Education Code Section 17070.75(c), a small school district can certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance than the required 3 percent. Small school districts are defined as the following:

- High school districts with an average daily attendance < 300 pupils
- Elementary school districts with an average daily attendance < 900 pupils
- Unified school districts with an average daily attendance < 1,200 pupils

If any of the Restricted Maintenance Account Requirements are not met this shall result in a corrective action by the LEA to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. Add COE Criteria.

Information:

A project must have received a grant for (1) Site Purchase, (2) Site Relocation, and (3) Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a) expenditures reported for (4) Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

NOTE: Expenditures that are not considered eligible for a site grant increase (i.e., identified in the four categories mentioned above), may be considered an eligible SFP project cost that would not result in moneys being returned to the State.

NEW CONSTRUCTION PROJECT(S)

Site Purchase

15. Identify if the project received a separate grant for site purchase. If yes, complete procedure 15 and then proceed to procedure number 16. If no, any reported site purchase expenditures are not eligible for State Site Purchase Grant funding and then go directly to procedure number 17.

a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

b) Identify the lower of actual cost paid on final escrow statement for site purchase and appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs and the appraised value of the site. The lower of the two is the amount that is eligible for State funding (and shall be considered the audited site purchase costs). Exception: if a court ordered amount was higher than appraisal amount then the court order (minus costs not related to site purchase) amount for site purchase would be the amount that was eligible for State Site Purchase Grant funding.

Information:

The amount listed in court orders may combine other costs with site purchase. Examples may include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding.

c) Prepare the following table to report the audited amounts.

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: Ed Code Section 17072.12; SFP Regulation Section1859.74; 1859.74.1; 1859.74.5; 1859.106.

16. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and completed the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California CDE and shall be included in the "Schedule of School Facility Program – Site Grant Adjustments pursuant to step 20 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be ~~located on~~ obtained by contacting the OPSC ~~website (K-12 Audit Resources)~~.

Reference: SFP Regulation Section 1859.74; 1859.74.3

Site Relocation

17. Identify if the project received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State Site Relocation Grant funding. In this case, skip to the next numbered procedure.

Obtain the LEA's reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H). Prepare the following table to report the audited amounts.

A	Grant Amount (Approved by SAB)	
B	Amount of relocation cost reported	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106.

Site Hazardous Waste Removal Costs:

18. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either or both, complete this procedure. If neither, skip to the next numbered procedure.

a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous Waste Removal costs to be eligible for this State grant funding, the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State Hazardous Waste Removal funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However, those costs are not eligible for the State Hazardous Waste Removal funding.

b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding. Prepare the following table to report the audited amounts.

c) Prepare the following table to determine the 150% maximum threshold.

A	Final Eligible Grant Amount (Procedure 15(c) – Table Item F)	
B	Multiply by 150 Percent	150%
C	Maximum Eligible Hazardous Waste Costs (A * B = C)	

d) Prepare the following table to report the audited amount

A	Grant Amount (Approved by SAB)	
B	Amount of hazardous waste removal reported	
C	Audited hazardous waste removal cost	
D	Difference	
E	Grant Adjustment (C –A)	
F	Final Grant Amount (A+E)	
G	Maximum Eligible Hazardous Waste Grant (Procedure 18(c), Item C	
H	Final Maximum Eligible Grant (Lesser of F or G)	

NOTE: Per SFP Regulation Section 1859.74.2(d) the final grant amount listed in the table above cannot exceed 150 percent of the appraised value of the site.

See the OPSC ~~website (K-12 Audit Resources)~~ project's Grant Agreement for detailed procedures on reviewing hazardous waste costs for eligibility

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106

Department of Toxic Substance Control Costs:

19. Identify if the project received a separate grant for DTSC fees. If yes, complete this procedure. If no, any reported DTSC Cost expenditures are not eligible for State DTSC Grant funding. In this case, skip to the next numbered procedure.

a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H). ~~See the OPSC Website (K-12 Audit Resources) for detailed procedure on reviewing DTSC cost for eligibility.~~

b) Prepare the following table to report the audited amounts.

A	Grant Amount (Approved by SAB)	
B	Amount of DTSC reported	
C	Audited DTSC cost	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

See the project's Grant Agreement for detailed procedures on reviewing DTSC costs for eligibility.

Reference: SFP Regulation Section 1859.74(a)(3) and (b)(3); 1859.106

20. Complete the "Schedule OF School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 15 through 19 of this section. Note: the LEA will already have completed columns A and B in the schedule. The totals in this schedule will be carried over to the "Schedule of School Facility Program - Summary of Final Funding Determination".

21. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. ~~See~~ By contacting the OPSC ~~website (K-12 Audit Resources)~~. If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

(1) School Board Minutes
(2) Fire Marshall Inspection Letter
(3) Copy of news story indicating the date school opened
(4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Determination of Project Savings – New Construction

At the time the LEA submits their final expenditure report (Form SAB 50-06) they will be required to report if the project had savings or was overspent by completing the "Schedule of School Facility Program – Determination of Project Savings".

22. If the District had project savings obtain the District's calculation of

savings on the FH New Construction project on the "Schedule of School Facility Program Determination of Project Savings" and recalculate the amounts reported:

Information:

Savings = Grant Amount + District Contribution + Audited Interest (Earned on State Funds) – Final Expenditures reported to the OPSC.

For any New Construction projects that received a site acquisition, relocation assistance, hazardous waste removal, or a DTSC grant those amounts, plus any reported expenditures associated with those grants, are not included in the calculation of savings.

Pursuant to SFP Regulation Section 1859.103, savings from a FH New Construction project may be returned to OPSC or held up to three years to offset the apportionment on a future FH project.

After three years any unused saving plus interest must be returned to the state.

A negative number in the calculation means there were more eligible expenditures reported on the project than project funding, therefore the project is overspent.

A FH project that is overspent has the following choices for the overspent amount:
1) Apply the overspent amount to a future hardship project of the LEA, if they apply for funding within the next three years.
2) If the LEA stays out of the FH Program for three years then the overspent amount is not due back the State.

Prepare the following table to report audited amounts.

Savings reported	
Savings funds audited	
Difference	

Display the audited Savings Amount in the "Schedule of School Facility Program Determination of Project Savings".

Reference: Education Code Section 41024(b)(1)(F); SFP Regulation Section 1859.103 and 1859.106(a); Grant Agreement Section F, Paragraph 8

Determination of Project Savings – Modernization
At the time the LEA submits its final expenditure report (Form SAB 50-06) they will be required to report if the project had savings or was overspent by completing the "Schedule of School Facility Program (SFP) – Determination of

Project Savings".

23. If the District had project savings obtain the District's calculation of the savings on the FH Modernization project on the "Schedule of School Facility Program Determination of Project Savings" and recalculate the amounts reported:

Information:

Savings = Grant Amount + District Contribution + Audited Interest (Earned on State Funds) – Final Expenditures reported to the OPSC.

Pursuant to SFP Regulation Section 1859.103, savings from a FH modernization project may be returned to OPSC or held up to three years to offset the apportionment on a future FH project.

After three years any unused saving plus interest must be returned to the state.
A negative number in the calculation means there were more eligible expenditures reported on the project than project funding, therefore the project is overspent.

A FH project that is overspent has the following choices for the overspent amount:
1) Apply the overspent amount to a future hardship project of the LEA, if they apply for funding within the next three years.
2) If the LEA stays out of the FH Program for three years then the overspent amount is not due back the State.

Prepare the following table to report audited amounts.

Savings reported	
Savings funds audited	
Difference	

Display the audited Savings Amount in the "Schedule of School Facility Program Determination of Project Savings".

Reference: SFP Regulation Section 1859.103; Grant Agreement Section F, Paragraph 8

24. Display in "Schedule of School Facility Program Summary of Final Project Funding" (Section VII) the total amount to be returned to the State.

B. REDUCTION TO COSTS INCURRED – FINANCIAL HARDSHIP PROJECTS

For projects identified in Section IA, Step 1(ii) as failing substantial progress or if a LEA requested their project(s) be reduced to costs incurred the audit procedures in Section IIIB must be completed.

Note: Projects that were added to the Unfunded List between May and October 2012 and received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, must also complete the procedures detailed in Section VI of the audit guide.

Information:
Savings do not exist in a Reduction to Costs Incurred audit. All funds not used on eligible SFP expenditures are considered unspent funds that must be returned to the State.

1. Determine which grant(s) the project received by reviewing the SAB apportionment item and Grant Agreement, previously obtained ~~from~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~. The following audit procedures should be completed for each applicable type of grant received for a project:
   a) Design Grant (New Construction or Modernization project) – Complete Items 2-7, and 18-22.
   b) Site Grant (New Construction project) – Complete Items 2-7, 8-13, and 18-22.
   c) Adjusted Grant (New Construction) – Complete Items 2-7, 8-13, 14, 15-17, and 18-22.
   d) Adjusted Grant (Modernization) – Complete Items 2-7, 15-17, and 18-22.

2. Verify the Grantee has maintained over the course of the project a general ledger that reflects expenditures at a Project-specific level that includes fund, resource, project year, goal, function, and object codes for all expenditures for the Project, including furniture and equipment, as they are described in the California School Accounting Manual, Procedure 301: Overview of the Standardized Accounting Code Structure and Procedure 345: Illustrations Using Account Code Structure. Pursuant to Grant Agreement (Section F, paragraph 1).

Reference: Education Code Section 17076.10.

3. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District from the matching funding source prior to the "Notice of Completion" by inspecting the SAB's project approval document for the applicable project and supporting accounting records provided by the LEA. The SAB's project approval document

for the applicable project can be obtained ~~on~~ by contacting the OPSC.~~'s website (K-12 Audit Resources) http://www.dgs.ca.gov/opsc/Resources.aspx~~

Information:
If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project. Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9).

4. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select a representative sample of the project expenditures reported on the final form SAB 50-06 and Detailed Listing of Project Expenditures (DLOPE) previously obtained ~~on~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~ to perform the following procedures:

a) For each item selected, Agree and trace expenditures reported on the Final form SAB 50-06 and the DLOPE to the supporting documentation (invoices, contract or purchase order, warrant and posting to the general ledger). If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine if the type of project expenditures reported are eligible in accordance with the laws and regulations of the SFP and/or the Advisory Listings in the Grant Agreement (Section G & Section H). Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

5. Verify the final Detailed Listing of Project Expenditures (DLOPE) grand total for the project reconciles back to the district's general ledger grand total for the project.

6. Determine the amount of expenditures that occurred prior to fund release (for each grant received) did not exceed the district's contribution. Make this determination by performing the following procedure:

a) Check the SAB Board item and/or the District's FH approval letter for amount of District contribution applied to the project(s) and compare it to expenditures on the final expenditure report that occurred prior to the fund release. If the expenditures prior to fund release did exceed the district contribution the FH apportionment will be reduced by the amount exceeded.

b) This determination shall be completed for each phase if the LEA received a separate design and/or separate site grant before receiving the construction grant.

(1) Exception – Per the SAB approved Bridge Financing/Interfund Borrowing policy, the district temporarily borrowed funds to move their FH project(s) along while they were on the unfunded list.

(2) The LEA's project(s) should have FH approval prior to any bridge financing/borrowing otherwise the expenditures will be considered contribution due to expenditure.

(3) Any financing instrument issued for bridge financing must be retired within 60 days of receipt of State funding.

Any expenditure prior to fund release that exceeded the district contribution will decrease the FH apportionment and increase the district contribution accordingly and those funds will be due the State.

Planning Costs

7. Obtain any Architect/Design contract to perform the following procedures:

a) Agree and trace the final contracted amount to the final billed amount.

b) Determine if the expenditures reported for an Architect/Design contract on the Final Form SAB 50-06 and DLOPE were paid to the architect by agreeing to the LEA's General Ledger and final billed amount.

Information:
Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

New Construction – Site Grants

Information:

A project must have received a grant for (1) Site Purchase, (2) Site Relocation, and (3) Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a) expenditures reported for (4) Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

NOTE: Expenditures that are not considered eligible for a site grant increase (i.e., identified in the four categories mentioned above), may be considered an eligible SFP project cost that would not result in moneys being returned to the State.

Site Purchase

8. Identify if the project received a separate grant for site purchase. If yes, complete procedure 8 and then proceed to procedure number 9. If no, any reported site purchase expenditures are not eligible for State Site Purchase Grant funding and then go directly to procedure number 10.

a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

b) Identify the lower of actual cost paid on final escrow statement for site purchase and appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs and the appraised value of the site. The lower of the two is the amount that is eligible for State funding (and shall be considered the audited site purchase costs). The exception being if a court ordered amount was higher than appraisal amount then the court order (minus costs not related to site purchase) amount for site purchase would be the amount that was eligible for State Site Purchase Grant funding.

Information:

The amount listed in court orders may combine other costs with site purchase. Examples may include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding.

c) Prepare the following table to report the audited amounts.

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: Ed Code Section 17072.12; SFP Regulation Section1859.74; 1859.74.1; 1859.74.5; 1859.106

9. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and completed the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California CDE and shall be included in the "Schedule of School Facility Program – Site Grant Adjustments pursuant to step 13 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be ~~located on~~ obtained by contacting the OPSC ~~website (K-12 Audit Resources)~~.

Reference: SFP Regulation Section 1859.74; 1859.74.3

Site Relocation:

10. Identify if the project received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State Site Relocation Grant funding. In this case, skip to the next numbered procedure.

a) Obtain the LEA's reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable

and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

b) Prepare the following table to report the audited amounts.

A	Site Relocation Grant Amount (Approved by SAB)	
B	Reported Amount of relocation cost reported	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106.

Site Hazardous Waste Removal Costs:

11. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either or both, complete this procedure. If neither, skip to the next numbered procedure.

a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous Waste Removal costs to be eligible for this State grant funding, the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State Hazardous Waste Removal funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However, those costs are not eligible for the State Hazardous Waste Removal funding.

b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any

costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding.

c) Prepare the following table to determine the 150% maximum threshold.

A	Final Eligible Grant Amount (Procedure 8(c) – Table Item F)	
B	Multiply by 150 Percent	150%
C	Maximum Eligible Hazardous Waste Costs (A * B = C)	

d) Prepare the following table to report the audited amounts.

A	Grant Amount (Approved by SAB)	
B	Amount of hazardous waste removal reported	
C	Audited hazardous waste removal cost	
D	Difference	
E	Grant Adjustment (C –A)	
F	Final Grant Amount (A+E)	
G	Maximum Eligible Hazardous Waste Grant (Procedure 11(c), Item C	
H	Final Maximum Eligible Grant (Lesser of F or G)	

NOTE: Per SFP Regulation Section 1859.74.2(d) the final grant amount listed in the table above cannot exceed 150 percent of the appraised value of the site.

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106

Department of Toxic Substance Control Costs:

12. Identify if the project received a separate grant for DTSC fees. If yes, complete this procedure. If no, any reported DTSC Cost expenditures are not eligible for State DTSC Grant funding. In this case, skip to the next numbered procedure.

a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H).

b) Prepare the following table to report the audited amounts.

	DTSC Fee Grant Amount (Approved by SAB)	
B	Reported Amount of DTSC Fee	
C	Audited DTSC Fee	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

See the project's Grant Agreement for detailed procedures on reviewing DTSC costs for eligibility.

Reference: SFP Regulation Section 1859.74(a)(3) and (b)(3); 1859.106

13. Complete the "Schedule of School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 8 through 12 of this section. Note: the LEA will already have completed columns A and B in the schedule. The totals in this schedule will be carried over to the "Schedule of School Facility Program - Summary of Final Funding Determination".

14. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. ~~See~~ Contact OPSC ~~website (K-12 Audit Resources)~~ for verification. If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

(1) School Board Minutes
(2) Fire Marshall Inspection Letter
(3) Copy of news story indicating the date school opened
(4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Construction Costs – Adjusted Grant

15. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.

b) Agree and trace the expenditures reported on the Detailed Listing of Project Expenditures (DLOPE) and General Ledger to the final billed amounts to ensure the expenditures were not over reported. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

16. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding, then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

17. If the District has used a Construction Manager, agree the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 15 & 17 if expenditures reported exceeded final billing.

Example 1: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $2.4 million. $200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

18. Inspect supporting documentation for any transfers of SFP funds out of Fund 35 (School Facility Fund) to other LEA funds and determine if they are allowable.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

19. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure 21.

20. Verify the LEA has (1) established a "Restricted Maintenance Account" for the exclusive purpose of providing ongoing and major maintenance of school buildings, (2) commencing fiscal year ~~2018~~2019 ~~19~~20 has deposited into the account a minimum of three percent (exception for small school districts – see information box below) of the LEA's total general fund expenditures for the most recent fiscal year and prior fiscal years after receipt of funds including the fiscal

year that it received funds, and (3) has developed an ongoing major maintenance plan that complies with and is implemented under the provisions of Education Code Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

Per Education Code Section 17070.75(c), a small school district can certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance than the required 3 percent. Small school districts are defined as the following:

- High school districts with an average daily attendance < 300 pupils
- Elementary school districts with an average daily attendance < 900 pupils
- Unified school districts with an average daily attendance < 1,200 pupils

If any of the Restricted Maintenance Account Requirements are not met this shall result in a corrective action by the LEA to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. Add COE Criteria

21. Obtain the LEA's calculation of unspent or overspent funds from the "Schedule of School Facility Program - Unspent Funds" ~~located on~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~ and perform the following procedures. All funds not spent on eligible SFP expenditures will be considered unspent and will be returned to the State.
Note: Per SFP Regulation Section 1958.81(a) all expenditures made from Capital Project Funds after the FH approval must be previously approved encumbrances or the funds may be due the State.

a) Recalculate the unspent or overspent funds by applying the following formula:
Unspent funds = (Grant(s) received + district contribution + audited interest (on State funds)) – reported expenditures.

(1) Unspent funds due to the State (if reported expenditures are less than project financing).

(2) Overspent amount due to the State for FH projects (if reported expenditures are more than project financing)

The amount to be returned to the State for Reduction to Costs Incurred adjustment includes: (1) The Unspent Funds or Overspent Amount and (2) Expenditures prior to fund release that exceeded district contribution.

b) Prepare the following table based on the audit procedure performed:

Unspent or Overspent funds reported	
Unspent funds or Overspent funds audited	
Difference	

Display the audited Unspent Funds or Overspent Funds in the "Schedule of School Facility Program Summary of Final Project Funding".

22. Display in "Schedule of School Facility Program Summary of Final Project Funding" the total amount to be returned to the State. This will include: (1) The Reduction to Costs incurred adjustments (Unspent Funds or Overspent Funds and expenditures prior to fund release that exceeded district contribution) and (2) Any ineligible expenditures.

IV. CAREER TECHNICAL EDUCATION

A. CLOSEOUT AUDIT

For Career Technical Education projects identified in Section I(A), Step 1 as project complete and ready for audit, the audit procedures in Section IV(A) must be completed.

Note: Projects that were added to the Unfunded List between May and October 2012 and received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, must also complete the procedures detailed in Section VI of the audit guide.

1. Verify the Grantee has maintained over the course of the project a general ledger that reflects expenditures at a Project-specific level that includes fund, resource, project year, goal, function, and object codes for all expenditures for the Project, including furniture and equipment, as they are described in the California School Accounting Manual, Procedure 301: Overview of the Standardized Accounting Code Structure and Procedure 345: Illustrations Using Account Code Structure. Pursuant to Grant Agreement (Section F, paragraph 1).

Reference: Education Code Section 17076.10.

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District prior to the "Notice of Completion" by inspecting the SAB's project approval document for the applicable project and supporting accounting records provided by the LEA. The SAB's project approval document for the applicable project can be obtained ~~on by contacting~~ the OPSC. ~~website (K-12 Audit Resources) http://www.dgs.ca.gov/opsc/Resources.aspx~~

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9).

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select a representative sample of the project expenditures reported on the final form SAB 50-06 and Detailed Listing of Project Expenditures (DLOPE) previously obtained ~~on~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~ to perform the following procedures:

a) For each item selected, agree and trace expenditures reported on the Final form SAB 50-06 and the DLOPE to the supporting documentation (invoices, contract or purchase order, warrant and posting to the general ledger). If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine if the type of project expenditures reported are eligible in accordance with the laws and regulations of the SFP and/or the Advisory Listings in the Grant Agreement (Section G & Section H).

Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

4. Determine if the expenditures were made within the eligible 4-year time frame (prior to completion date) by obtaining the Detail Listing of Project Expenditures (DLOPE). Review all expenditure dates listed in the General Ledger detail report to verify they were within the four year time limit.

a) A Career Technical Education (CTE) project shall be deemed complete when either of the following occurs, whichever occurs first:

(1) The final notice of completion is filed for the project; or

(2) Four years have elapsed from the final fund release for the project.

5. Verify the final Detailed Listing of Project Expenditures (DLOPE) grand total for the project reconciles back to the district's general ledger grand total for the project.

Planning Costs

6. Obtain any Architect/Design contracts and perform the following procedures:

a) Agree and trace the final contracted amount to the final billed amount.

b) Determine if the expenditures reported for an Architect/Design contract on the Final Form SAB 50-06 and DLOPE were paid to the architect by agreeing to the LEA's General Ledger and final billed amount.

Information:
Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

Construction Costs

7. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.

b) Agree and trace the expenditures reported on the Detailed Listing of Project Expenditures (DLOPE) and General Ledger to the final billed amounts to ensure the expenditures were not over reported. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

8. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding.

a) If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding, then any reported expenditures associated with those contracts are not eligible for State funding.

Information:
The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

9. If the District has used a Construction Manager, agree the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 7 & 9 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $2.4 million. $200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

10. Inspect supporting documentation for any transfers of SFP funds out of Fund 35 (School Facility Fund) to other LEA funds and determine if they are allowable.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

11. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure 14.

12. Verify the LEA has (1) established a "Restricted Maintenance Account" for the exclusive purpose of providing ongoing and major maintenance of school buildings, (2) commencing fiscal year ~~2018~~2019-~~19~~20 has deposited into the account a minimum of three percent (exception for small school districts – see information box below) of the LEA's total general fund expenditures for the most recent fiscal year and prior fiscal years after receipt of funds including the

fiscal year that it received funds, and (3) has developed an ongoing major maintenance plan that complies with and is implemented under the provisions of Education Code Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

Per Education Code Section 17070.75(c), a small school district can certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance than the required 3 percent. Small school districts are defined as the following:

- High school districts with an average daily attendance < 300 pupils
- Elementary school districts with an average daily attendance < 900 pupils
- Unified school districts with an average daily attendance < 1,200 pupils

If any of the Restricted Maintenance Account Requirements are not met this shall result in a corrective action by LEA to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. COE Criteria

13. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. ~~See~~ Contact the OPSC ~~website (K-12 Audit Resources)~~ for verification. If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

(1) School Board Minutes
(2) Fire Marshall Inspection Letter
(3) Copy of news story indicating the date school opened
(4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Determination of Unspent Funds – Career Technical Education
At the time the LEA submits their final expenditure report (Form SAB 50-06) they will be required to report if the project had unspent funds by completing the "Schedule of School Facility Program –Unspent Funds".

14. If the LEA had unspent funds, obtain the District's calculation of unspent funds on the Career Technical Education project on the "Schedule of School Facility Program Unspent Funds" and recalculate the amounts reported:

Information:

Report the State share of remaining unspent funds on the Career Technical Education project:
State Share of Unspent Funds =
(Grant Amount + District Contribution + audited Interest – Final Expenditures reported to OPSC)/2
A district may not retain savings realized from by a Career Technical Education Facilities Project. The State share (50%) of any unused funds will be returned to the State.

Reference: SFP Regulation Section 1859.199 and Grant Agreement Section F, paragraph 5.

Unspent Funds reported	
Unspent funds audited	
Difference	

15. Display in "Schedule of School Facility Program Summary of Final Project Funding" (Section VII) the total amount to be returned to the State. This would include: (1) Unspent Funds and (2) any ineligible expenditures.

B. REDUCTION TO COSTS INCURRED – CAREER TECHNICAL EDUCATION

For Career Technical Education projects identified in Section IA, Step 1 as failing substantial progress or if a LEA requested their project(s) be reduced to costs incurred the audit procedures in Section IVB must be completed.

Note: Projects that were added to the Unfunded List between May and October 2012 and received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, must also complete the procedures detailed in Section VI of the audit guide.

1. Verify the Grantee has maintained over the course of the project a general ledger that reflects expenditures at a Project-specific level that includes fund, resource, project year, goal, function, and object codes for all expenditures for the Project, including furniture and equipment, as they are described in the California School Accounting Manual, Procedure 301: Overview of the Standardized Accounting Code Structure and Procedure 345: Illustrations Using Account Code Structure. Pursuant to Grant Agreement (Section F, paragraph 1).

Reference: Education Code Section 17076.10.

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District prior to the "Notice of Completion" by inspecting the SAB's project approval document for the applicable project and supporting accounting records provided by the LEA. The SAB's project approval document for the applicable project can be obtained ~~on~~ by contacting the OPSC. ~~'s website (K-12 Audit Resources) http://www.dgs.ca.gov/opsc/Resources.aspx~~

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9)

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select a representative sample of the project expenditures reported on the final form SAB 50-06 and Detailed Listing of Project Expenditures (DLOPE) previously obtained ~~on~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~ to perform the following procedures:

a) For each item selected, agree and trace expenditures reported on the Final form SAB 50-06 and the DLOPE to the supporting

documentation (invoices, contract or purchase order, warrant and posting to the general ledger).

(1) If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine if the type of project expenditures reported are eligible in accordance with the laws and regulations of the SFP and/or the Advisory Listings in the Grant Agreement (Section G & Section H).

Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4

4. Verify the final Detailed Listing of Project Expenditures (DLOPE) grand total for the project reconciles back to the district's general ledger grand total for the project.

Planning Costs

5. Obtain any Architect/Design contracts and perform the following procedures:

a) Agree and trace the final contracted amount to the final billed amount.

b) Determine if the expenditures reported for an Architect/Design contract on the Final Form SAB 50-06 and DLOPE were paid to the architect by agreeing to the LEA's General Ledger and final billed amount.

Information:
Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

6. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. ~~See~~ Contact the OPSC ~~website (K-12 Audit Resources)~~ for verification. If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

(1) School Board Minutes
(2) Fire Marshall Inspection Letter
(3) Copy of news story indicating the date school opened
(4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Reference: SFP Regulation Section 1859.70

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Construction Costs

7. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

a) Agree the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.

b) Agree the expenditures reported on the Detailed Listing of Project Expenditures (DLOPE) and General Ledger to the final billed amounts to ensure the expenditures were not over reported. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

8. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding, then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possible be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

9. If the District has used a Construction Manager, agree the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts. Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 7 & 9 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $2.4 million. $200,000 is unsupported and ineligible for State funding.
Example 2: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

10. Inspect supporting documentation for any transfers of SFP funds out of Fund 35 (School Facility Fund) to other LEA funds and determine if they are allowable.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures

11. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure 13.

12. Verify the LEA has (1) established a "Restricted Maintenance Account" for the exclusive purpose of providing ongoing and major maintenance of school buildings, (2) commencing fiscal year ~~2018~~2019-~~19~~20 has deposited into the account a minimum of three percent (exception for small school districts – see information box below) of the LEA's total general fund expenditures for the most recent fiscal year and prior fiscal years after receipt of funds including the fiscal year that it received funds, and (3) has developed an ongoing major maintenance plan that complies with and is implemented under the provisions of Education Code Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

Per Education Code Section 17070.75(c), a small school district can certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance than the required 3 percent. Small school districts are defined as the following:

- High school districts with an average daily attendance < 300 pupils
- Elementary school districts with an average daily attendance < 900 pupils
- Unified school districts with an average daily attendance < 1,200 pupils

If any of the Restricted Maintenance Account Requirements are not met this shall result in a corrective action by LEA to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. COE Criteria.

13. Obtain the LEA's calculation of unspent funds from the "Schedule of School Facility Program - Unspent Funds" ~~located on~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~ and perform the following procedures. All funds not spent on eligible SFP expenditures will be considered unspent and will be returned to the State.

c) Recalculate the unspent funds by applying the following formula: Unspent funds = (Grant(s) received + district contribution + audited interest (on State funds)) – reported expenditures

Unspent funds due to the State (if reported expenditures are less than project financing)

The amount to be returned to the State for Reduction to Costs Incurred adjustment equals the State's share of the Unspent Funds.

d) Prepare the following table based on the audit procedure performed:

Unspent funds reported	
Unspent funds audited	
Difference	

Display the audited Unspent Funds in the "Schedule of School Facility Program Summary of Final Project Funding".

14. Display in "Schedule of School Facility Program Summary of Final Project Funding" the total amount to be returned to the State. This will include: (1) The Reduction to Costs incurred adjustments (Unspent Funds) and (2) Any ineligible expenditures.

V. CHARTER SCHOOL FACILITIES PROGRAM

A. CLOSEOUT AUDIT

For Charter School projects identified in Section IA, Step 1 as project complete and ready for audit, the audit procedures in Section VA must be completed. **Note:** Projects that were added to the Unfunded List between May and October 2012 and received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, must also complete the procedures detailed in Section VI of the audit guide.

1. Verify the Grantee has maintained over the course of the project a general ledger that reflects expenditures at a Project-specific level that includes fund, resource, project year, goal, function, and object codes for all expenditures for the Project, including furniture and equipment, as they are described in the California School Accounting Manual, Procedure 301: Overview of the Standardized Accounting Code Structure and Procedure 345: Illustrations Using Account Code Structure. Pursuant to Grant Agreement (Section F, paragraph 1).

Reference: Education Code Section 17076.10.

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District prior to the "Notice of Completion" by inspecting the SAB's project approval document for the applicable project and supporting accounting records provided by the LEA. The SAB's project approval document for the applicable project can be obtained ~~on~~ by contacting the OPSC.~~'s website (K-12 Audit Resources) http://www.dgs.ca.gov/opsc/Resources.aspx~~

Information:

If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project.

Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9)

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select a representative sample of the project expenditures reported on the final form SAB 50-06 and Detailed Listing of Project Expenditures (DLOPE) previously obtained ~~on~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~ to perform the following procedures:

a) For each item selected, agree and trace expenditures reported on the Final form SAB 50-06 and the DLOPE to the supporting documentation (invoices, contract or purchase order, warrant and posting to the general ledger). If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine if the type of project expenditures reported are eligible in accordance with the laws and regulations of the SFP and/or the Advisory Listings in the Grant Agreement (Section G & Section H). Expenditures made with the Final Charter School Apportionment must comply with Education Code Section 17072.35 and 17078.54(a) and the Grant Agreement Section G. Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4.

4. Determine if the expenditures were made within an eligible time frame (prior to completion date) by obtaining a General Ledger detail report that is run in date order of all project expenditures from the LEA. Review all expenditure dates listed in the General Ledger detail report to verify they were within the three or four year time limits.

a) A project is deemed complete per the criteria detailed in SFP Regulation Section 1859.104(a)(1)(A) or(B). A project is complete three years from the final fund release for an elementary school and four years for a middle or high school. Review the "Project Transaction Detail" for the final fund release date.

b) Expenditures made after the completion date are not eligible for State Funding unless the expenditures were under contract prior to the completion date.

Reference: SFP Regulation Section 1859.104(a)(2)

5. Verify the final Detailed Listing of Project Expenditures (DLOPE) grand total for the project reconciles back to the district's general ledger grand total for the project.

Planning Costs

6. Obtain any Architect/Design contracts and perform the following procedures:
   a) Agree and trace the final contracted amount to the final billed amount.
   b) Determine if the expenditures reported for an Architect/Design contract on the Final Form SAB 50-06 and DLOPE were paid to the architect by agreeing to the LEA's General Ledger and final billed amount.

Information:
Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

Construction Costs

7. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:
   a) Agree the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.
   b) Agree the expenditures reported on the Detailed Listing of Project Expenditures (DLOPE) and General Ledger to the final billed amounts to ensure the expenditures were not over reported. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

8. Determine if construction contract(s) was entered into on or after September 27, 2002. Expenditures for construction are eligible only if the construction contract was entered into on or after that date.

9. For construction contracts sampled,
   a) Inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding.
   b) If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC

concerning competitive bidding then any reported expenditures associated with those contracts are not eligible for State funding.

Information:

The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

10. If the District has used a Construction Manager, perform the following procedure:

a) Agree the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts.

b) Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 7, 8, & 10 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $2.4 million. $200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

11. Obtain the approval document ~~from~~ <u>by contacting</u> the OPSC ~~website (K-12 Audit Resources)~~ that indicates the LEA's estimate of project costs listed 60 percent of the project funding would be spent on hard construction costs. When the LEA submitted their application for funding they certified that the cost estimate of construction work or construction contract(s) submitted to the Department of State Architect was greater than 60% of the total grant.

Information:

Hard construction costs are defined as funds spent physically constructing a building (brick and mortar costs). The percentage can be calculated as follows:

Percentage spent on hard construction = Total Reported Hard Construction Expenditures/Total Grant (State Share + District Contribution)

For any Charter School New Construction projects that received a site acquisition, relocation assistance, hazardous waste removal, or a DTSC grant those amounts are not included in the "Total Grant" portion of the calculation.

Construction manager expenditures are not included in the "Total Reported Construction Expenditures" portion of the calculation because that is not a hard construction cost.

Construction manager expenditures are not included in the "Total Reported Construction Expenditures" portion of the calculation because that is not a hard construction cost. However, if the LEA can document that the Construction Manager is an "at risk" contract then it can be considered a hard construction cost. For a Construction Manager to be considered "at risk" they have to be the one that takes out the construction bond to assume the liability for the project.

a) Prepare the table to report the percent the LEA spent on hard construction costs and display the table in the audit report.

	Amount	Percentage
60% of Total Grant		
Reported Hard Costs & Percentage		
Audited Hard Costs & Percentage		
Difference		

12. Inspect supporting documentation for any transfers of SFP funds out of Fund 35 (School Facility Fund) to other LEA funds and determine if they are allowable.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

13. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure 22.

14. Verify the LEA has (1) established a "Restricted Maintenance Account" for the exclusive purpose of providing ongoing and major maintenance of school buildings, (2) commencing fiscal year ~~2018~~2019 ~~19~~20 has deposited into the account a minimum of three percent (exception for small school districts – see information box below) of the LEA's total general fund expenditures for the most recent fiscal year and prior fiscal years after receipt of funds including the fiscal year that it received funds, and (3) has developed an ongoing major maintenance plan that complies with and is implemented under the provisions of Education Code Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

Per Education Code Section 17070.75(c), a small school district can certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance than the required 3 percent. Small school districts are defined as the following:

- High school districts with an average daily attendance < 300 pupils
- Elementary school districts with an average daily attendance < 900 pupils
- Unified school districts with an average daily attendance < 1,200 pupils

If any of the Restricted Maintenance Account Requirements are not met, the LEA shall take corrective action to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. COE Criteria

Charter School - New Construction Project(s)

Information:

A project must have received a grant for (1) Site Purchase, (2) Site Relocation, and (3) Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a) expenditures reported for (4) Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

NOTE: Expenditures that are not considered eligible for a site grant increase (i.e., identified in the four categories mentioned above), may be considered an eligible SFP project costs that would not result in moneys be returned to the State.

Site Purchase

15. Identify if the project received a separate grant for site purchase. If yes, complete procedure 15 and then proceed to procedure number 16. If No, any reported site purchase expenditures are not eligible for State funding and then go directly to procedure number 17.

a) Agree and trace the reported amount for the site purchase back to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

b) Identify the lesser of either (a) actual cost paid on final escrow statement for site purchase or (b) appraisal price on appraisal document. The site grant funding is approved by the SAB based on the lesser of the actual costs or the appraised value of the site. The lesser of the two amounts is eligible for State funding (and shall be considered the audited site purchase costs). Exception: if a court ordered amount was higher than appraisal amount then the court order (minus costs not related to site purchase) amount for site purchase would be the amount that was eligible for State Site Purchase Grant funding.

Information:

The amount listed in court orders may combine other costs with site purchase. Examples may include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding.

c) Prepare the following table to report the audited amounts.

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: Ed Code Section 17072.12; SFP Regulation Section1859.74; 1859.74.1; 1859.74.5; 1859.106

16. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and completed the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California CDE and shall be included in the "Schedule of School Facility Program – Site Grant Adjustments pursuant to step 20 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be ~~located on~~ obtained by contacting the OPSC website ~~(K-12 Audit Resources)~~.

Reference: SFP Regulation Section 1859.74; 1859.74.3

Site Relocation

17. Identify if the project received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State funding. In this case, skip to the next numbered procedure.

a) Obtain the LEA's reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable

and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

b) Prepare the following table to report the audited amounts:

A	Site Relocation Grant Amount (Approved by SAB)	
B	Reported Amount of relocation cost	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106.

Site Hazardous Waste Removal Costs:

18. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either or both, complete this procedure. If neither, skip to the next numbered procedure.

a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous Waste Removal costs to be considered eligible for this State grant funding, the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However, those costs are not eligible for the State Hazardous Waste Removal funding

b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding. Prepare the following table to report the audited amounts.

c) Prepare the following table to determine the 150% maximum threshold.

A	Final Eligible Grant Amount (Procedure 15(c) – Table Item F)	
B	Multiply by 150 Percent	150%
C	Maximum Eligible Hazardous Waste Costs (A * B = C)	

d) Prepare the following table to report the audited amounts.

A	Hazardous Waste Removal Grant Amount (Approved by SAB)	
B	Reported Amount of Hazardous Waste Removal	
C	Audited Hazardous Waste Removal Cost	
D	Difference	
E	Grant Adjustment (C –A)	
F	Final Grant Amount (A+E)	
G	Maximum Eligible Hazardous Waste Grant (Procedure 18©, Item C	
H	Final Maximum Eligible Grant (Lesser of F or G)	

NOTE: Per SFP Regulation Section 1859.74.2(d) the final grant amount listed in the table above cannot exceed 150 percent of the appraised value of the site.

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106

Department of Toxic Substance Control Costs:

19. Identify if the project received a separate grant for DTSC fees. If yes, complete this procedure 21. If no, any reported DTSC Cost expenditures are not eligible for State DTSC Grant funding and proceed to the next procedure.

a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable

pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H).

b) Prepare the following table to report the audited amounts.

A	DTSC Fee Grant Amount (Approved by SAB)	
B	Reported Amount of DTSC Fee	
C	Audited DTSC Fee	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for detailed procedures on reviewing DTSC costs for eligibility.

Reference: SFP Regulation Section 1859.74(a)(3) and (b)(3); 1859.106

20. Complete the "Schedule of School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 15 through 19 of this section. Note: the LEA will already have completed columns A and B in the schedule.

21. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. ~~See~~ Contact the OPSC ~~website (K-12 Audit Resources)~~ for verification. If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

(1) School Board Minutes
(2) Fire Marshall Inspection Letter
(3) Copy of news story indicating the date school opened
(4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:
The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

Determination of Unspent Funds – Charter Schools
At the time the LEA submits their final expenditure report (Form SAB 50-06) they will be required to report if the project had unspent funds by completing the "Schedule of School Facility Program –Unspent Funds".

22. If the LEA had unspent funds, obtain the District's calculation of unspent funds on the Charter Schools project on the "Schedule of School Facility Program Unused Funds" and recalculate the amounts reported:

Information:

Report the State share of remaining unspent funds on the Charter Schools project:
State Share of Unspent Funds = (Grant Amount + District Contribution + Audited Interest – Final Expenditures reported to OPSC)/2

For any Charter School New Construction projects that received a site acquisition, relocation assistance, hazardous waste removal, or a DTSC grant those amounts, plus any reported expenditures associated with those grants, are not included in the calculation of unused funds.

Projects funded under the Charter School Facility Program (CFSP) do not generate savings pursuant to SFP Regulation Section 1859.103. In addition, State funds remaining at the completion a project may not be used to satisfy the local match obligation. State in the audit report any remaining State share of funds that must be returned to the State.

Unspent Funds reported	
Unspent funds audited	
Difference	

Display the audited Unspent Funds in the "Schedule of School Facility Program Summary of Final Project Funding".
Reference: Regulation Section 1859.103; SFP Regulation Section 1859.169.1; 1859.163.2; 1859.163.3 and Grant Agreement Section F, paragraph 5.

23. Display in "Schedule of School Facility Program Summary of Final Project Funding" (Section VII) the total amount to be returned to the State. This would include: (1) Unspent Funds and (2) any ineligible expenditures.

B. REDUCTION TO COSTS INCURRED – CHARTER SCHOOL

For Charter School projects identified in Section IA, Step 1 as failing substantial progress or if a LEA requested their project(s) be reduced to costs incurred the audit procedures in Section VB must be completed.

Note: Projects that were added to the Unfunded List between May and October 2012 and received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, must also complete the procedures detailed in Section VI of the audit guide.

1. Verify the Grantee has maintained over the course of the project a general ledger that reflects expenditures at a Project-specific level that includes fund, resource, project year, goal, function, and object codes for all expenditures for the Project, including furniture and equipment, as they are described in the California School Accounting Manual, Procedure 301: Overview of the Standardized Accounting Code Structure and Procedure 345: Illustrations Using Account Code Structure. Pursuant to Grant Agreement (Section F, paragraph 1).

   Reference: Education Code Section 17076.10.

2. Verify any statutorily required District matching funds have been deposited in the County School Facility Fund or expended by the District prior to the "Notice of Completion" by inspecting the SAB's project approval document for the applicable project and supporting accounting records provided by the LEA. The SAB's project approval document for the applicable project can be obtained ~~on~~ by contacting the OPSC.~~'s website (K-12 Audit Resources) http://www.dgs.ca.gov/opsc/Resources.aspx~~

Information:
If the LEA's matching funds were expended out of another capital facility fund such as Fund 21 (Building Fund) or Fund 25 (Developer Fee Fund) then it is appropriate if the remaining unspent matching share were deposited in those funds. The LEA must show documentation that demonstrates they were designated as matching funds for their SFP project. Notice of Completion in the procedure refers to the final "Notice of Completion" received within the eligible 3 year (Elementary School) or 4 year (Middle or High School) timeframe

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 50-04 Certifications, Grant Agreement (Section D, paragraph 9)

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the SFP. Select a representative sample of the project expenditures reported on the final form SAB 50-06 and Detailed Listing of Project Expenditures (DLOPE) previously obtained ~~on~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~ to perform the following procedures:

a) For each item selected, agree and trace expenditures reported on the Final form SAB 50-06 and the DLOPE to the supporting documentation (invoices, contract or purchase order, warrant and posting to the general ledger). If amounts selected do not reconcile to the 50-06 and DLOPE, inquire if any of the sampled expenditures are prorated over multiple projects. If the LEA prorated an invoice or contract over multiple projects, verify that the LEA has documentation demonstrating the proration method used.

b) Determine if the type of project expenditures reported are eligible in accordance with the laws and regulations of the SFP and/or the Advisory Listings in the Grant Agreement (Section G & Section H). Expenditures made with the Final Charter School Apportionment must comply with Education Code Section 17072.35 and 17078.54(a) and the Grant Agreement Section G.

Per Education Code Section 41024, the State share of any ineligible expenditure shall be returned to the State.

Reference: Education Code Section 17072.35, 17074.25 and 41024; SFP Regulation Section 1859.106; 1859.79.2; 1859.120; 1859.140; 1859.160; Grant Agreement Section F, Paragraph 4

4. Verify the final Detailed Listing of Project Expenditures (DLOPE) grand total for the project reconciles back to the district's general ledger grand total for the project.

Planning Costs

5. Obtain any Architect/Design contracts and perform the following procedures:

a) Agree and trace the final contracted amount to the final billed amount.

b) Determine if the expenditures reported for an Architect/Design contract on the Final Form SAB 50-06 and DLOPE were paid to the architect by agreeing to the LEA's General Ledger and final billed amount.

Information:
Any architect/design expenditure that exceeded the final contracted amount or if the expenditure was not paid to the architect/design contractor is not eligible for State funding.

Construction Costs

6. Select a sample of construction contracts, including change order amounts, and associated final billed amount and perform the following procedures:

   a) Agree and trace the expenditures and dollar amounts authorized in the contract (after addendums and change orders) to the final billed amounts.

   b) Agree and trace the expenditures reported on the Detailed Listing of Project Expenditures (DLOPE) and General Ledger to the final billed amounts to ensure the expenditures were not over reported. Any expenditure beyond the contract amount (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17072.35 and 17074.25; SFP Regulation Section 1859.106.

7. Determine if construction contract(s) was entered into on or after September 27, 2002. Expenditures for construction are eligible only if the construction contract was entered into on or after that date.

8. For construction contracts sampled, inspect documentation substantiating compliance with provisions of the PCC concerning competitive bidding. If the construction contracts were required to follow competitive bidding and the LEA did not comply with the provisions of the PCC concerning competitive bidding then any reported expenditures associated with those contracts are not eligible for State funding.

Information:
The project may possibly be built without the competitive bidding requirements depending on the project delivery method chosen. Refer to the PCC for updated requirements.

Reference: PCC Section(s) 20110 & 20111.

9. If the District has used a Construction Manager, agree the amount included in the Construction Manager contract to the amounts indicated as paid on the final billed amounts.

Any expenditure beyond the final billed amount is not eligible for State funding.

Information:

Funding would only be deemed ineligible in procedures 6, 7, & 9 if expenditures reported exceeded final billing and were not supported.

Example 1: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $2.4 million. $200,000 is unsupported and ineligible for State funding.

Example 2: Final Billing (Contract plus Change Orders) = $2.2 million. LEA reported $1.5 million. Amount reported does not agree to final billing but not an audit exception. The expenditures reported agree to the General Ledger and are supported. In addition, the LEA provided explanation for the difference.

10. Inspect supporting documentation for any transfers of SFP funds out of Fund 35 (School Facility Fund) to other LEA funds and determine if they are allowable.

Information:

A SFP project may be a project that was originally fully funded by the LEA with local funding, with the State portion of the project reimbursable to the LEA upon receiving State funding. Therefore, it is permissible for a LEA to transfer the State funds out of Fund 35 and back to the original source of the local funding to reimburse eligible SFP expenditures.

It would also be permissible to transfer savings out of Fund 35 after a project is complete to use on high priority capital outlay expenditures.

11. Agree and trace any interest reported on the final Form SAB 50-06 to amounts recorded in the general ledger and other interest documentation. Prepare the following table to report the audited amounts:

Reported Interest	
Audited Interest	
Difference	

A difference in audited interest will result in a difference in audited unspent funds in procedure 20.

12. Verify the LEA has (1) established a "Restricted Maintenance Account" for the exclusive purpose of providing ongoing and major maintenance of school buildings, (2) commencing fiscal year ~~2018~~2019-~~19~~20 has deposited into the account a minimum of three percent (exception for small school districts – see information box below) of the LEA's total general fund expenditures for the most recent fiscal year and prior fiscal years after receipt of funds including the fiscal

year that it received funds, and (3) has developed an ongoing major maintenance plan that complies with and is implemented under the provisions of Education Code Section 17070.75 and 17070.77, and Grant Agreement Section D, Paragraph 3.

Information:

Per Education Code Section 17070.75(c), a small school district can certify to the board that it can reasonably maintain its facilities with a lesser level of maintenance than the required 3 percent. Small school districts are defined as the following:

- High school districts with an average daily attendance < 300 pupils
- Elementary school districts with an average daily attendance < 900 pupils
- Unified school districts with an average daily attendance < 1,200 pupils

If any of the Restricted Maintenance Account Requirements are not met this shall result in a corrective action by LEA to fix the condition that is deficient. In addition, per Education Code Section 17070.51 the project may be presented to the SAB as a potential Material Inaccuracy (MI).

Reference: Education Code Section 17070.75 and 17070.77; SFP Regulation Section 1859.100. COE Criteria

New Construction

Information:

A project must have received a grant for (1) Site Purchase, Site Relocation, and (2) Department of (3) Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding. Per SFP Regulation Section 1859.106(a) expenditures reported for (4) Site Hazardous Waste Removal may be eligible even if the project did not receive a grant for Hazardous Waste when it was approved.

NOTE: Expenditures that are not considered eligible for a site grant increase (i.e., identified in the four categories mentioned above), may be considered an eligible SFP project costs that would not result in moneys be returned to the State.

Site Purchase

13. Identify if the project received a separate grant for site purchase. If yes, complete procedure 13 and then proceed to procedure number 14. If no, any reported site purchase expenditures are not eligible for State funding and then go directly to procedure number 15.

a) Agree and trace the reported amount for the site purchase back

to source documents such as the final escrow amount or court orders in condemnation.

Information:

Per SFP Regulation Section 1859.74(a), the actual cost of the site shall be the purchase price as shown on the final escrow documents or other appropriate documents such as court orders in condemnation. Actual site purchase costs will exclude all other site costs such as relocation assistance, DTSC, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable SFP project expenditures but are not eligible for the Site Purchase Grant.

b) Identify the lesser of either (a) actual cost paid on final escrow statement for site purchase or (b) appraisal price on appraisal document The site grant funding is approved by the SAB based on the lesser of the actual costs or the appraised value of the site. The lesser of the two amounts is eligible for State funding (and shall be considered the audited site purchase costs). The exception being if a court ordered amount was higher than appraisal amount then the court order (minus costs not related to site purchase) amount for site purchase would be the amount that was eligible for State Site funding.

Information:

The amount listed in court orders may combine other costs with site purchase. Examples may include relocation costs, goodwill, moving expenses, site other, legal fees, etc. These costs must be moved to the correct categories and are not eligible for site purchase funding

c) Prepare the following table to report the audited amounts.

A	Site Purchase Grant Amount (Approved by SAB)	
B	Reported Amount of Site Purchase	
C	Audited Site Purchase Costs	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

Reference: Ed Code Section 17072.12; SFP Regulation Section1859.74; 1859.74.1; 1859.74.5; 1859.106.

14. Verify the number of acres purchased is consistent with the approved acreage from the SAB approval Item and complete the following:

Number of Acres Purchased	
Number of Acres Approved	
Difference	

Information:

Site acquisition funding shall be prorated and reduced if the District purchased more acreage than the master plan site size determined by California CDE and shall be included in the "Schedule of School Facility Program – Site Grant Adjustments pursuant to step 18 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can ~~be located on~~ obtained by contacting the OPSC ~~website (K-12 Audit Resources)~~.

Reference: SFP Regulation Section 1859.74; 1859.74.3).

Site Relocation

15. Identify if the project received a separate grant for site relocation assistance. If yes, complete this procedure. If no, any reported site relocation expenditures are not eligible for State Site Relocation Grant funding. In this case, skip to the next numbered procedure.

a) Obtain the LEA's reported relocation costs detail and select a sample of reported costs. Agree and trace amounts to warrants and other supporting documents to validate that reported costs are allowable and do not exceed cost allowances pursuant to Title 25, CCR, Section 6000, Education Code Sections 17072.13, 17072.35 and the Advisory Listing Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

b) Prepare the following table to report the audited amounts.

A	Site relocation Grant Amount (Approved by SAB)	
B	Reported Amount of relocation cost	
C	Audited relocation cost	
D	Difference	
E	Grant Adjustment (C – A)	
F	Final Grant Amount (A +E)	

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for a detailed list of possible site relocation expenditures and procedures for eligibility based on Title 25, CCR, Section 6000.

Reference: SFP Regulation Section 1859.74(a)(1) and (b)(1); 1859.74.2(b); 1859.74.3(b); 1859.74.5(b)(2); 1859.74.6(a)(1)(A); 1859.75.1(b)(2). Applicable adjustment see Title 25, CA Code of Regulations Section 6000 and SFP Section 1859.106

Site Hazardous Waste Removal Costs:

16. Identify if the project received a separate grant for hazardous waste removal or the LEA reported hazardous waste removal costs. If yes to either or both, complete this procedure. If neither, skip to the next numbered procedure.

a) Select a sample of reported Site Hazardous Waste Removal Costs and trace amounts to supporting contracts or invoices. Verify that reported costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Section G & H).

Information:

For Hazardous Waste Removal costs to be eligible for this State grant funding the removal costs must be required by the DTSC. Any costs reported after the DTSC clears the site as safe to construct are not eligible for State Hazardous Waste Removal funding.

DTSC may sometimes mandate continual monitoring of a site after the site clearance letter as a condition of approval. However, those costs are not eligible for the State Hazardous Waste Removal funding.

b) Obtain letter from DTSC that clears the site as safe to construct. Review the dates of all reported hazardous waste removal costs. Any costs dated after the date of the letter are not eligible for State Hazardous Waste Removal funding. Prepare the following table to report the audited amounts:

c) Prepare the following table to determine the 150% maximum threshold.

A	Final Eligible Grant Amount (Procedure 13(c) – Table Item F)	
B	Multiply by 150 Percent	150%
C	Maximum Eligible Hazardous Waste Costs (A * B = C)	

d) Prepare the following table to report the audited amounts.

A	Hazardous Waste Removal Grant Amount (Approved by SAB)	
B	Reported Amount of Hazardous Waste Removal	
C	Audited Hazardous Waste Removal Cost	
D	Difference	
E	Grant Adjustment (C –A)	
F	Final Grant Amount (A+E)	
G	Maximum Eligible Hazardous Waste Grant (Procedure 16(c), Item C	
H	Final Maximum Eligible Grant (Lesser of F or G)	

NOTE: Per SFP Regulation Section 1859.74.2(d) the final grant amount listed in the table above cannot exceed 150 percent of the appraised value of the site.

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: SFP Regulation Section 1859.74.2; 1859.74.3; 1859.74.4 and 1859.106.

Department of Toxic Substance Control Costs:

17. Identify if the project received a separate grant for DTSC fees. If yes, complete this procedure. If no, any reported DTSC Cost expenditures are not eligible for State DTSC Grant funding. In this case, skip to the next numbered procedure.

a) Select a sample of reported DTSC costs and trace to contracts or invoices that support costs. Verify that sampled costs are allowable pursuant to Education Code Sections 17072.13, 17072.35 and the Advisory Listing(s) Detailing Common Eligible and Ineligible Project Expenditures in the Grant Agreement (Sections G & H).

b) Prepare the following table to report the audited amounts:

A	DTSC Fee Grant Amount (Approved by SAB)	
B	Reported Amount of DTSC Fee	
C	Audited DTSC Fee	
D	Difference	
E	Grant Adjustment (C-A)	
F	Final Grant Amount (A+E)	

See the ~~OPSC website (K-12 Audit Resources)~~ project's Grant Agreement for detailed procedures on reviewing DTSC costs for eligibility.
Reference: SFP Regulation Section 1859.74(a)(3) and (b)(3); 1859.106

18. Complete the "Schedule OF School Facility Program – Site Grant Adjustments", that must be presented in the audit report, using the information from the tables completed in audit procedures 13 through 17 of this section. Note: the LEA will already have completed columns A and B in the schedule.

19. Verify whether the OPSC, during the fund release review process, identified a date of occupancy that occurred after the submission of the application for funding. ~~See~~ Contact the OPSC ~~website (K-12 Audit Resources)~~ for verification. If yes, proceed to the next numbered procedure. If the date of occupancy was not identified by OPSC, document in the following table the date of occupancy through inspecting any of the following documentation:

(1) School Board Minutes
(2) Fire Marshall Inspection Letter
(3) Copy of news story indicating the date school opened
(4) Notice of Completion

Date of Application for Funding	
Date of Occupancy	
Source of information	

The date must be after the application for funding (Form SAB 50-04) was received by the OPSC or the project is not eligible for SFP funding and may be rescinded.

Information:

The SAB shall only provide New Construction funding if the approved funding application was received by the OPSC prior to the date of occupancy for any classroom included in the construction contract. After the date of occupancy an LEA will be ineligible to seek New Construction funding from the State. The project shall be rescinded by the SAB and all funding returned to the State with interest.

20. Obtain the LEA's calculation of unspent funds from the "Schedule of School Facility Program - Unspent Funds" ~~located on~~ by contacting the OPSC ~~website (K-12 Audit Resources)~~ and perform the following procedures. All funds not spent on eligible SFP expenditures will be considered unspent and will be returned to the State.

a) Recalculate the unspent funds by applying the following formula: Unspent funds = (Grant(s) received + district contribution +

audited interest (on State funds)) – reported expenditures

Unspent funds due to the State (if reported expenditures are less than project financing)

The amount to be returned to the State for Reduction to Costs Incurred adjustment equals the State's share of the Unspent Funds.

b) Prepare the following table based on the audit procedure performed:

Unspent funds reported	
Unspent funds audited	
Difference	

Display the audited Unspent Funds in the "Schedule of School Facility Program Summary of Final Project Funding".

21. Display in "Schedule of School Facility Program Summary of Final Project Funding" the total amount to be returned to the State. This will include: (1) the Reduction to Costs incurred adjustments (Unspent Funds) and (2) any ineligible expenditures.

VI. UNFUNDED LIST PROJECTS

Projects that were added to the Unfunded List between May and October 2012 and received SAB approval for placement on the Unfunded List (Lack of AB 55 Loans) on June 5, 2017, are not subject to a Grant Agreement. However, these projects are still subject to the performance audit required in Education Code section 41024. When applicable, the procedures in this section must be completed in addition to the appropriate procedures detailed in other sections of the audit guide.

1. Obtain the LEA's listing of purchased Computers, Printers, and computer carts.

2. If Computers, Printers, or computer carts were purchased, inspect the following documentation to determine if expenditures were made within the scope of the project funded:
   a) The District must submit a letter or other documents which details:
      (1) Location of computers
      (2) Use of computers
      (3) District's rationale for the amount of computers purchased
   b) Per Education Code Section 17071.25(a)(2)(A) the California classroom loading standard has been used to determine number of eligible computers.
      (1) K-6 = 25 pupils per classroom
      (2) 7-8 = 27 pupils per classroom
      (3) 9-12 = 27 pupils per classroom
      (4) Non-Severe = 13 pupils per classroom
      (5) Severe = 9 pupils per classroom

   In addition to above, one additional computer per classroom has been allowed for the teaching station.

3. Obtain the number of classrooms approved for the project and type of project approved from the SAB item that approved the project apportionment.

4. Calculate the number of eligible computers.
   a) Eligible Computers = (Number of classrooms x loading standard (as determined by type of project)) + (1 additional computer (teaching station) x number of classroom).
   b) Computers reported beyond the calculated eligible computer total are not eligible for State funding.
   c) The amount associated with ineligible computers = Number of ineligible computers X Amount paid by LEA per computer.

A	Cost of Computers and Related Equipment	
B	Number of Computers Purchased	
C	Average Cost Per Computer (A/B)	
D	Eligible Computers Calculation	
E	Difference (D-B)	
F	Audited—Amount Associated with Ineligible Computers (E*C)	

Information:

For the purpose of this section, computers mean desktops, laptops, tablets, portable devices, printers, and computer carts.

Any computers that were determined ineligible and the amount associated with the ineligible computers shall be returned to the State.

Reference: Education Code Section 17071.25(a)(2)(A); SFP Regulation Section 1859.51(l) and 1859.61(g).

VII. SUMMARY OF AUDIT SCHEDULES

1. Prepare and present the following schedules associated with performance of the preceding audit procedures located on the OPSC website (K-12 Audit Resources): http://www.dgs.ca.gov/opsc/Resources.aspx

   A. Schedule of SFP Summary of Audit Findings (prepared for all audits) Note: Identify the fund source of any ineligible expenditures.

   B. Schedule of SFP Site Grant Adjustments Summary (prepared for all audits except for Savings Audits, where it is not applicable.)

   C. Schedule of SFP Determination of Project Savings (prepared for all audits except for Savings Audits, where it is not applicable.)

   D. Schedule of SFP Summary of Final Project Funding (prepared for all audits, except for Savings Audits, where it is not applicable.) It shall include (If Applicable):

      1. Total Ineligible Expenditures Due the State
      2. Total Grant Adjustments Due the State or Due the LEA
      3. Audited Unspent Funds Due the State

VIII. GLOSSARY OF AUDIT DEFINTIONS AND ACRONYMS

Apportionment: shall have the meaning set forth in Education Code Section 17070.15(a).

Career Technical Education Facilities Project: shall mean a project approved by the SAB pursuant to Education Code Section 17078.72.

CCR: shall mean the California Code of Regulations (CCR) is the codification of the general and permanent rules and regulations (sometimes called administrative law) announced in the California Regulatory Notice Register by California State Agencies. Such rules and regulations are reviewed, approved, and made available to the public by the Office of Administrative Law (OAL) and are also filed with the Secretary of State.

CDE: shall mean the California Department of Education. The role of CDE in the school construction process is to review and approve school district sites and construction plans.

Charter School: shall mean a school established pursuant to Education Code, Title 2, Division 4, Part 26.8, Section 47600, et seq.

Classroom: shall mean a teaching station that has the same meaning as the term used in Education Code Section 17071.25(a)(1).

DGS: shall mean the Department of General Services. DGS serves as business manager for the state of California. General Services helps to better serve the public by providing a variety of services to state agencies through procurement and acquisition solutions, real estate management and design, environmentally friendly transportation, professional printing, design and web services, administrative hearings, legal services, building standards, oversight of structural safety, fire/life safety and accessibility for the design and construction of K-12 public

schools and community colleges, and funding for school construction.

DLOPE: shall mean the Detailed Listing of Project Expenditures - Expenditure reporting worksheet used by LEAs to report specific project expenditures to OPSC.

DSA: shall mean the Division of the State Architect. DSA is the State office within the Department of General Services that reviews school building plans and specifications for structural, fire safety and access compliance.

DTSC: shall mean the California Department of Toxic Substance Control. The role of DTSC in the school construction process begins with the California Department of Education site approval process. The DTSC will assist the district with an assessment of any possible contamination, and, if necessary, with the development and implementation of a mitigation plan.

FH: shall mean Financial Hardship – State funding for all or a portion of an LEA's matching share required by SFP Regulation Section 1859.77.1 or 1859.79; can provide up to 100% State funding.

Final Charter School Apportionment: shall mean a Preliminary Charter School Apportionment that has been converted to a Final Charter School Apportionment in accordance with SFP Regulation Section 1859.165.

Form SAB 50-04: shall mean the *Application For Funding*, Form SAB 50-04

Form SAB 50-05: shall mean the *Fund Release Authorization*, Form SAB 50-05

Form SAB 50-06: shall mean the *Expenditure Report*, Form SAB 50-06

Form SAB 50-09: shall mean the *Application for Charter School Preliminary Apportionment*, Form SAB 50-09

Form SAB 50-10: shall mean the *Application for Career Technical Education Facilities Funding*, Form SAB 50-10

Grant Agreement: shall mean the binding document that defines the responsibilities of funding applicants and the State, including the determination of the amount of eligible State funding and the reporting of all project funds, including any savings achieved. It is also designed as a useful tool to ensure that the LEA grantees receiving funds have a thorough understanding of the requirements in receiving State funds.

Independent Audit: shall mean an examination and report of the district's accounts by a certified public accounting firm.

LEA: shall mean a LEA (School Districts, County Offices of Education, and Charter Schools).

MI: shall mean Material Inaccuracy. MI is defined by SFP Regulation Section 1859.2 as any falsely certified eligibility or funding application that allowed the LEA an advantage in the funding process. Education Code (EC) Section 17070.51 requires the OPSC to notify the SAB if any such certifications have been found. EC Section 17070.51 also provides the SAB with the authority to impose penalties if a finding of Material Inaccuracy is made by the SAB.

Modernization Adjusted Grant: shall mean the Modernization Grant, plus any other funding provided by SFP Regulations.

Modernization Grant: shall mean the funding provided pursuant to Education Code Section 17074.10(a) and SFP Regulation Sections 1859.78, 1859.78.3, 1859.78.6, and 1859.78.8.

New Construction Adjusted Grant: shall mean the New Construction Grant, plus any other funding provided by SFP Regulations.

New Construction Grant: shall mean the funding provided pursuant to Education Code Section 17072.10(a) and SFP Regulation Sections 1859.71 and 1859.71.1.

Occupancy: shall mean the point at which pupils occupy a classroom as evident by district documents such as the school board's adopted calendar, classroom attendance rosters, fire marshal approval of the classroom, etc.

OPSC: shall mean the Office of Public School Construction (OPSC) is under the authority of the state of California's Department of General Services. As staff to the State Allocation Board, OPSC implements and administers voter-approved school facilities construction programs per the Leroy F. Greene School Facilities Act of 1998.

PCC: shall mean the California Public Contract Code. Legal codes enacted by the California State Legislature and part of general statutory law of California. The PCC provides relevant statutory law for areas such as proper contracting practices, bidding practices, etc.

SAB: shall mean the State Allocation Board (SAB) membership is comprised of the Director of Finance (the traditional chair), the Director of the Department of General Services, the Superintendent of Public Instruction, three members of the Senate, three members of the Assembly, and one appointee by the Governor. The SAB meets monthly to apportion funds to the LEAs, act on appeals, and adopt policies and regulations regarding the SFP.

SFP: shall mean the School Facility Program (SFP), which provides funding grants for school districts to acquire school sites, construct new school facilities, or modernize existing school facilities. The two major funding types available are "new construction" and "modernization". In addition, the SFP provides funding for Career Technical Education and Charter Schools.

Unfunded List: shall mean an information list of unfunded projects, with the exception of the unfunded list defined below as "Unfunded List (Lack of AB 55 Loans)".

Unfunded List (Lack of AB 55 Loans): shall mean an information list of unfunded projects that was created due to the State's inability to provide interim financing from the Pooled Money Investment Account (AB 55 loans) to fund school construction projects as declared in the Department of Finance Budget Letter #33 issued on December 18, 2008.