

APPENDIX C

FULL DAY KINDERGARTEN FACILITIES GRANT PROGRAM 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 that receives any funds (commencing May 22, 2019) pursuant to the Full Day Kindergarten Facilities Grant Program (FDKFGP). Assembly Bill (AB) 1808, added Article 1 (commencing with Education Code Section 17375) to Chapter 3 of Part 10.5 of Division 1 of Title 1 of the Education Code (EC) to create the FDKFGP. AB 1808 provided \$100 million for the FDKFGP from the General Fund. The FDKFGP allows school districts that lack the facilities to provide full-day kindergarten to apply for one-time grants to construct new school facilities or retrofit existing school facilities for the purpose of providing full-day kindergarten classrooms. The procedures in this appendix are not a complete manual of procedures; auditors must exercise professional judgement.

AUDITING STANDARDS

Audits shall be conducted in accordance with the following standards:

1. Standards generally accepted in the United States of America.
2. Generally Accepted Government Auditing Standards, also known as the Yellow Book. The Yellow Book is published by the United States Government Accountability Office and it outlines the requirements for audit reports, professional qualifications for auditors, and audit organization quality control. Auditors of federal, state, and local government programs use these standards to perform their audits and produce their reports.

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 70-03 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

1. Identify if the LEA (LEA) has a project that received a fund release on or after May 22, 2019 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 past fiscal year.
 - (1) Review the "FDK Expenditure Audit Workload" 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 "FDK 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) Contact the OPSC 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 FDK project. Review the "FDK 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 FDK Summary of Audit Findings (See Section VII).

- B. Documents Needed to Audit – All Projects
1. Obtain the following documents by contacting OPSC for all projects.
 - a) Final Escrow Statement (If Applicable)
 - b) Appraisal (If Applicable)
 - c) Grant Agreement(s)
 - d) Application for Funding (Form SAB 70-01)
 - e) Project Transaction Detail and Summary
 - f) SAB approval item(s)
 - g) Final Form SAB 70-03 Expenditure Report and Detailed Listing of Project Expenditures (DLOPE)
 - h) Schedule of FDK – Determination of Savings (If Applicable)
 - i) Schedule of FDK – Unspent Funds (If Applicable)
 - j) Schedule of FDK – Use of Savings (If Applicable)
 2. Must use the required schedules located on the OPSC website. Any other schedule will not be reviewed.
- 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 obtained from the OPSC:
 - 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 contacting the OPSC.

II. FULL DAY KINDERGARTEN (FDK)

A. CLOSEOUT AUDITS

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). Note: The LEA should be using resource code 7700 to specifically account for FDK funds.

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 by contacting OPSC. Non-compliance related to these matching fund requirements will result in an audit finding, with a potential effect that the non-compliance may result in the project being rescinded and potential loss of funding, as determined by SAB.

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 shares 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 one-year timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 70-01 Certifications, Grant Agreement (Section D, paragraph 9).

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the FDK. Select a representative sample of the project expenditures reported on the final form SAB 70-03 and Detailed Listing of Project Expenditures (DLOPE) previously obtained by contacting OPSC to perform the following procedures:

- a) For each item selected, agree and trace expenditures reported on the Final form SAB 70-03 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 70-03 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 FDK 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 17375(f), 17074.25 and 41024; FDK Regulation Section 1860.18; 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 one-year time limits.

a) A project is deemed complete per the criteria detailed in FDK Regulation Section 1860.18(a)(1) or (2). A project is complete one year from the final fund release for all projects. 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: FDK Regulation Section 1860.18

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.

NOTE: Procedure #6 Should be Completed for Financial Hardship Projects Only(Non-Financial Projects Do Not Have to Complete Procedure #6)

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: FDK Regulation Section 1860.14(b).

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 70-03 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 (including change order amounts) is not eligible for State funding.

Reference: Education Code Section 17375(f) and 17074.25; FDK Regulation Section 1860.18.

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 and 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, by contacting the OPSC, the approval document 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 Project Costs (State Share and Required District Contribution) grant. Prepare the table to report the percent the LEA spent on hard construction costs and display the table in the audit report. If audited hard costs are less than 60%, this does not result in an audit finding; the table is to be presented for information purposes only.

| | Amount | Percentage |
|--|--------|------------|
| 60% of <u>Total Project Costs (State Share and Required District Contribution)</u> 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~~ Project Costs (State Share + Required 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.

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

Information:

A FDK 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 FDK 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 – refer to Grant Agreement for allowable expenditures and the timeframe to expend funds. Any savings remaining after one year from the completion of the project, as specified in FDK Regulation Section 1860.18, must be returned to the State.

13. Agree and trace any interest reported on the final Form SAB 70-03 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 and the audited unspent in procedure 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 2019-20 has deposited into the account a minimum of three percent (exception for small school districts – (see the 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. Prepare the table to report the percent established for Restricted Maintenance Account and display the table in the audit report. The first year required to be audited and displayed is the fiscal year in which the funding was received. All subsequent fiscal years up to the year of the audit will be included in the audit and displayed in the table.

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| <u>Fiscal Year Required Deposit</u> | | | | | |
| <u>Is District a Small School District?</u> | | | | | |
| <u>Warrant Release Date</u> | | | | | |
| <u>% Deposit Requirement</u> | | | | | |
| <u>Met RMA Requirement?</u> | | | | | |

Note: Per Education Code Section 17075.75 LEA’s are required to deposit into the restricted maintenance account in each fiscal year for 20 years starting with the fiscal year in which funding was received. Additional column (Fiscal Year Required Deposit) maybe added or deleted from the table as needed. Reimbursable projects may have 2 to 3 years of RMA deposits displayed in the table and on-going projects could have up to five fiscal years.

Information:

If a district has a reimbursable project, then it's likely two to three years of deposits will be verified.

Example 1: A district received their funding on April 15, 2020, and the audit was started May 1, 2021. Since they received their funding on April 15, 2020, then the first required deposit is for the 2019/2020 fiscal year. The 2020/2021 fiscal year will also be audited and displayed in the table since the audit was started during that fiscal year.

Example 2: (Non-reimbursable project) District received their funding March 24, 2021. The final expenditure report for the district's high school project was submitted March 24, 2025, and the audit was started on September 1, 2025. In this case the following years would be verified and displayed in the table: Fiscal years 2020/2021; 2021/2022; 2022/2023; 2023/2024; 2024/2025.

Information:

Per Education Section 17070.75(b)(E)(i-iii), small school districts can certify to the board that it can reasonably maintain its facilities with a lessor level of maintenance than the required 3%. A small school district is 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; FDK Regulation Section 1860.21

New Construction Project(s)

Information:

A project must have received a grant for (1) Site Purchase, (2) Site Relocation, (3) Hazardous Waste Removal, or (4) Department of Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding.

NOTE: Expenditures that are not considered eligible for a site grant increase (i.e., identified in the four categories mentioned above), may be eligible SFP project costs that would not result in funds being 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 16. If no, any reported site purchase expenditures are not eligible for State Site Purchase Grant funding. In this case, proceed directly to procedure 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 FDK Regulation Section 1860.10(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 fees, 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; FDK Regulation Section 1860.10.

16. 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 Department of Education (CDE). The difference shall be included in the "Schedule of FDK – 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 obtained by contacting the OPSC.

Reference: FDK Regulation Section 1860.10(d)

Site Relocation

17. 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, 17375(f) 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: FDK Regulation Section 1860.10. Applicable adjustment see Title 25, CA Code of Regulations Section 6000

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, 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, 17375(f) 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. Obtain a copy of required site clearance letter from DTSC. You can obtain a copy of the site clearance letter from the DTSC online Envirostor.

<https://www.envirostor.dtsc.ca.gov/public/>

- 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 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 (Lessor of F or G) | |
|---|---|--|

NOTE: Per FDK Regulation Section 1860.2(d) the final grant amount listed in the table above cannot exceed 150 percent of the appraised value of the site

See the projects Grant Agreement for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: FDK Regulation Section 1860.10; 1860.10.2; 1860.10.3

Department of Toxic Substance Control Costs:

19. 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, 17375(f) 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 projects Grant Agreement for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: FDK Regulation Section 1860.10; 1860.10.2; 1860.10.3.

20. Complete the "Schedule of FDK – 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 FDK - Summary of Final Funding Determination".

Determination of Project Savings-New Construction

At the time the LEA submits its final expenditure report (Form SAB 70-03), the LEA will be required to report if the project had savings or was overspent by completing the “Schedule of FDK– 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 FDK Determination of Project Savings” and recalculate the amounts reported:

Information:

Savings = Grant Amount + Required 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 G of the Grant Agreement. Any savings remaining after one year from the completion of the project, as specified in FDK Regulation Section 1860.19, must be returned to the State for projects funded on or prior to October 23, 2019.

| | |
|-----------------------|--|
| Savings reported | |
| Savings funds audited | |
| Difference | |

Display the audited Savings Amount in the “Schedule of FDK Determination of Project Savings”.

Reference: Education Code Section 17070.63(c); 41024(b)(1)(B); FDK Regulation Section 1860.19

Determination of Project Savings – Retrofit

At the time the LEA submits their final expenditure report (Form SAB 70-03) they will be required to report if the project had savings or was overspent by completing the “Schedule of FDK – Determination of Project Savings”.

22. If the District had project savings, obtain the District’s calculation of savings on the Non-FH Retrofit project on the “Schedule of FDK Determination of Project Savings” and recalculate the amounts reported.

| | |
|-----------------------|--|
| Savings reported | |
| Savings funds audited | |
| Difference | |

Display the audited Savings Amount in the “Schedule of FDK Determination of Project Savings”.

Reference: Education Code Section 17070.63(c); 41024(b)(1)(B) and FDK Regulation Section 1860.19

Determination of Unspent Funds – Financial Hardship Projects (Only)

At the time the LEA submits their final expenditure report (Form SAB 70-03) they will be required to report if the project had unspent funds by completing the “Schedule of FDK –Unspent Funds”.

23. If the LEA had unspent funds on the Financial Hardship FDK project, obtain the District’s calculation of unspent funds from the “Schedule of FDK - Unused Funds” and recalculate the amounts reported:

Information:

Report the State share of remaining unspent funds on the Financial Hardship FDK project:

New Construction:

State Share of Unspent Funds = (Grant Amount + Required District Contribution + Audited Interest – Final Expenditures reported to OPSC)/2

Retrofit:

State Share of Unspent Funds = (Grant Amount + Required District Contribution + Audited Interest – Final Expenditures reported to OPSC)*.60

For any Financial Hardship FDK 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. Retrofit FDK projects do not receive the above mentioned site grants.

Financial Hardship Projects funded under the FDK Program do not generate savings pursuant to FDK Regulation Section 1860.19. In addition, State funds remaining at the completion of 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 FDK Summary of Final Project Funding”.

Reference: Regulation Section 1860.19; Grant Agreement Section F, paragraph 5.

24. Display in “Schedule of FDK Summary of Final Project Funding” (Section VIII) the total amount to be returned to the State.

B. REDUCTION TO COSTS INCURRED

For all New Construction and Retrofit projects that a LEA requested their project(s) be reduced to costs incurred, the audit procedures in Section II.B must be completed.

Information:

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

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 by contacting OPSC. Non-compliance related to these matching fund requirements will result in an audit finding, with a potential effect that the non-compliance may result in the project being rescinded and potential loss of funding, as determined by SAB.

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 one-year timeframe.

Reference: Education Code Sections 17072.30, 17074.16, 17078.72(g)(1), 17078.54(d), and 17075.10(b)(2); Form SAB 70-01 Certifications, Grant Agreement (Section D, paragraph 9).

3. Determine whether expenditures have been expended in accordance with the laws and regulations governing the FDK. Select a representative sample of the project expenditures reported on the final form SAB 70-03 and Detailed Listing of Project Expenditures (DLOPE) previously obtained by contacting OPSC to perform the following procedures:

a) For each item selected, agree and trace expenditures reported on the Final form SAB 70-03 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 70-03 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 types of project expenditures reported are eligible in accordance with the laws and regulations of the FDK 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 17375(f), 17074.25 and 41024; FDK Regulation Section 1860.18; 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 70-03 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 Project(s)

Information:

A project must have received a grant for (1) Site Purchase, (2) Site Relocation, (3) Hazardous Waste Removal, or (4) Department of Toxic Substance Control Costs in order for reported expenditures in these categories to be considered eligible for State funding.

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

Site Purchase

6. Identify if the project received a separate grant for site purchase. If yes, complete procedure 6 and then proceed to procedure 7. If no, any reported site purchase expenditures are not eligible for State Site Purchase Grant funding. In this case, proceed directly to procedure 8.

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 FDK Regulation Section 1860.10(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 fees, hazardous waste removal, and other site related expenses.

Site other costs within the 4% allowance as described in the Grant Agreement are allowable FDK 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; FDK Regulation Section 1860.10.

- 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 Department of Education (CDE). The difference shall be included in the “Schedule of FDK – Site Grant Adjustments” pursuant to step 11 of this section. The approved acreage and the master plan acreage can be found on the CDE final site approval letter that can be obtained by contacting the OPSC.

Reference: FDK Regulation Section 1860.10(d)

Site Relocation

8. 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, 17375(f) 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: FDK Regulation Section 1860.10. Applicable adjustment see Title 25, CA Code of Regulations Section 6000

Site Hazardous Waste Removal Costs

9. 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, 17375(f) 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. Obtain a copy of required site clearance letter from DTSC. You can obtain a copy of the site clearance letter from the DTSC online Envirostor.

<https://www.envirostor.dtsc.ca.gov/public/>

- 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 6(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 9(c), Item C) | |
| H | Final Maximum Eligible Grant (Lessor of F or G) | |

NOTE: Per FDK Regulation Section 1860.2(d) the final grant amount listed in the table above cannot exceed 150 percent of the appraised value of the site

See the projects Grant Agreement for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: FDK Regulation Section 1860.10; 1860.10.2; 1860.10.3

Department of Toxic Substance Control Costs:

10. 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, 17375(f) 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 projects Grant Agreement for detailed procedures on reviewing hazardous waste costs for eligibility.

Reference: FDK Regulation Section 1860.10; 1860.10.2; 1860.10.3.

11. Complete the “Schedule of FDK – Site Grant Adjustments”, that must be presented in the audit report, using the information from the tables completed in audit procedures 6 through 10 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 FDK - Summary of Final Funding Determination”.

Construction Costs

12. 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 17375(f) and 17074.25; FDK Regulation Section 1860.18.

13. 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.

14. 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 12 and 14 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.

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

Information:

A FDK 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 FDK 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 refer to Grant Agreement for permissible uses for funds.

16. Agree and trace any interest reported on the final Form SAB 70-03 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 18.

17. 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 2019-20 has deposited into the account a minimum of three percent (exception for small school districts – (see the 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. Prepare the table to report the percent established for Restricted Maintenance Account and display the table in the audit report. The first year required to be audited and displayed is the fiscal year in which the funding was received. All subsequent fiscal years up to the year of the audit will be included in the audit and displayed in the table.

| | <u>Year 1</u> | <u>Year 2</u> | <u>Year 3</u> | <u>Year 4</u> | <u>Year 5</u> |
|---|---------------|---------------|---------------|---------------|---------------|
| <u>Fiscal Year Required Deposit</u> | | | | | |
| <u>Is District a Small School District?</u> | | | | | |
| <u>Warrant Release Date</u> | | | | | |
| <u>% Deposit Requirement</u> | | | | | |
| <u>Met RMA Requirement?</u> | | | | | |

Note: Per Education Code Section 17075.75 LEA's are required to deposit into the restricted maintenance account in each fiscal year for 20 years starting with the fiscal year in which funding was received. Additional column (Fiscal Year Required Deposit) maybe added or deleted from the table as needed. Reimbursable projects may have 2 to 3 years of RMA deposits displayed in the table and on-going projects could have up to five fiscal years.

Information:

If a district has a reimbursable project, then it's likely two to three years of deposits will be verified.

Example 1: A district received their funding on April 15, 2020, and the audit was started May 1, 2021. Since they received their funding on April 15, 2020, then the first required deposit is for the 2019/2020 fiscal year. The 2020/2021 fiscal year will also be audited and displayed in the table since the audit was started during that fiscal year.

Example 2: (Non-reimbursable project) District received their funding March 24, 2021. The final expenditure report for the district's high school project was submitted March 24, 2025, and the audit was started on September 1, 2025. In this case the following years would be verified and displayed in the table: Fiscal years 2020/2021; 2021/2022; 2022/2023; 2023/2024; 2024/2025.

Information:

Per Education Section 17070.75(b)(E)(i-iii), small school districts can certify to the board that it can reasonably maintain its facilities with a lessor level of maintenance than the required 3%. A small school district is 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; FDK Regulation Section 1860.21

18. If the LEA had unspent funds on a Financial Hardship FDK Project, obtain

the District's calculation of unspent funds from the "Schedule of FDK - Unused Funds" and recalculate the amounts reported:

Information:

Report the State share of remaining unspent funds on the Financial Hardship FDK project:

New Construction:

State Share of Unspent Funds = (Grant Amount + Required District Contribution + Audited Interest – Final Expenditures reported to OPSC)/2

Retrofit:

State Share of Unspent Funds = (Grant Amount + Required District Contribution + Audited Interest – Final Expenditures reported to OPSC)*.60

For any Financial Hardship FDK 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. Retrofit FDK projects do not receive the above mentioned site grants.

Financial Hardship Projects funded under the FDK Program do not generate savings pursuant to FDK Regulation Section 1860.19. In addition, State funds remaining at the completion a project may not be used to satisfy the local match obligation. Disclose 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 FDK Summary of Final Project Funding”.

Reference: Regulation Section 1860.19; Grant Agreement Section F, paragraph 5.

19. Display in “Schedule of FDK Summary of Final Project Funding” (Section VIII) 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 II(C) must be completed for Non-FH New Construction and Retrofit projects identified in Section I(A), Step 1 as having use of savings reported.

Savings for Non-FH new construction and retrofit FDK 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).

Any savings remaining after one year from the completion of the project, as specified in FDK Regulation Section 1860.18, must be returned to the State.

Reference: FDK Regulation Section 1860.19(a)

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 within one year on the “Schedule of FDK – Use of Savings Summary”. .. Any savings remaining after one year from the completion of the project, as specified in FDK Regulation Section 1860.18, must be returned to the State.

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 G 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 | Savings Used Reported This Period | Balance of Unused Savings |
|-----------------|---|-----------------------------------|---------------------------|
| Amount reported | | | |
| Amount audited | | | |
| Difference | | | |

III. 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> The schedules on the OPSC website must be used and any other schedules will not be reviewed.

- A. Schedule of FDK Summary of Audit Findings (prepared for all audits) Note: Identify the fund source of any ineligible expenditures.
- B. Schedule of FDK Site Grant Adjustments Summary (prepared for all audits except for Savings Audits, where it is not applicable.)
- C. Schedule of FDK Determination of Project Savings (prepared for all audits except for Savings Audits, where it is not applicable.)
- D. Schedule of FDK 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

IV. GLOSSARY OF AUDIT DEFINITIONS AND ACRONYMS

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

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.

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.

FDK: shall mean the Full-Day Kindergarten Facilities Grant Program, which establishes a State program to provide funding to School Districts to construct new school facilities or retrofit existing school facilities, for the purpose of providing full-day kindergarten classrooms as specified in Education Code Section 8973.

Form SAB 70-01: shall mean the *Application for Funding*, Form SAB 70-01

Form SAB 70-02: shall mean the *Fund Release Authorization*, Form SAB 70-02

Form SAB 70-03: shall mean the *Expenditure Report*, Form SAB 70-03

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.

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

Retrofit: shall mean a construction project to retrofit an existing school facility to adequately house kindergarten pupils, which may only include the costs of design, engineering, testing, inspection, plan checking, construction management, demolition, construction, necessary utility costs, utility connection and other related fees, the purchase and installation of air-conditioning equipment and insulation materials and related costs, furniture and equipment, including telecommunication equipment to increase school security, fire safety improvements, playground safety improvements, the identification, assessment, or abatement of hazardous asbestos, seismic safety improvements, the upgrading of electrical systems, and the wiring or cabling of classrooms in order to accommodate educational technology.

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.