
 CalCPA

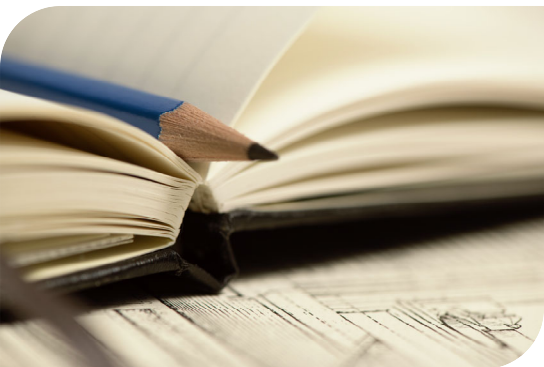
## Auditor's Perspective on Updated State Compliance Audit Guide


Aubrey W. Mann, CPA



**WILKINSON HADLEY  
KING & CO. LLP**  
CPAs AND ADVISORS

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 CalCPA

## Get to Know Me—Instructor Background

- Partner at Wilkinson Hadley King & Co. LLP
- Started auditing CA School Districts with the implementation of GASB 34
- Performed or Reviewed more than 500 School District/Charter School Audits
- Member of the Audit Guide Committee
- Member of the CalCPA Governmental Accounting and Auditing Committee

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## Table of Contents

- Updates to *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*
  - Herein after referred to as “the Audit Guide”
  - Published March 1, 2023
- Audit Report Suggestions to pass California State Controller’s Office Certification Process
- Proposition 39 Bond Performance Audits: Recommendations and Best Practices

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## Today’s Objectives

By the end of this session, you should be able to:

- Design audit procedures that meet requirements of the Audit Guide
- Identify and correct common audit report deficiencies that delay certification by California State Controller’s Office
- Design audit procedures that address public concerns surrounding Proposition 39 Bond Funds

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## Disclaimer

I am not an employee or representative of the California Department of Education, the California State Controller's Office, or CalCPA.

The recommendations and discussion points in my presentation today are not authoritative. They are intended to provide the best information available at this time with suggestions and examples to assist as you prepare for the 2022-23 audit season. In addition to the items discussed today, each audit agency should refer to authoritative guidance when planning the audit season and performing the audits.

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## 2022-23 Audit Guide Update

"This audit guide is to be used in the performance of the audits required by Education Code section 41020. The auditor shall follow the procedures included in this audit guide, unless, in the exercise of professional judgment, the auditor determines that other or additional procedures are more appropriate."

--The Audit Guide, Page 1



[www.eaap.ca.gov](http://www.eaap.ca.gov)

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## Audit Guide Sections Removed

- DZ. In-Person Instruction Grant





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## Z. Immunizations

<https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/Immunization/School/reporting-audit.aspx>



- No change in the auditing procedures.
- Link in audit guide takes to a page that no longer exists. If link does not work list can be found by:
  - [www.cdph.ca.gov](http://www.cdph.ca.gov)
  - Click "I am looking for"
  - Click "Immunizations"
  - Click "Shots for School" in Resources list
  - Hover over "Reporting" then click "Audit"
- As of 3/27/2023 the 2022-23 lists not yet published.

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## Audit Guide Sections with Revisions

- D. Independent Study
- W. Unduplicated LCFF Pupil Counts
- Y. Independent Study Course Based
- AZ. Educator Effectiveness
- BZ. Expanded Learning Opportunities Grant (ELO-G)
- CC. Non-Classroom Based Instruction/Independent Study (Charter Schools)

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## New Audit Guide Sections

- TT. Home to School Transportation Reimbursement
- UU. Independent Study Certification for ADA Loss Mitigation
- EZ. Transitional Kindergarten

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## D. Independent Study

- Board policies should have been updated to new language – procedure (g)
  - Reference to content took out “provided at a level of quality and intellectual challenge” clarifying that content is aligned to grade level standards substantially equivalent to in person instruction.
  - Tiered reengagement strategies removed language “three school days or 60% of instructional days in a week” leaving it to “10% of required minimum instructional time over 4 continuous instructional weeks” or “50% of the scheduled times of synchronous instruction in a school month”

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## D. Independent Study, Continued

- Update to qualifications for attendance to state:
  - Teacher’s Time Value of Work
  - OR
  - Participation in Synchronous Instruction (Education Code §51747.5(b))
- Education Code §51747(i): Tiered re-engagement, Synchronous Instruction, and Transition Plan back to In Person Instruction are not required if:
  - Short Term (Less than 15 Days in a School Year)
  - OR
  - Licensed Professional determines need for necessary medical or in-patient treatment.
    - If this applies, District should be able to provide documentation from the appropriately licensed professional.

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## D. Independent Study, Continued

- Update to Signature on Master Agreement Requirements:
  - Signed within 10 Days if Scheduled 14 or Fewer Days in School Year.
  - Signed before start of independent study for all other participants.
- Clarified required signatures on Master Agreement:
  - The Pupil
  - The Pupil's parent/legal guardian/caregiver (if under 18 years of age)
  - Certificated Employee designated as responsible for general supervision
  - Certificated Employee designated as responsible for special education, if applicable.
- No attendance can be claimed if above signature requirements are not met. (Education Code §51747(g)(9)(A))
- Electronic signatures are allowed "if the requirements for digital signatures and their acceptable technology, as provided in Section 16.5 of the Government Code and in Chapter 10 (commencing with Section 22000) of Division 7 of Title 2 of the California Code of Regulations, are satisfied." (Education Code §51747(g)(9)(E))

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## D. Independent Study, Continued

- Synchronous Instruction Testing
  - Offered pursuant to EC §51747(e)
  - Participation counts as attendance on date of participation
  - Meets definition in EC §51747.5(d)
  - Provided by Teacher or Teachers of Record
    - Teacher responsible for general supervision
    - Teacher responsible for evaluation/time value of work
  - Student Participation augments the time value of work
    - Augment = make greater than, increase
    - Not intended to replace time value of work
  - Evidence of participation maintained

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## W. Unduplicated LCFF Pupil Counts

- Change name of report and provided clarifying description of how the District/Charter School should run the report.
- **Suggested Practice:** Instead of limiting samples to individual school sites, run the 3 populations for entire district.
  - Documentation for FRPM & EL often kept at District level rather than site level.
  - Exception: The audit guide specifically states that charter schools should be reported separately so these would need to be done by school site.

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## Y. Independent Study – Course Based

- Master Agreement Signature Clarification
  - Same changes as Traditional Independent Study program
- Education Code §51749.5(b): Tiered re-engagement, Synchronous Instruction, and Transition Plan back to In Person Instruction are not required if:
  - Short Term (Less than 15 Days in a School Year)
  - OR
  - Licensed Professional determines need for necessary medical or in-patient treatment.
    - If this applies, District should be able to provide documentation from the appropriately licensed professional.

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## Y. Independent Study – Course Based, Continued

- No attendance can be claimed if signature requirements are not met. (Education Code §51749.6(b)(1))
  - Same signature requirements as Traditional IS
- Clarifying language that communication to determine whether student making satisfactory educational progress should be consistent with learning agreement and EC §51749.5(a)(4)(C).

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## AZ. Educator Effectiveness

- Conditions of Apportionment:
  - PLAN (EC §41480(d)(1))
    - Delineate how funds will be spent
    - Present in Public Meeting
    - Adopt in Subsequent Public Meeting
    - Adopt by 3/31/2023
  - Cannot charge fees for services allowable with these funds. (EC §41480(d)(3))

If Non-Compliance Found, Finding Required to Recommend **ALL** Funds Received be Returned.

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## **BZ. Expanded Learning Opportunities Grant (ELO-G)**

- Removed test for participation in In-Person Instruction or forfeiture of in-person instruction grant.
- Removed test for funds spent on distance learning.
- Clarified that expenditure test is specific to expenditures attributable to the audit year.

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## **CC. Nonclassroom Based Attendance/Independent Study – Charter Schools**

- With exception of “Tiered Re-Engagement” policy changes, updates for charter schools are the same as updates to Traditional Independent Study Audit Guide Program.
- Follows Same Education Code Sections as Traditional Independent Study Program.
- Synchronous instruction NOW required in charter school non-classroom based programs. This may result in findings in some charter school programs.

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## TT. Home to School Transportation Reimbursement

- Condition of Apportionment (EC §39800.1(a))
  - PLAN
    - Describes transportation services to be offered
    - How will prioritize
      - Transitional Kindergarten
      - Kindergarten
      - Grades 1-6
      - Low Income
    - Adopted by governing board on or before April 1, 2023

Non-Compliance results in a Finding questioning **ALL** funds received under the reimbursement grant.

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## UU. Independent Study Certification for ADA Loss Mitigation

### CONDITION OF RECEIPT OF ADA LOSS MITIGATION FUNDING

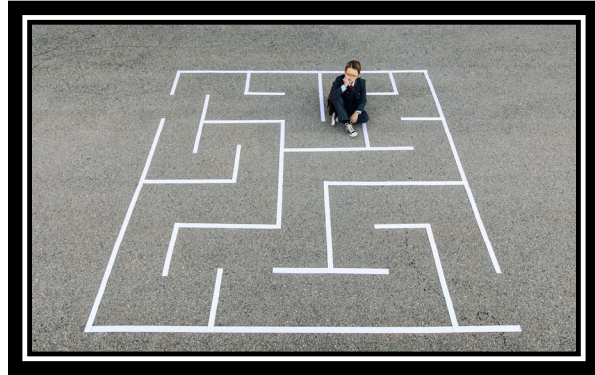
- Offered IS program for 2021-22 by November 1, 2021 (EC §51745)
- Provided notification to parents (EC §42238.023(c)(1)(A))
- Adopted written policies and have substantiation for opportunities of live interaction and synchronous instruction.
- Exception applies if waiver received (EC §42238.023(c)(2))

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## UU. Independent Study Certification for ADA Loss Mitigation, Continued

Audit guide specifies use of 2021-22 audit as evidence.

- If you were not the prior auditor, keep in mind documentation requirements for reliance on another auditor.
- There may be prior audit findings that are being appealed. If relying on 2021-22 audit as evidence for current year, the results of appeal could potentially affect the 2022-23 results.



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## EZ. Transitional Kindergarten

- Condition of Apportionment: Education Code §48000(d)
  - Average Transitional Kindergarten Class Enrollment by school site, 24:1
    - Active Enrollment Count For Site/# of TK Classes at Site
    - Independent Study not included
  - Adult to Pupil Ratio of 12:1 for 2022-23
    - Can include instructional aides in the classroom
    - Ratio changes in 2023-24 to 10:1
  - A 3<sup>rd</sup> condition of apportionment regarding certificated teacher receiving appropriate child development training by 8/1/2023. Not in audit guide for 2022-23 but anticipated to be included in 2023-24.

Non-Compliance will result in a finding and a calculation of a penalty utilizing CDE penalty calculator.

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## Polling Question #1

- How many new audit areas are there in the 2022-23 Audit Guide?
  - A. 1
  - B. 3
  - C. 5
  - D. 0



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### Suggestions to Get Your Audit Report Certified

“The governing board of each school district and each office of the county superintendent of schools shall include the following two provisions in their contracts for audits:

- (a) A provision to withhold 10% of the audit fee until the Controller certifies that the audit report conforms with the provisions of subdivision(a) of Section 14503.
- (b) A provision to withhold 50% of the audit fee for any subsequent year of a multiyear contract if the prior year’s audit report was not certified as conforming to reporting provisions of subdivision (a) of Section 14503.”

--Education Code §14505

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## Some simple errors resulting in rejections:

- LEA Organization Structure does not include date District established or that the boundaries did not change in the fiscal year being audited.
- Letters reference funds or programs not offered by the District. (Can happen when copying and pasting from another client)
- Not updating the programs audited in the State Compliance Letter or indicating N/A for a program that should be audited.
  - Any program not being audited requires an explanation.
- Not recording or disclosing a new debt issuance that can be found on the Debt Line Calendar

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## What can we do?

- Review audit reports against SCO Desk Review Checklist.
  - Published annually
  - 2021-22 was not published until 12/15/2022, the date reports were due.
  - SCO's goal is to issue sooner; however, no projected date is available at this time for 2022-23
  - Most years the list has very few modifications, so use of the prior year list is a good starting point.
- Review audit reports for components required in the 2022-23 Audit Guide
- Have someone who was not assigned to the audit review the audit report.
- Review the Debt Line Calendar for any unreported debt issuance or subsequent events.  
<https://www.treasurer.ca.gov/cdiac/debtpubs/debtline.asp>
- If SCO has a question about the audit, respond timely

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## How to address Independence issues arising from prior year unpaid fees due to EC §14505

- Ethics Interpretation (ET Sec 1.230.010) Unpaid Fees Effective December 31, 2022.
  - Existence of unpaid fees may create a self-interest or undue influence threat to compliance of Independence Rule 1.200.001
  - Factors to consider when evaluating whether threats are at an acceptable level:
    - Significance of the unpaid fees
    - Length of time the fees have been due
    - The client's agreement to pay the fees
    - The client's ability to pay the fees
  - Threats are at an acceptable level if, when the current year attest report is issued, unpaid fees are both clearly insignificant and professional services provided less than one year prior to the issue date of the current year attest report.

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## Safeguards that can help reduce to an acceptable level:

- Have an appropriate reviewer who has not provided attest or nonattest services to the attest client review the attest work performed before the current year attest report is issued.
- Obtain partial payment of the unpaid fees balance before the current year attest report is issued such that the remaining unpaid balance is insignificant.
- Obtain an agreement from the attest client to a payment schedule before the current year attest report is issued.
- Suspend further work on the current attest engagements and not accept new engagements with this client.
- Communication with those charged with governance regarding evaluation of the unpaid fees and safeguards applied is NOT a sufficient safeguard when applied alone; however, it may be considered a safeguard when supplemented with other safeguards.



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## Polling Question #2



It is easy to get an audit report certified by the California State Controller's Office.

- A. True
- B. False

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### Proposition 39 Bond Performance Audits

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

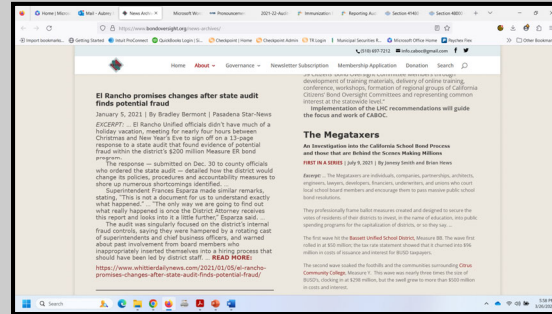
--Appendix A of the Audit Guide

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## Why are we talking about Bond Audits today?

- Public Interest
- Potential for Material Non-Compliance
- Bond Programs are Hitting the News
  - <https://www.bondoversight.org/news-archives/>



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## Appendix A

- Procedures only take up 1 page
- The procedures meet the minimum requirements
- Additional procedures may address some public interest concerns and provide valuable support to District's operating bond programs.
  - Could be of particular interest to bond programs at small school districts who do not have expertise or experience operating compliant bond programs.

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## Suggested Audit Procedures

- The California Association of Bond Oversight Committees has written suggested audit procedures.
- Each firm should consider whether non-compliance to the different law requirements could result in a material matter to the Bond Program.



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## Suggested by CABOC

Was the maximum *ad valorem* tax rate calculated in compliance with EC §15268?

- Not exceed \$30 per \$100,000 valuation
  - Exception if variance approved by State Board of Education
  - Test in years bonds are issued
  - No violation occurs if rate has to be increased as a result of decreased valuations in subsequent periods



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## Suggested by CABOC



### Was the total allowed bond value in compliance with EC §15270?

- Exception if variance approved by State Board of Education.
- Not exceed 2.5% of taxable property of the District
- Test in years bonds are issued
- No violation occurs if excess occurs in subsequent year due to decline in property values.

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## Suggested by CABOC

### Did Ballot Measure Meet Proposition 39 Requirements?

- Project list to be funded with bond program
- Certification of evaluation of safety, class size reduction, and IT needs in developing project list.
- Printed with a statement that the board with appoint a Citizens' Oversight Committee and conduct annual independent audits? EC §15272

<input checked="" type="checkbox"/>	_____
<input type="checkbox"/>	_____
<input type="checkbox"/>	_____

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## Suggested by CABOC



### Does the Citizens' Oversight Committee meet requirements?

- Established with members appointed within 60 days of the date election results recorded in governing board minutes. EC §15278(a)
- Consist of 7 members meeting specific qualifications. EC §15282(a)
- Appointments for a minimum term of 2 years. EC §15282(a)
- No member for more than 3 consecutive terms. EC §15282(a)
  - Exception applies if approved by State Board of Education
- No conflict of interest identified in EC §15282(b)

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## Polling Question #3

- Which of the following is not required to be one of the 7 positions on a Citizens' Oversight Committee?
  - A. Member active in a business organization representing the community.
  - B. Member of a senior citizens' organization.
  - C. Employee of the School District.
  - D. Parent/Guardian of a child enrolled in the School District.

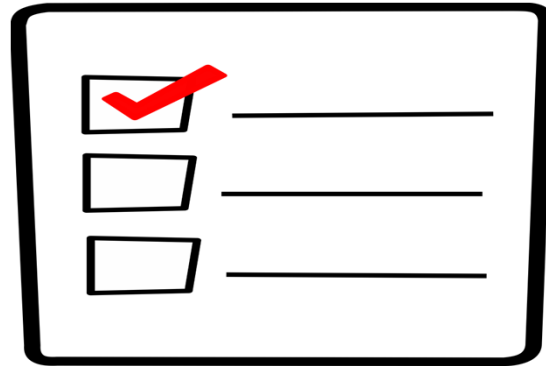


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## Suggested by CABOC



### Does the Citizens' Oversight Committee meet requirements?

- Open meetings and records. EC §15280(b)
  - Meet regularly
  - Open to public
  - Noticed same manner as governing board (Brown Act/California Open Meetings Act)
  - Reports on results of activities at least once per year.
  - Actively review and report on proper expenditure of taxpayers' money for school Construction. EC §15278(b)

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## Suggested by CABOC

Has Bond Program met requirements for Financial and Performance audits?

- Submitted to Citizens' Oversight Committee same time as school District, no later than March 31<sup>st</sup>. EC §15286
- Responses to audit findings and recommendations. EC §15280(a)(2)



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## School Bond Waste Prevention Action Education Code §15284

- A citizen assessed and required to pay an *ad valorem* tax to repay bonds issued pursuant to the 55% bond approval option may challenge expenditures of bond funds not in compliance with the law, that will produce waste or great or irreparable injury, or that the governing board has willfully failed to appoint an Oversight Committee.
- The action could result in an order restraining and preventing expenditures of the funds or potentially the loss of the *ad valorem* tax.



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## Summary

During this session, we have discussed:

- Updates to the Audit Guide
- Some Best Practices for getting the audit reports certified
- Proposition 39 Bond Performance Audits

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## Resources

- [www.eaap.ca.gov](http://www.eaap.ca.gov)
- [https://sco.ca.gov/aud\\_k12\\_lea.html](https://sco.ca.gov/aud_k12_lea.html)
- <https://www.cde.ca.gov/fg/au/ag/statecomp.asp>
- [https://us.aicpa.org/content/dam/aicpa/interestareas/profession\\_alethics/community/exposedrafts/downloadabledocuments/2021/56175896-2022finalunpaidfees.pdf](https://us.aicpa.org/content/dam/aicpa/interestareas/profession_alethics/community/exposedrafts/downloadabledocuments/2021/56175896-2022finalunpaidfees.pdf)
- <https://www.cdph.ca.gov/Programs/CID/DCDC/Pages/Immunization/School/reporting-audit.aspx>
- <https://www.bondoversight.org/>

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**Thank You!**