

# School Facility Program Review Requirements

A publication to assist with compliance procedures for public school construction projects

**March 2012**

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State and Consumer Services Agency  
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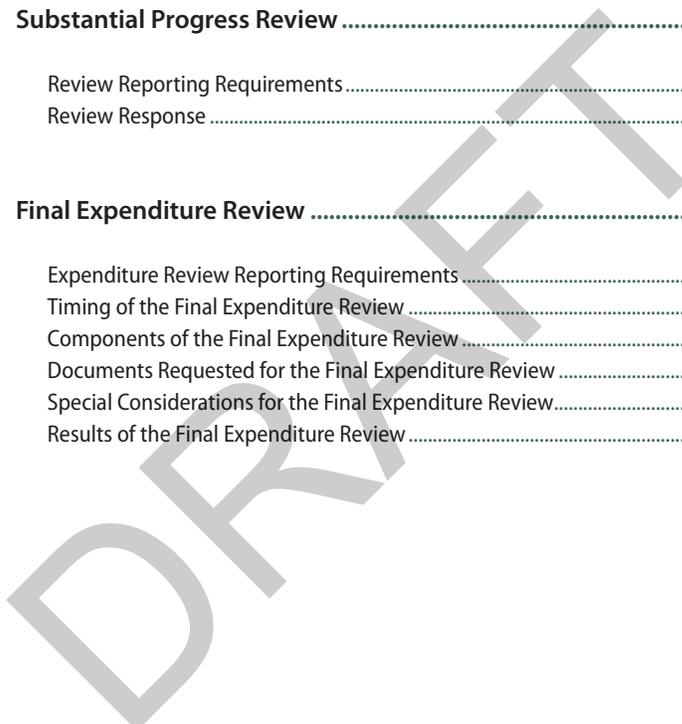
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## The Office of Public School Construction Mission Statement

To enrich the lives of California's school children as stewards of the taxpayers' commitment to education.

### Preface

This publication is a vital part of the Office of Public School Construction's (OPSC) Fiscal Services' commitment to provide school districts and County Offices of Education (COE) with the review requirements of School Facility Program (SFP) projects. In this publication, you will find answers to many of the questions you may have about SFP review requirements. It is our hope that the information contained herein will make it easier for you to understand the requirements and what is expected from you during a review.

In general, three to four years after project funding, or after the project's completion, a district will submit its final expenditure report to the OPSC. After the final report is received, a review may commence within two years. Once the review begins, districts/COEs generally can expect review completion within six months. For greater detail, the publication explains the different timelines that fulfill the SFP's reporting requirements.

Your project will be reviewed according to the regulations and statutes in place on the date the funding application was received. When the review commences, you will be notified of the version of the regulations that pertain to your project's review. However, at any time, you may contact the OPSC to request answers to your more specific questions. Additionally, other materials may provide you answers. You may find newsletters, program handbooks, reports and presentations, and other publications at [www.dgs.ca.gov/opsc/Resources.aspx](http://www.dgs.ca.gov/opsc/Resources.aspx). Please note that statutes, regulations and forms contained within this publication are accurate as of the publication date. Any future changes to statutes, regulations and forms will be reflected in later publications. The latest statutes may be found online at [www.leginfo.ca.gov](http://www.leginfo.ca.gov) and regulations (past and current) and forms may be found online at [www.dgs.ca.gov/opsc](http://www.dgs.ca.gov/opsc).

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## Section 1

# Reporting Requirements and School Facility Program Review

## Overview

This publication was developed by the Office of Public School Construction (OPSC) to assist school districts and County Offices of Education (COEs) in meeting program reporting requirements for the School Facility Program (SFP). Under the Leroy F. Greene School Facilities Act of 1998, the State Allocation Board (SAB) is given the authority to review expenditure reports and district records in order to ensure funds received under this act are expended in accordance with program requirements (as specified in Education Code Section 17076.10). The OPSC, as the SAB's administrative arm, is charged with conducting SFP progress and expenditure reviews. The OPSC's oversight responsibilities focus on verifying that a project funded through the SFP progresses in a timely manner, applicable state laws were followed, and expenditures made by school districts comply with Education Code Sections 17072.35 and 17074.25, and SFP Regulation Sections 1859.77.2 (New Construction) and 1859.79.2 (Modernization).

School districts/COEs are required to submit two types of reports after receiving SFP funds: a Substantial Progress Checklist (SPC) and Expenditure Report (SFP Regulation Section 1859.104). It should be noted that certain projects may require evidence of progress at more than one point in the project's life cycle. This occurs when a project receives separate design and/or separate site funding prior to receiving full project funding. Each phase of funding generates a separate requirement to submit evidence of progress within 18 months from the date the related funds were released (Environmental Hardship funding requires evidence within 12 months of the State apportionment). An *Expenditure Report* (Form SAB 50-06) and *Detailed Listing of Project Expenditures* (DLOPE) are due one year from the date any funds were released to the district, or upon completion of the project, whichever occurs first. Subsequent expenditure reports are due annually until the project is complete, at which time the district shall submit a final expenditure report.

The final expenditure report is due no later than three years from the most recent date any funds were released for an elementary school project, or four years for a middle or high school project.

SFP Regulation Sections 1859.105, 1859.105.1 and 1859.106 specify that OPSC fiscal staff review substantial progress documentation and expenditure reports submitted by participating districts/COEs. All projects will be monitored by fiscal staff for timely submittal of substantial progress and expenditure reports. When the SPC or Form SAB 50-06 is submitted, a project may be reviewed to verify compliance with requirements set forth in SFP Regulation Sections 1859.105 and 1859.106. Furthermore, all Environmental Hardship projects will be reviewed to ensure the district/COE has made progress in acquiring the site in accordance with SFP Regulation Section 1859.105.1.

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**Section 2**

# Substantial Progress Review

## Review Reporting Requirements

The Office of Public School Construction's (OPSC) review of a project will be based upon the statutes and regulations in effect when the *Application for Funding* (Form SAB 50-04) was accepted by the OPSC.

School districts and County Offices of Education (COEs) that receive School Facility Program (SFP) grants must demonstrate substantial progress in the completion of their project(s) within 18 months from fund release. Otherwise, the State Allocation Board (SAB) shall rescind the apportionment in an amount equal to the unexpended funds. A one-time, 18-month extension can be requested to demonstrate substantial progress to the SAB for design and site grants. For an adjusted grant, evidence must be shown satisfactory to the SAB, that plans have not been completed and accepted by the Division of the State Architect (DSA) and show commitment to complete the job. For Environmental Hardship projects, requests can be made for 12 month extensions of the site apportionment.

*Authority cited: Education Code Section 17076.10(b), SFP Regulation Section 1859.105.*

Program accountability expenditures are pursuant to SFP Regulation Section 1859.106, which encompasses California Education Code Section 17072.35.

Certain projects may require evidence of progress at more than one point in their life cycle. This occurs when projects have received separate design or site funding prior to receiving full project (adjusted grant) funding. The specific requirements for each funding phase are summarized in the following table:

### Substantial Progress Evidence Required

PHASE	TYPES OF EVIDENCE REQUIRED	18 MONTHS FROM FUND RELEASE	12 MONTHS FROM APPORTIONMENT
DESIGN <sup>1</sup>	<p>Submit <b>one</b> of the following:</p> <ul style="list-style-type: none"> <li>» A complete Adjusted Grant funding application (including Form SAB 50-04</li> <li>» A district certification that complete plans and specifications have been submitted to the DSA.</li> <li>» A complete Separate Site funding application (including Form SAB 50-04).</li> </ul>	X	
SITE <sup>2</sup>	<p>Submit progress checklist certifying to <b>all</b> of the following:</p> <ul style="list-style-type: none"> <li>» Obtain the final site appraisal.</li> <li>» Complete all California Environmental Quality Act (CEQA) requirements.</li> <li>» Obtain final California Department of Education (CDE) site approval.</li> <li>» Obtain final escrow instructions or evidence district has filed condemnation proceedings and intends to request an order of possession of the site.</li> </ul>	X	

<sup>1</sup> Request a one-time, 18-month extension by submitting a narrative of evidence detailing why complete plans have not been submitted to the DSA as approved by the SAB.  
<sup>2</sup> Request a one-time, 18 month extension by submitting a narrative of evidence detailing the circumstances precluding progress from being met as approved by the SAB.

PHASE	TYPES OF EVIDENCE REQUIRED	18 MONTHS FROM FUND RELEASE	12 MONTHS FROM APPORTIONMENT
ENVIRONMENTAL SITE <sup>3</sup>	Submit progress checklist certifying to <b>all</b> of the following: <ul style="list-style-type: none"> <li>» Obtain the final site appraisal.</li> <li>» Complete all CEQA requirements.</li> <li>» Obtain final CDE site approval.</li> <li>» Obtain final escrow instructions or evidence district has filed condemnation proceedings and intends to request an order of possession of the site.</li> </ul>		X
ADJUSTED GRANT <sup>4</sup>	Submit progress checklist certifying to <b>any</b> of the following: <ul style="list-style-type: none"> <li>» 75% of site development work necessary prior to construction is complete.</li> <li>» 90% of construction work in the plans and specifications is under contract.</li> <li>» 50% of construction work in the plans and specifications is complete</li> </ul>	X	

<sup>3</sup> Request annual 12-month extension(s) by submitting written letters of concurrence from the Department of Toxic Substances Control and CDE or by submitting a narrative of other reasonable effort the district has made toward acquiring the site as approved by the SAB.

<sup>4</sup> Submit a narrative of evidence and supporting documentation detailing the circumstances precluding progress from being met as approved by the SAB.

If a district receives Separate Design, Separate Site, and Adjusted Grant apportionments, it will be required to submit evidence of progress for each of these types of funding. For each type, the district will receive up to two substantial progress reminder letters. For all SFP apportionments, except Separate Site apportionments for Environmental Hardships, districts will receive the letters at 12 and 15-month intervals after the related funds have been released. For Environmental Hardship projects, the OPSC will send the letters at eight and 10-month intervals after funds have been apportioned. Each reminder letter will have an attached Substantial Progress Checklist (SPC).

Submitting a complete and acceptable SPC will fulfill the requirement to submit a narrative of evidence (progress report), as required in Regulation Section 1859.104.

If a district/COE fails substantial progress then the project will either be rescinded or reduced to costs incurred.

- » A rescind (RCND) occurs when no expenditures have been made on the project.
- » A reduction to costs incurred (RCI) occurs when expenditures have been made or incurred on the project.

If a district/COE has failed substantial progress or requested to have its project(s) reduced to costs incurred or rescinded, OPSC staff will examine evidence in order to determine unexpended funds and pupil grant adjustments. The evidence from districts/COEs will include but is not limited to the following:

REQUIREMENT	RCND	RCI
SAB apportionment approval and any SAB time extension approval;	X	X
Form SAB 50-06 certifications and <i>Detailed Listing of Project Expenditures</i> (DLOPE) worksheet reporting;	X	X
District/COE accounting records and contracts related to fund receipts and expenditures;		X
District/COE qualification Appraisal Selection process and Board Action Resolutions (Government Code Section 4526);*		X
District/COE Form SAB 50-04;	X	X
District/COE <i>Fund Release Authorization</i> (Form SAB 50-05) certifications;	X	X
OPSC prior reviews of the district/COE;	X	X
District/COE project files maintained at OPSC.	X	X

Additional Substantial Progress evidence may be requested that is specific to the type of funding received.

TYPE OF FUNDING RECEIVED	ADDITIONAL DOCUMENTATION THAT MAY BE REQUESTED
Separate Design-Financial Hardship	DSA notice of receipt of plans or printout of project tracking screen from the DSA Website (in cases where the district has certified DSA submittal on the SPC).
Separate Site-Financial Hardship	<ul style="list-style-type: none"> <li>» Final site appraisal letters.</li> <li>» Documentation of CEQA compliance (State clearinghouse approval letter, Negative Declaration, Categorical Exemption, etc.).</li> <li>» Final escrow documents.</li> <li>» Copy of final CDE site approval letter.</li> </ul>
Separate Site-Environmental Hardship	<ul style="list-style-type: none"> <li>» Same evidence requested for Separate Site Financial Hardship.</li> <li>» Copies of letters from CDE and DTSC confirming that the district is making reasonable progress towards acquiring a site.</li> </ul>
Adjusted Grant	<ul style="list-style-type: none"> <li>» Copies of construction contracts.</li> <li>» Copies of progress billings, certificate/application for payment with attached Continuation sheet (Schedule of Values).</li> <li>» Cost estimate.</li> </ul>

The review of the above documents will encompass but is not limited to the following:

- » All funding sources (Lease Purchase Program, district share, Financial Hardship, and savings from another project);
- » Validity of the Form SAB 50–06 and DLOPE;
- » No expenditures incurred/paid prior to Financial Hardship/SAB approval;
- » Verification that architect’s services were contracted through a Qualification Appraisal Selection process;
- » Nature of expenditures in relation to the apportionment granted;
- » District contracts and supporting documentation;
- » Interest earned on State funds.

Additionally, as the oversight agency, OPSC is entrusted to perform reviews for compliance matters specific to SFP projects along with review for adequacy of internal controls, significant to SFP projects, which provide reasonable assurance regarding the achievement of the following objectives:

- » SFP project transactions are properly recorded to permit preparation of reliable financial statements;
- » Transactions are executed in compliance with statutes, contracts, and other requirements of SFP funding;
- » Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

The OPSC staff will review and verify certifications made by the district and review evidence to:

- Determine the district/COE’s compliance with relevant laws and regulations relating to the SFP grants;
- Verify the accuracy and propriety of project expenditures reported on the *Expenditure Report* (Form SAB 50–06);
- Verify funding received under the SFP, including interest earned on those funds, is properly recorded;
- Verify pupil grants assigned and compute pupil grant adjustments to the district’s baseline eligibility;
- Verify that any unexpended funds, overspent, savings and interest earned on State funds are recorded, tracked and submitted for collection to the OPSC accounting unit.

## Review Response

After a review of documents, OPSC staff shall provide written notice of the findings to the district/COE and will require a response to the Summary of Project Financing and Expenditures (SOPFE) within 30 calendar days. Subsequent to receiving the signed SOPFE, a closing item will be prepared for presentation at the next available SAB meeting. Any adjustment to the Eligibility Baseline, which is identified in the SOPFE, will only be processed once the related closing item is approved by the SAB and all amounts due to the State have been remitted to the OPSC. If additional interest is earned, which has not been captured on the SOPFE, the district/COE will be required to report the earnings and remit the State’s proportionate share to the OPSC.

### Section 3

## Final Expenditure Review

### Expenditure Review Reporting Requirements

Districts/COEs are required to submit an *Expenditure Report* (Form SAB 50–06), Project Information Worksheet (PIW) and a *Detailed Listing of Project Expenditures* (DLOPE) one year after receiving the initial fund release for their project. Subsequent expenditure reports are due annually until all funds are expended. In addition, a PIW is required with the submittal of the district/COE's final Form SAB 50–06. When a district/COE submits the required Form SAB 50–06 and a DLOPE, it is important for all information to be as accurate as possible. Specifically, the Form SAB 50–06 should reflect the sum of the State's share of the grant, the district's share of the grant plus any additional district expenditures, and any interest earned.

*Authority cited: Education Code Section 17076.10(a), School Facility Program (SFP) Regulation Section 1859.104.*

### Timing of the Final Expenditure Review

A project is considered complete when either of the following occurs:

- » The final Form SAB 50–06 indicating 100 percent project completion and the DLOPE are submitted by the district; or
- » Three years for an elementary school (grades K–6) project, or four years for a middle school (grades 7–8) or high school (grades 9–12) project, have elapsed since the date of the final fund release.

The Office of Public School Construction (OPSC) has two years from 1) the 100 percent complete report submittal date, or 2) three or four years (as applicable) after the final fund release date, to commence the Final Expenditure Review. Once the district/COE is notified that an expenditure review has begun, OPSC staff has six months to complete the review, unless the district/COE has been notified in writing that the project is still underway for any reason. The project will be reviewed to the SFP Regulations in effect at the time of the funding application received date. Once closed, projects are not re-opened unless there is a finding of fraud, misappropriation of funds, or other illegal acts.

*Authority cited: SFP Regulation Sections 1859.104 and 1859.106.*

## Components of the Final Expenditure Review

During the Final Expenditure Review, OPSC staff's review may include, but is not limited to the following:

- » If the project attained any savings, interest reported for the project will be verified.
- » The DLOPE will be verified to ensure costs are categorized correctly based on the description/purpose.
- » As explained in SFP Regulation Section 1859.79.2, modernization projects will be reviewed to ensure modernization funds are:
  - *Not being used to increase the building area except in the case of replacement area of like-kind, or if required by the federal Americans with Disabilities Act, or by the Division of the State Architect (DSA) handicapped access requirements.*
  - *Not being used for site costs, with the exception of replacement, repair or additions to existing site development.*
  - *The evaluation and removal of hazardous or solid waste costs, established by the Department of Toxic Substances Control (DTSC), did not exceed 10 percent of the combined adjusted grant and the district's matching share for the project.*
  - *If the modernization grant was used to modernize leased facilities, the review will verify that funds were used only for work on facilities owned by another school district or county office of education.*
  - *Fifty-year-old modernization projects will be reviewed using the standards for regular modernization projects, with the exception that utility costs may be considered allowable. Utility costs for water, sewage, gas, electric, and communication systems may be allowed per SFP Regulation Section 1859.78.7.*
- » All projects will be reviewed to ensure the scope of the project did not change from that originally approved for State funding.
- » Post-occupancy reviews may be performed on site to verify the district performed the work as applied for on the *Application for Funding* (Form SAB 50-04).
- » For new construction projects, the number of classrooms built will be compared to the number of classrooms requested on the Form SAB 50-04.
- » If the project is a Use of Grants project, verification of the type of project constructed will be made, including identifying the use of any savings achieved on the project.
- » For modernization projects, the architect's cost estimate may be reviewed and compared to the actual work done in the modernization of particular facilities.
- » OPSC's staff will verify the following specific certifications made by the district on the Form SAB 50-04 and the *Fund Release Authorization* (Form SAB 50-05):
  - *The district/COE deposited the minimum amount required by law into the Ongoing and Major Maintenance Account.*
  - *The district/COE contracted for construction vendors as required by the State's Public Contract Code.*
  - *The district/COE met all relevant Disabled Veteran Business Enterprise requirements.*
  - *The district/COE used the Qualifications Appraisal standards, as outlined in Government Code Section 4526, when selecting the architect, construction managers, and engineers.*
  - *The State's prevailing wage requirements were met.*
  - *The district/COE complied with the State's Public Contract Code requirements governing Force Account labor.*
  - *The district/COE matching funds have been expended by the district for the project, deposited in the County School Facility Fund, or will be expended by the district prior to the Notice of Completion for the project.*
  - *The district/COE entered into a binding contract(s) for at least 50 percent of the construction included in the plans applicable to the State funded project prior to signing the Form SAB 50-05.*
  - *the district/COE enforced a Labor Compliance Program that has been approved by the Department of Industrial Relations (DIR) if the project was funded from Proposition 47 or 55 and the Notice to Proceed for the construction phase was issued on or after April 1, 2005 and prior to January 1, 2012. Projects where the initial construction contract is awarded on or after January 1, 2012 and funded out of Proposition 1D, 47 or 55 will be subject to Prevailing Wage Monitoring by the DIR.*

*Authority cited: Education Code Sections 17070.75(b) and 17076.11, Government Code Section 4526, Public Contract Code Sections 20110 et seq, SFP Regulation Sections 1859.79.2, 1859.103 and 1859.106.*

### Documents Requested for the Final Expenditure Review

Districts/COEs will be required to submit documentation as appropriate, such as, but not limited to, specific warrants, contracts and/or agreements related to construction, inspection, construction tests, and architectural services, or other supporting documentation substantiating certifications made on the Form SAB 50-04 and Form SAB 50-05. In addition to the above, OPSC staff may request copies of official documentation from the district/COE, such as below:

<b>MINIMUM ITEMS REQUIRED</b>	NC	MOD	SITE	SITE DEV.	JU	COS	CHARTER	HPI	CTE	SMP	ORG	LCP	SAVINGS
<b>GENERAL</b>													
Chart of accounts	X	X			X	X	X		X	X	X		
General ledgers, journals and chart of accounts	X	X			X	X	X		X	X	X		X
Independent audit reports from the period of project funding through the date of completion	X	X			X	X	X		X	X	X		
Bond Oversight Committee Audits during funding and construction period	X	X			X	X	X		X	X	X		
All Department of Industrial Relations letters approving the district's labor compliance program (including initial, extended, and final approval letters, if applicable)												X	
Documentation supporting the interest reported on the district's <i>Expenditure Report</i> (Form SAB 50-06)	X	X		X	X	X	X	X	X	X	X		X
A copy of the budget summary that shows the fiscal year budget for total general fund expenditures, and the transaction ledger for the ongoing and major maintenance account	X	X			X	X	X		X	X	X		
The district's legal counsel's approval or opinion stating that the district complied with all applicable laws and regulations pertaining to Force Account Labor expenditures	X	X		X	X	X	X	X	X	X	X	X	
Supporting documentation for all expenditures (including warrants and invoices)	X	X	X	X	X	X	X	X	X	X	X	X	X
Project budget reports	X	X			X	X	X		X	X	X		X

NC = New Construction  
 Mod = Modernization  
 Site = Site Acquisition Grant  
 Site Dev. = Site Development Grant  
 JU = Joint Use

COS = Critically Overcrowded Schools  
 Charter = Charter School Facilities Program  
 HPI = High Performance Incentive Grant  
 CTE = Career Technical Education Facilities Program  
 SMP = Seismic Mitigation Program

ORG = Overcrowding Relief Grant Program  
 LCP = Labor Compliance Program  
 Savings = Project savings

<b>MINIMUM ITEMS REQUIRED</b>	NC	MOD	SITE	SITE DEV.	JU	COS	CHARTER	HPI	CTE	SMP	ORG	LCP	SAVINGS
<b>SITE</b>													
Closing escrow documents or court orders supporting purchase price of property			X										
Invoices and detail supporting site relocation costs if applicable			X										
Hazardous waste removal contracts and billings if applicable			X										
<b>PLANNING AND DESIGN</b>													
Architectural contract and final billing	X	X		X	X	X	X	X	X	X	X		
Supporting documentation verifying that the district conducted a qualification appraisal/selection process for architects, engineers, and/or construction managers, pursuant to Government Code Section 4526	X	X		X	X	X	X	X	X	X	X		
<b>MAIN CONSTRUCTION</b>													
Construction bid announcement(s)	X	X		X	X	X	X	X	X	X	X	X	
Contractor Qualification Appraisal per Government Code Section 4526	X	X		X	X	X	X	X	X	X	X	X	
Any and all project-related contracts (construction manager, contractors, etc.)	X	X		X	X	X	X	X	X	X	X	X	
Supporting documentation to verify that the district made a good faith effort to meet its Disabled Veterans Business Enterprise participation goal	X	X		X	X	X	X	X	X	X	X		
Force Account Labor details, such as employee name, trade, hours worked, and job description	X	X		X	X	X	X	X	X	X	X	X	
Notice to Proceed and Notice of Completion for all construction contractors	X	X		X	X	X	X	X	X	X	X		X

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Main Construction continued...

<b>MINIMUM ITEMS REQUIRED</b>	NC	MOD	SITE	SITE DEV.	JU	COS	CHARTER	HPI	CTE	SMP	ORG	LCP	SAVINGS
Bid summary that reflects all submitted bid proposals and supporting documentation for non-responsive bidders	X	X		X	X	X	X	X	X	X	X		
Any and all project-related change orders. The change order(s) must include the description of change	X	X		X	X	X	X	X	X	X	X	X	
Documentation identifying the project savings remaining in the restricted facility fund (Fund 35)	X	X		X	X	X	X	X	X	X	X		X

<b>ADDITIONAL ITEMS IF WARRANTED</b>	NC	MOD	SITE	SITE DEV.	JU	COS	CHARTER	HPI	CTE	SMP	ORG	LCP	SAVINGS
<b>GENERAL</b>													
Verification that the matching contribution to the project was expended	X	X			X	X	X		X	X	X		X
Accounting detail regarding transfers in and out of the County School Facility Fund (Fund 35)	X	X			X	X	X		X	X	X		X
Existing written documentation of internal controls in place to ensure accurate financial reporting, monitoring, and managing of School Facility Program grants and related activities	X	X			X	X	X		X	X	X		X
Accounting records supporting savings from the project under review.													X
<b>SITE</b>													
Updated site appraisal, if warranted			X										
Documents supporting claim for environmental remediation costs			X										
<b>PLANNING AND DESIGN</b>													
Detail of architect's final billing	X	X			X	X	X		X	X	X		

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ADDITIONAL ITEMS IF WARRANTED	NC	MOD	SITE	SITE DEV.	JU	COS	CHARTER	HPI	CTE	SMP	ORG	LCP	SAVINGS
<b>MAIN CONSTRUCTION</b>													
Evidence that a pre-job conference was conducted with the contractor to confirm that the district enforced the requirements set forth in Labor Code Sections 1770 through 1780												X	
Supporting documentation demonstrating compliance with SFP Regulation Section 1859.71.6 (i.e. for Section 3(B)1, Water/Outdoor Systems, OPSC staff may verify the existence of a water use budget and reduced potable water for landscaping)								X					
Documentation identifying the project savings remaining in the restricted facility fund (Fund 35)	X	X		X	X	X	X	X	X	X	X		X
Any and all project-related addendum(s) and final billing(s)	X	X		X	X	X	X	X	X	X	X	X	

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*Authority cited: Education Code Section 17076.10, SFP Regulation Section 1859.106.*

## Special Considerations for the Final Expenditure Review

### Site Purchases

For SFP projects receiving funds for a site purchase, a review will include the verification and examination of site expenditures and a determination of whether the site grant was appropriate and met provisions set forth in SFP Regulation Sections 1859.74, 1859.74.1, and if applicable, 1859.74.2 and 1859.75.1. Projects initially approved under the Lease Purchase Program for planning and/or site and later converted to SFP projects will be reviewed using the SFP guidelines. Districts/COEs will be eligible for approved hazardous material removal work and associated DTSC oversight fees up to 50 percent of the "appraised as a clean site" value of the property, or the maximum established by the State Allocation Board (SAB) due to unforeseen circumstances (see SFP Regulation Sections 1859.74.2, 1859.74.3, 1859.74.4, and 1859.75.1). For all sites requiring DTSC review, OPSC staff will obtain invoices from the district in order to verify the costs reported for the Response Action (RA). The Phase One Environmental Site Assessment and Preliminary Environmental Assessment costs are distinct from the RA costs, and are not considered part of the project's 50 percent "cap" established by the SAB for site cleanup. The expenditure review may result in an increase/decrease of the additional grant amount for hazardous material removal, remediation costs, and DTSC oversight fees pursuant to SFP Regulation Section 1859.106. Regarding projects for which the *Application for Funding* (Form SAB 50-04) is received on or after January 1, 2004, the OPSC will verify the work in the plans to determine the appropriate allowance for the work being performed. Eligible school districts will receive additional grants from the following funding categories: Off-Site, Service Site, and Utilities. During closeout reviews, OPSC staff may review the final cost estimates, change orders, and the OPSC Plan Verification Team's final approval of site development, off-site, and utilities grants to ensure the plan was not modified or altered.

*Authority cited: SFP Regulation Sections 1859.74, 1859.74.1, 1859.74.2, 1859.74.3, 1859.74.4, 1859.75.1, and 1859.106*

### Joint-Use

The type of joint-use project will determine the appropriate review criteria used. For Type 1 and Type 2 joint-use projects, OPSC staff will verify that contracts were executed on or after April 29, 2002 and that the project was approved by the DSA and the California Department of Education. Districts must ensure that if the district combines the joint-use project with a regular SFP expenditure project, all costs are prorated between the various projects. A verification may be made to ensure that any funds contributed toward the joint-use project to match the State funds (by either the joint-use partner and/or any other district source) would not have otherwise been available to the district or the SAB.

*Authority cited: SFP Regulation Sections 1859.122, and 1859.127*

**Critically Overcrowded Schools**

When a Critically Overcrowded Schools (COS) project converts to an SFP project, it will be subject to all SFP progress and review standards. A substantial progress report will be required 18 months from the date the SFP funds were released. Annual expenditure reports will be required beginning one year from the date of the first fund release until the project is complete. The project is also considered complete when three years elapse from the date of the final fund release for an elementary project, or four years for a middle or high school project, at which time final expenditure reports must be submitted. Once complete, the project may be reviewed pursuant to SFP Regulation Section 1859.106.

*Authority cited: SFP Regulation Section 1859.106*

**Charter School Facilities Program**

Similar to a COS project, when a charter school project converts to an SFP project, it will be subject to all SFP progress and review standards. A substantial progress report will be required 18 months from the date the SFP fund release was made. Annual expenditure reports will be required beginning one year from the date of the first fund release until the project is complete. The project is also considered complete when three years elapse from the date of the final fund release for an elementary project, or four years for a middle or high school project, at which time final expenditure reports must be submitted. Once complete, the project may be reviewed using the same SFP expenditure review criteria as most other SFP programs.

*Authority cited: SFP Regulation Section 1859.170, Form SAB 50-04*

**High Performance Incentive Grant**

By reviewing documentation submitted by the district/COE, OPSC staff may verify that the high performance areas that determined the amount of the High Performance Incentive (HPI) Grant were not deleted or altered. For projects that did not receive an HPI Grant, the school district may be asked to provide evidence that it has considered the feasibility of using designs and materials to promote various high performance standards.

*Authority cited: SFP Regulation Section 1859.106*

**Career Technical Education Facilities Program**

The review criteria used for the Career Technical Education Facilities Program (CTEFP) is the same as for the SFP. However, unlike an SFP project, Financial Hardship is not available in the CTEFP and project savings must be returned to the State.

*Authority cited: SFP Regulation Sections 1859.106, and 1859.199*

**Seismic Mitigation Program**

The Seismic Mitigation Program (SMP) is a subset of the Facility Hardship program that provides for the seismic repair, reconstruction, or replacement of the “most vulnerable” school facilities. SMP projects undergo a review similar to a Facility Hardship project, but with consideration of the seismic component. The types of expenditures typically allowed under the Facility Hardship Program are also allowed under the SMP.

*Authority cited: SFP Regulation Section 1859.106*

### Overcrowding Relief Grant Program

The OPSC Final Expenditure Review may confirm that portable classrooms replaced with Overcrowding Relief Grant (ORG) funds were removed from the eligible school site and from K–12 grade use, within six months after the date of initial occupancy of the permanent classrooms. The portables can be re-used only for non-classroom purposes at a site that has not received ORG funding. The district is prohibited from applying for ORG and additional SFP funding for the same classroom. Any savings achieved during an ORG project must be returned to the State.

*Authority cited: SFP Regulation Sections 1859.106, 1859.183*

### Prevailing Wage Monitoring/Labor Compliance Program

Prevailing Wage Monitoring (PWM) is required for projects with initial contract award dates on or after January 1, 2012. Pursuant to Labor Code Section 1771.3, all public works projects funded in whole or in part through State bond funds, regardless of bond source, are subject to PWM by the Department of Industrial Relations (DIR). The district must reimburse the DIR for the DIR's reasonable and directly related PWM costs. Labor Code (LC) Section 1171.3(b) allows the following exceptions to the requirement for DIR PWM:

- » The school district has entered into a collective bargaining agreement for the project that meets the criteria specified in LC Section 1771.3(b)(3) or
- » The district has a previously DIR-approved internal Labor Compliance Program that it uses for all of its projects. If a district uses this option, it must meet the requirements as detailed in the Public Contract Code. Costs incurred to initiate, enforce and maintain the district's LCP should be prorated by project and reported on the DLOPE.

A Labor Compliance Program (LCP) is required for projects that meet the following conditions:

- » The project is funded in whole or in part from Propositions 47 and 55.
- » The construction contract has a Notice to Proceed dated on or after April 1, 2003.
- » The initial construction contract was awarded prior to January 1, 2012.

Labor Code Section 1771.7 provides that a district may elect to contract with an outside entity, or use its own employees to implement and administer the LCP. In either case, the LCP must be approved by the DIR. If the district intends to use its employees, it must meet the requirements as detailed in the Public Contract Code. Costs incurred to initiate, enforce, and maintain the district's LCP should be prorated by project and reported on the DLOPE.

*Authority cited: SFP Regulation Sections 1859.71.4, 1859.78.1*

### Separate Design and Site Apportionments

Expenditures made with funding provided by a separate design or site apportionment, pursuant to SFP Regulation Section 1859.81.1, should be for costs appropriate to design or site, respectively.

For example, if the school district/COE has received a separate apportionment for design, then the district should only spend that grant for costs related to design. In some situations, it may be necessary for the district to incur some other planning-related site costs, such as site testing and appraisals. These expenditures would be allowed under both design and site apportionments. Purchasing sites with design funding, however, is prohibited.

*Authority cited: SFP Regulation Section 1859.81.1*

### Projects Bid Together and/or Combined Projects of any Kind

Districts/COEs may not view each SFP project separately. For example, some districts/COEs bid more than one SFP project together and/or combine multiple projects across different programs (i.e. combined modernization/new construction, joint-use/new construction, and new construction/overcrowding relief, etc.). In order for the OPSC and State Allocation Board (SAB) to accurately close the books for an SFP project, the district must account for each project individually. The OPSC highly recommends that the district track expenditures, interest, and any savings by project using unique project codes for each individual SFP project when performing the accounting functions related to the project. The California School Accounting Manual is a resource that all school districts must follow, according to Education Code Section 41010. OPSC recommends working within this framework to establish the specific codes that are unique for each project.

*Authority cited: Education Code Section 41010*

### Expenditures after the Three or Four-Year Timeline

Expenditures that have been paid after three or four years (as applicable) have elapsed since the date of the final fund release, are allowable expenditures only if the contracts for the expenditures were signed prior to the date that the three or four year period elapsed. These expenditures should be indicated in the final DLOPE prior to the commencement of the Final Expenditure Review.

*Authority cited: SFP Regulation Section 1859.104*

### Project Savings

The district/COE's use of savings for Financial Hardship projects is limited according to SFP Regulation Section 1859.103. The savings achieved on a project, including interest accrued, must be used to reduce the Financial Hardship contribution on that project, or on future Financial Hardship projects. The district will have three years from the date savings was determined through the SFP expenditure review to apply the savings to reduce the Financial Hardship contribution on a future project. If the district does not apply the savings within three years, the district must reimburse the savings, including interest, to the SAB.

When a project has received Financial Hardship funding, and the district/COE has spent more than the district/COE and State share plus any interest earned, the district has two options in regards to the overspent amount for that project. The district may verify in writing that the overspent amount will be used to reduce the State's Financial Hardship contribution on the district's next Financial Hardship project within three years from the date that the most recent SAB full funding Financial Hardship apportionment was made. Or, the district/COE may verify in writing that it will not submit another Financial Hardship project for State funding within three years from the date that the most recent SAB full funding Financial Hardship apportionment was made.

For a non-Financial Hardship project, an applicant district/COE that has declared savings on an SFP project, and has had the savings amount verified through the OPSC expenditure review, "may expend the savings not needed for a project on other high priority capital facility needs of the district..." per SFP Regulation Section 1859.103. The regulation further prescribes that the "...State's portion of any savings from a new construction project or a joint-use project may be used as a district matching share requirement, only on another new construction project, and the State's share of any savings from a modernization project may be used as a district matching share requirement, only on another modernization project." In considering both of these regulation references, the district is free to apply the savings achieved on a construction project toward

the district/COE's future high priority capital facility needs, unless the district/COE is using the State's share of savings as its matching contribution for a future SFP project, in which case the State's share of savings must be applied to an SFP project of like-kind.

Savings will be prorated appropriately based on the funding of the project. For example, if a project is funded 50 percent by the State and 50 percent by the district, for every dollar remaining in savings, 50 percent is considered the State's share of savings, and 50 percent is considered the district/COE's share of savings. If the district/COE had savings but did not report the use of savings at the time of project closeout, the district will be required to submit annual savings expenditure reports, using the "Savings" tab of the DLOPE (located on the OPSC website at [www.dgs.ca.gov/opsc](http://www.dgs.ca.gov/opsc) and the link is titled "Expenditure Worksheet [Excel]") until all savings (district/COE and State's share) are spent, pursuant to Education Code Section 17076.10(a).

OPSC staff will review the savings expenditure reports for accuracy and to verify the costs are considered eligible as prescribed in SFP Regulation Sections 1859.103 and 1859.106. The expenditures of savings must follow all applicable laws and regulations. Savings may not be used to offset administrative or overhead costs.

*Authority cited: Education Code Section 17076.10(a), SFP Regulation Sections 1859.103 and 1859.106*

### Results of the Final Expenditure Review

Once the Final Expenditure Review has been completed, OPSC staff will notify the district/COE of its findings and, as appropriate, will prepare an SAB item or issue an administrative journal recommending the project be closed. Notification to the district/COE will be in the form of a letter with the Summary of Project Financing and Expenditures attached. The SAB item may request an increase or decrease of the project's SFP grant for various site costs and/or a reduction in the SFP grant for other project costs considered ineligible. The district/COE will have 30 calendar days to respond to OPSC staff's findings. If additional documentation is submitted within the 30 days, OPSC staff may revise the review findings, if necessary, and repeat the process of sending the review findings to the district. If the district does not respond within 30 days or accepts the review findings, an item will be presented at the next available SAB meeting, or an administrative journal will be prepared to close the project.

*Authority cited: Education Code Section 17076.10, SFP Regulation Section 1859.106.*