

**1) Introductions**

- a) Audit Subcommittee members
  - i) Sen. Alan Lowenthal, Chair. Assemblymember Joan Buchanan. Esteban Almanza, DGS. Kathleen Moore, CDE
- b) Audit Working Group members

**2) Background—SAB-adopted recommendations from Audit Subcommittee**

- a) Review process and previous direction
- b) Audit Working Group meetings

**3) “Proposed Process for SFP Review and Audits” Flowchart**

**4) Consolidated Incremental Compliance Check at 18 months from Fund Release**

- a) Certifications checked
- b) Expenditure Report 50-06 first filing
- c) Substantial Progress Report

**5) External Audits and Expenditure Reviews**

- a) Annual Education Audit is proposed for SFP external audits
- b) OPSC final expenditure review and reconciliation to SAB

**6) Next steps—implementation issues, direction from the Subcommittee**

- a) Statutory and regulatory changes matrix
- b) Continue implementation planning with Audit Working Group

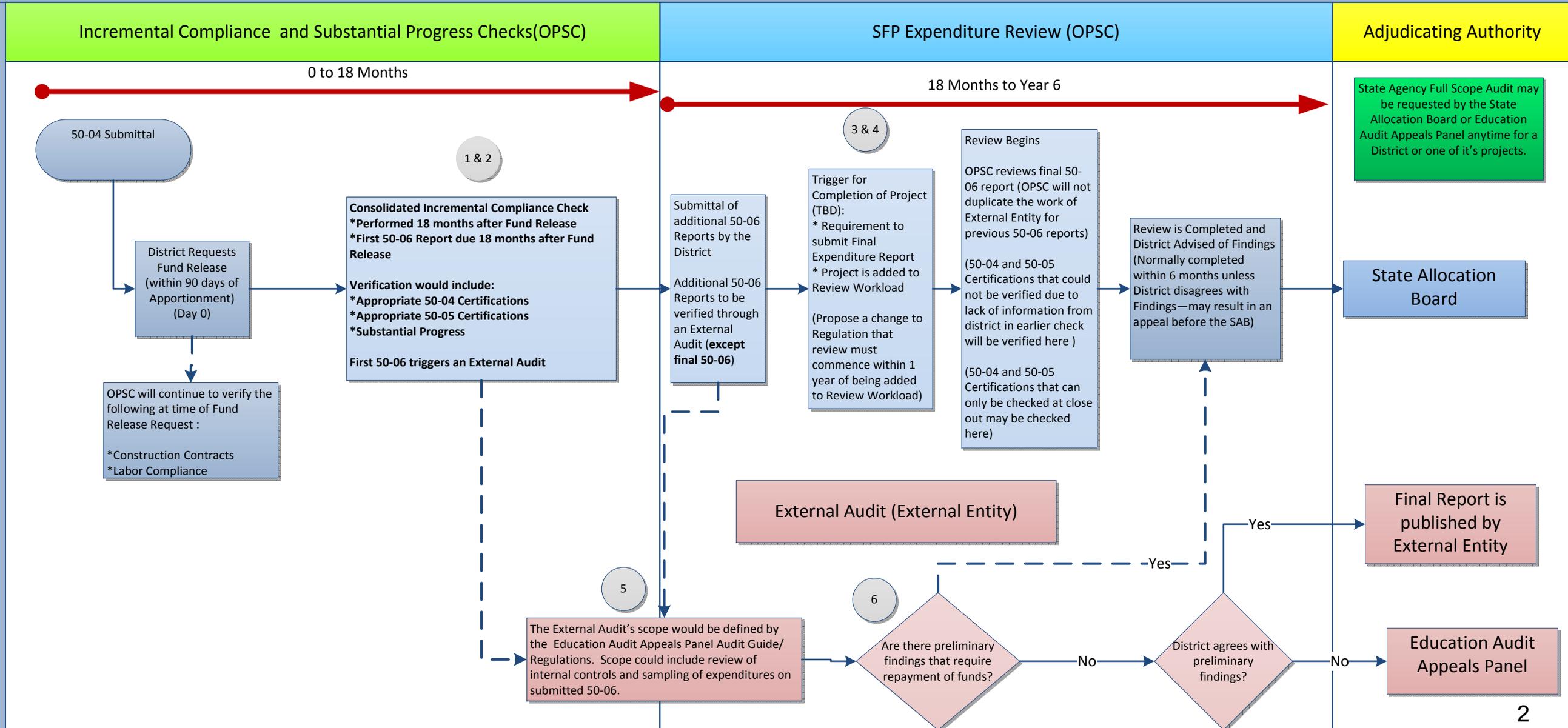
## Proposed Process for SFP Review and Audits Consolidated Incremental Compliance Check

**Assumptions:**

Consolidated Incremental Compliance Check occurs 18 months after Fund Release (will require statute and regulation change).

First 50-06 Report would be due 18 months after Fund Release and subsequent 50-06 Reports would be due each year thereafter (will require statute and regulation change).

An External Audit will be triggered by the first 50-06 Report and subsequent 50-06 Reports but not the Final 50-06 Report (will require statute and regulation change).



<i>Timing of Certification Checks</i>		
Time of Fund Release	Consolidated Incremental Compliance Check (50-04, 50-05 & SP)	SFP Closeout
<b>Certifications Made on SAB 50-04</b>		
District Rep is the authorized Rep	X	
School Board Resolution for the application	X	
District has established Restricted Maintenance Account	X	
District has made a priority of funds in Restricted Maintenance Acct		X
District has considered joint-use of land & facilities	X	
Modernization of Portables Pursuant to ECS 17073.15	X	
Facilities were not previously modernized w/ State funds	X	
Rehab of Charter facilities meets Reg 1859.163.6	X	
All contracts after 11/04/98 were competitively bid	X	X
For NC--Site and Plans have been approved by CDE	X	
For Mods and Charter Rehabs--Plans approved by CDE	X	
District has or will comply with all PCC laws for Force Account Labor		X
District has or will comply with ECS 17076.11 for DVBE 3% requirement		X
District matching funds are available or expended prior to NOC	X	X
District has rec'd DSA approval of the plans	X	
For Site Acquisition, meets requirements in Reg 1859.74 and 1859.75.1	X	
District understands lack of substantial progress (SP) penalty in Reg 1859.105	X	
For Environmental Hardship Projects, District understands lack of SP Penalty Reg 1859.105.1	X	
District understands no funds released in 18 months means automatic rescind Reg 1859.90	X	
Statements are true and correct	As this is a catch-all type of certification, the remainder of the document should be referred to as when each individual certification (or statement) is checked and when.	
Pupils defined in ECS 56026 are located to maximize interaction with others	X	
This form is verbatim what's provided to OPSC	X	
District understands that some or all funding must be returned per Reg 1859.105, 1859.105.1 and 1859.106	X	
No work in projects aside from what is allowed in Reg 1859.76 and 1859.79.2	X	
For leased land, project meets Reg 1859.22	X	
App meets all "Use of Grants" request criteria	X	
Fire system requested at funding is installed during project before completion	X	X

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Timing of Certification Checks		
Time of Fund Release	Consolidated Incremental Compliance Check (50-04, 50-05 & SP)	SFP Closeout

28	District meets CTE requirements in ECS 51224, 51225.3(b) & 52336.1	X	
29	Energy Efficiency Funding exceeds amount of funding otherwise available	X	
30	Mod apps after 01/01/04 have considered lead-containing materials		X
31	LCP & DIR requirements for 47 or 55 projects	X	
32	PWM & DIR requirements for all projects w/ contracts awarded after 01/01/12	X	
33	Beginning in 05/06 Fiscal Year, District has established Facility Inspection system per ECS 17070.75(e)		X
34	Small HS Program reform strategy approved by CDE Reg 1859.93.2	X	
35	Small HS Program - <u>New</u> HS will not exceed 500 pupils in first two years open Reg 1859.93.2 & 1859.104(e)(2)		X
36	Small HS Program - <u>Mod</u> HS will not exceed 500 pupils in first two years open Reg 1859.78.9		X
37	Small HS Program reporting requirements Reg 1859.78.9 or 1859.93.2 & 1859.104(e)(1) and or (2)		X
38	Removal of portables for ORG funded projects Reg 1859.180		X
39	District has considered feasibility of HPI features	X	
40	District has school board reso with intent to consider HPI features if requesting HPI grant funding	X	
Certifications Made on SAB 50-05			
41	Notice(s) to proceed	X	
42	LCP & DIR requirements for 47 or 55 projects -or- PWM & DIR requirements for all projects w/ contracts awarded after 01/01/12	X	
43	Preliminary Apportionment--Design only--CDE letter pursuant to Section 1859.149(a)(2)	X	
44	Preliminary CH School Apportionment--Design and/or separate site pursuant to Section 1859.164.2--CH School Agreements	X	
45	Preliminary CH School --current financial soundness status from California School Finance Authority	X	
46	Construction Contract Award dates	X	
47	Construction Delivery Method	X	
48	Matching Share Requirement	X	X
49	Financial Hardship Status	X	
50	Separate Site Apportionment--Remedial Action (RA) on additions to existing school sites Reg 1859.74.4	X	

<i>Timing of Certification Checks</i>		
Time of Fund Release	Consolidated Incremental Compliance Check (50-04, 50-05 & SP)	SFP Closeout

51	ORG --Advance Site Funds/FH and condemnation--order of prejudgement possession obtained from the court Reg 1859.184.1	X	
52	DSA Approval	X	
53	50% of Construction Included in Plans and Specs	X	
54	Written confirmation from District's Career Technical Advisory Committee that need for vocational/career technical facilities are being adequately met--compliance with ECS 17070.95	X	
55	NC--Site--District entered escrow for site	X	
56	Identification of District/Jt.-Use Partner's Funding Sources	X	
57	Career Tech--District entered into a loan agreement with the State pursuant to Reg 1859.194	X	
58	Project complies with Reg 1859.90.1--Priority Funding Round Process	X	
59	Mod/Rehab--compliance with ECS 17212,17212.5 and 17213	X	
60	Compliance with PCC governing Force Account Labor	X	X
61	QAS/RFP for Architect(s), Engineer(s), CM's (Government Code Section 4525)--Compliance with ECS 17070.50 & 17072.30	X	X
	<b>Substantial Progress</b>		
62	Architect contract(s), Engineer contract(s) and/or CM contracts	X	X
63	Separate Design/Site--Verification the final building plans were submitted and accepted by DSA	X	
64	Separate Site FH/EH--Final appraisal of site	X	
65	Separate Site FH/EH--Completion of all CEQA requirements	X	
66	Separate Site FH/EH--CDE final approval letter	X	
67	Separate Site FH/EH--Final Escrow or filed condemnation proceedings to request order of possession of site	X	

## Change Required to Implement Proposed Process for SFP Review and Audits

*Reference Number	Modifications to Current Processes	Change required to Implement	
		Statute (Education Code)	School Facility Program Regulation
1	Consolidated Incremental Compliance Check 18-months from fund release (SAB 50-04, SAB 50-05 & Substantial Progress)	17076.10	1859.104 & 1859.105
2	Program Reporting Requirement for Expenditure Report (Form SAB 50-06) Due 18-months from fund release versus 12-months	17076.10	1859.104
3	Project is Deemed Complete ("Trigger" To be determined)		1859.104 & 1859.106
4	Receipt of Final Expenditure Report (SAB 50-06) Review shall commence 1 year versus 2 years from receipt		1859.106
5**	Annual Audit Guide (Education Audit Appeals Panel) Incorporate OPSC input on audit scope/requirements	14500 & 14502.1	1859.106
6**	External Audit Finding(s) Routed back to OPSC/SAB or continue through External Audit process	14500 & 14502.1	1859.106

\*Refer to *Proposed Process for SFP Review and Audits* Flowchart

\*\*Will need to consult with State Controller's Office and Education Audit Appeal Panel to determine if there are other statutory and regulatory changes needed.