

OPSC Audits: DOF Report & Discussion

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Recommendations of the Audit Working Group

I. SCOPE AND TYPE OF AUDITS

ISSUE	RECOMMENDATION
a. Scope of the audit needs to be defined: the School Facility Program (SFP) was intended to be a "Grant and Go" program.	Define the scope of the audit as a compliance audit. Local educational agencies (LEA) are audited to ensure they are in compliance with laws and regulations of the SFP program. Audit Guide to be revised and updated annually.
b. The audits performed should be consistent with audits that are performed by other state agencies.	Audits should be performed in accordance with Governmental Auditing Standards. Audits should commence within established time periods.
c. Ensure objectivity and independence of the audit; audits should not be conducted by the same entity that issued the apportionments.	Audits should be conducted by an independent entity outside of the OPSC. Examples: State Controller's office or Independent Auditors. Existing OPSC audit staff and/or resources would be transferred to the responsible entity.

<p>d. Program requirements at the time of application change over the time that an LEA submits their initial application and the time the project is audited.</p>	<p>Review and audit should be a multi-part process (MORE DISCUSSION IN STREAMLINING SECTION): Develop a process to ensure that LEAs understand audit requirements. A subsequent audit at the time of fund release and a separate close-out audit would also be conducted upon project completion.</p>
<p>e. The LEA should know the requirements for the audit at the time of application and ensure they are keeping the appropriate documentation to qualify expenditures.</p>	<p>SFP Handbook and the Audit Guide should complement each other and incorporate the compliance requirements in the handbook that LEAs will be audited on and allow the audits to be audited to the Audit Guide requirements. The Audit Guide should reflect and be consistent with the SFP Program Handbook, which complies with statute, regulation and guidance governing the program.</p>
<p>f. There is a concern that once an audit is closed out that OPSC has the authority to reopen the audit at any time and re-look at the expenditures.</p>	<p>Audits should not be re-opened. Additional audits may be conducted if there has been a legal finding of fraud, misappropriation of funds or other illegal acts.</p>

II. PROCEDURES ON THE PUBLISHING AND FINDINGS OF THE AUDITS

ISSUE	RECOMMENDATION
a. In accordance with the Governor's Executive Order, audits are posted to the Accountability website.	Audits should only be published after the audit report is final and the LEA has provided a written report. Draft review of audit should be given to the LEA 30 days prior to publishing and the LEA should have 30 days to respond. Responses should be published in their entirety. Audit findings that are on appeal should also be noted with any published audit information.

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III. PROCESS FOR YEARLY UPDATE AND COMMUNICATION TO DISTRICTS REGARDING CHANGES WITH AUDIT PROCESS

ISSUE	RECOMMENDATION
a. Changes to the audit requirements are not effectively communicated to LEAs. A transparent process to revise the Audit Guide should be established that is relevant to the time of the audit.	Create a standing audit committee that will do an annual review of the Audit Guide and create a process to address needed changes. The audit committee should be comprised of California Department of Education (CDE), State Controller's Office, facility and fiscal LEA staff, independent auditor, OPSC staff or other appropriate staff.

IV. STREAMLINING ACTIONS WITHIN AUDIT PROCESS

ISSUE	RECOMMENDATION
a. Program requirements can change from the time a district submits an application to the time the project is audited.	Draft an incremental review and audit process: initial consultation with program staff and desk review done immediately after funds are released. Final audit done at the time of the Final Expenditure Report. Process should be collaboration between program staff and audit staff.

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b. OPSC staff does not have a good understanding of the entire cash management process within an LEA.	Provide training to OPSC staff on internal controls, cash management and multi-fund accounting not to take an advisory role but to allow for a better working knowledge of administering the program.
c. Audit requirements related to financial accounting are not coordinated with the requirements of the California School Accounting Manual (CSAM) that affects all LEAs.	OPSC staff to coordinate with CDE staff that maintains the CSAM to assure that financial documentation for audits is an integrated part of the CSAM and does not impose additional accounting burdens on LEAs.

V. AUDIT APPEALS PROCESS

ISSUE	RECOMMENDATION
a. Currently LEAs can appeal issues through the SAB. A process is needed to address audit discrepancies that have a fiscal impact on the district and the State.	Create an Appeals panel as an SAB Sub-Committee to hear fiscally related appeals. Sub-Committee to consist of representatives from the CDE, Department of Finance and the Legislature. Sub-Committee to determine appropriate process and timeline. Consider establishing a more formal appeals structure modeled after the Education Audit Appeals Panel formal process if, in the future, the Sub-Committee approach is insufficient.

REORDER INDEX OF OPSC AUDIT GUIDE

ISSUE	RECOMMENDATION
Audit Guide summarizes the audit requirements for each local educational agency.	The Audit Guide Index should be reorganized to coordinate with a revised SFP Handbook to allow better definition of the subject areas. A sample portion of an example proposed index is attached.