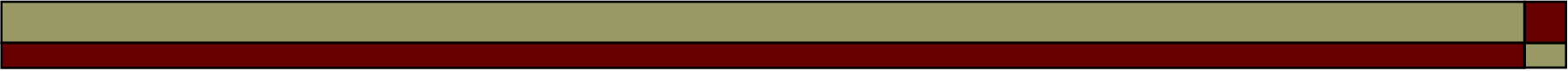


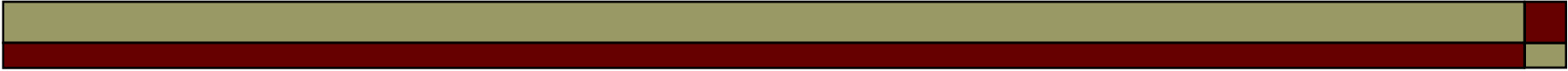
Proposition 39 – Smaller Classes, Safer Schools and Financial Accountability Act

Presented by:
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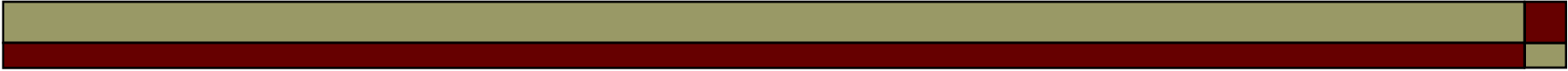
C&L Background

- ❑ Established in 1989
- ❑ Over 20 years of experience in Government throughout the State of California
- ❑ 4 Partners and 40 Professional Staff
- ❑ Offices located in San Diego, Irvine, and the Bay Area



Audit Requirements

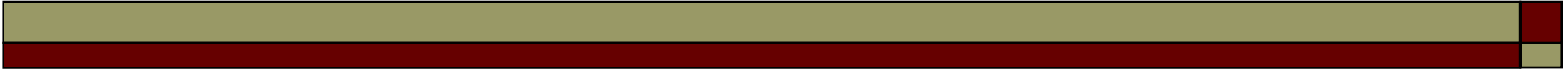
- Financial Audit
- Performance Audit



Financial Audit

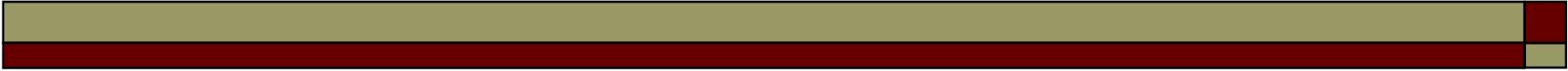
□ Objectives

- Determine whether the financial statements are fairly presented, in all material respect, in accordance with the Generally Accepted Accounting Principles in the United States



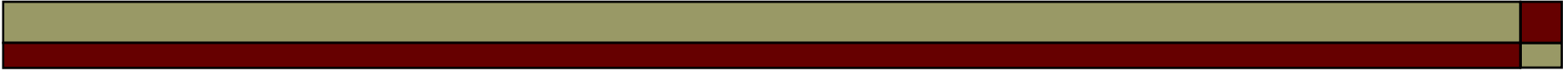
□ Procedures

- Planning
- Internal Control Evaluation
- Year-End Validation
- Reporting



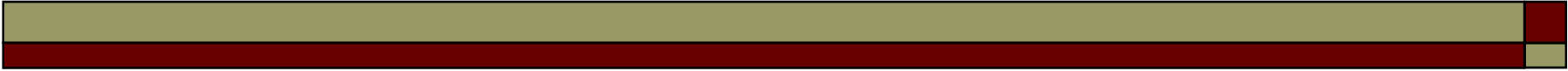
□ Planning

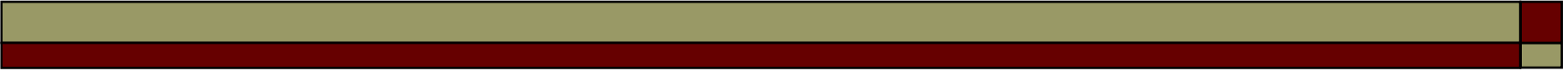
- Identify specific areas or account balances with high control and audit risk
- Review prior year audit report
- Communicate with District to determine the time of the audit
- Schedule appropriate staff level for all sections of the audit.

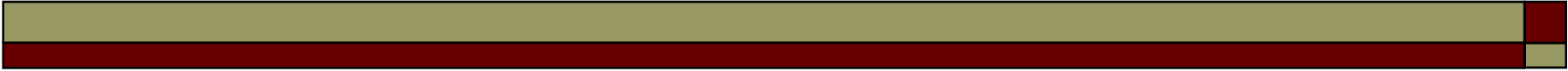


❑ Internal Control Evaluation

- Obtain understanding of the internal control for the major accounting systems
 - ❑ Financial Reporting
 - ❑ Cash and Investments
 - ❑ Revenue and Receivable
 - ❑ Expenditures and Payable
 - ❑ Risk Management
 - ❑ Capital Assets
 - ❑ Long-Term Debt
 - ❑ Computer Control

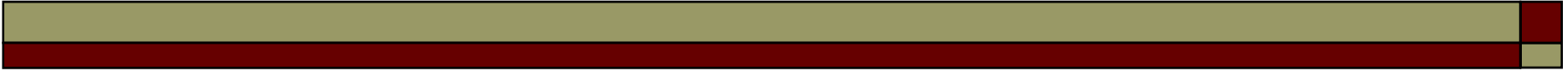
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- Document understanding of the internal control by flowcharting, internal control questionnaire, and/or narrative
 - Review the process and flow of each selected transaction from beginning to end
 - Evaluate the internal control by testing
 - Assess the audit risk for each of the accounting system

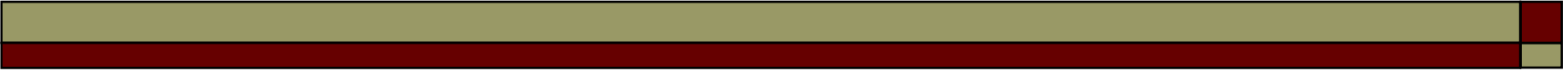
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- Review Minutes for both Oversight Committee and the Board
 - Inquire personnel about Fraud
 - Prepare and provide “Prepared by Client” listing to the District
 - Communicate observation through a formal exit conference with the District



□ Year-End Validation

- Obtain closed trial balance from the District
- Validate account balance and complete audit program
 - Cash and Investments
 - Accounts Receivable
 - Capital Assets
 - Accounts Payable
 - Long-Term Debt
 - Revenues and Expenditures Testing

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- Perform search for unrecorded liabilities
 - Evaluate management estimates
 - Perform analytical procedures
 - Review attorney letters
 - Obtain Management Representation Letter
 - Hold formal exit conference



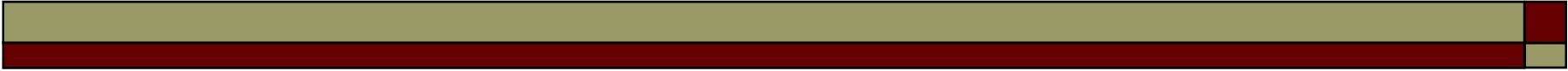
□ Reporting

- Prepare report in accordance with generally accepted accounting principles

- Content

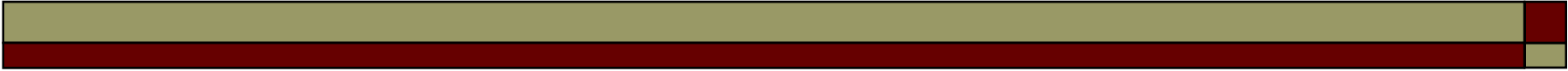
- Independent Auditor's Report
- Financial Statements
- Notes to financial Statements

- It is very important that the financials are the responsibility of the District, not the auditors



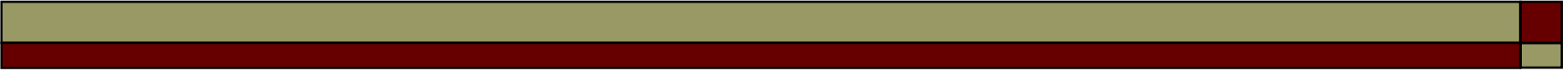
Performance Audit

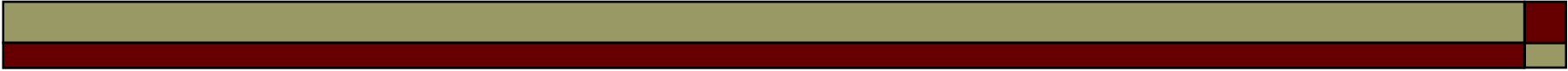
- ❑ Objectives
- ❑ Scope
- ❑ Procedures
- ❑ Conclusion



Objectives

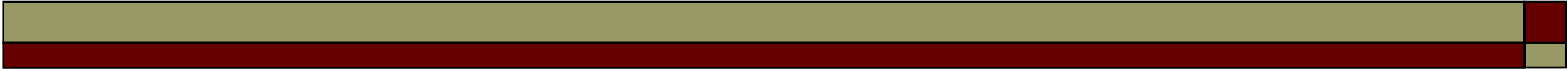
- ❑ Determine whether the expenditures charged to the Bond Fund have been made in accordance with the bond project list approved by the voters
- ❑ Determine whether investment income for unused bond monies were accounted for and recorded to the Bond Fund

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- Note any incongruities or system weaknesses and provide recommendations for improvement



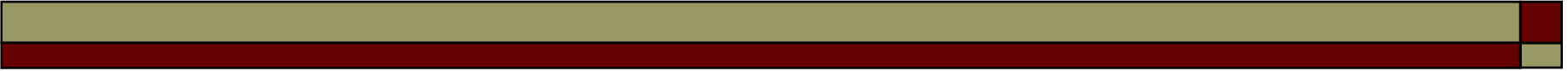
Scope

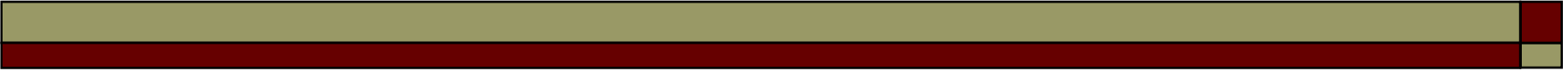
- The scope of the Performance Audit covered the fiscal year and include all object and project codes associated with the Bond Projects

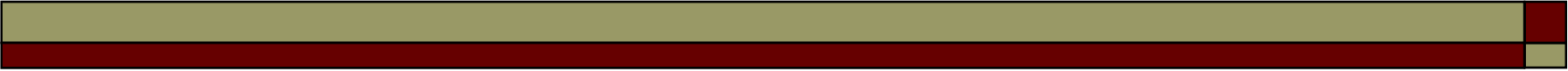


Procedures

- ❑ Obtain and Review the Master Plan Bond Project publicized list of intended projects
- ❑ Obtain an understanding of the internal controls over the procurement process
- ❑ Obtain detailed expenditures schedules for the intended Bond Projects for the fiscal year ended

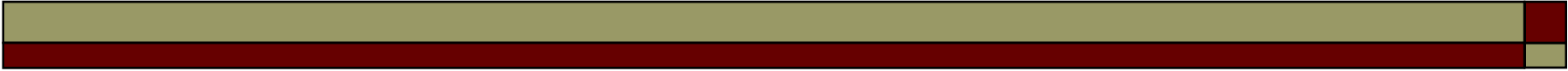
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- ❑ Verify the expenditure by site and project on the District financial statements provided to the Committee and agree to expenditures reported in the Bond Fund
 - ❑ Select sample of expenditures in the fiscal year and review supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, as applicable

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- Verify that the funds expended were:
 - Appropriately categorized
 - Used for school facilities project specified in the bond documents only such as construction, acquisition, furnishing and equipping of District facilities and not used for salaries of school administrators or other operating expenses
 - District policies and State laws and regulations were followed in awarding bids and expenditure of funds



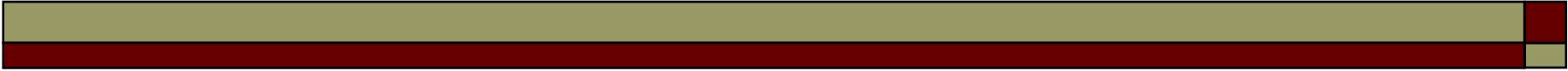
Conclusion

- ❑ Based on the procedures performed, auditors will conclude whether the District properly accounted for the expenditures and the expenditures comply with the requirements listed in Prop 39 and issue a report to the Oversight Committee
- ❑ In addition, auditors will issue recommendation letter to the District and Oversight Committee for the areas where weakness were found improvements are suggested



Common Audit Findings

- ❑ Lack of Segregation of Duties
- ❑ No formal written procurement policy and procedures
- ❑ No indication of review process were performed
- ❑ Immaterial supplies related to Prop 39 projects were not charged accordingly



Questions and Answers

Q: Can the District pay school employees who perform administrative oversight on construction projects funded by the bond proceeds?

A: According to the Legal Advisory 04-06 issued by the California Community Colleges Chancellor's Office, those expenses that would not exist but for the existence of the construction project may be paid by bond proceeds which include the annual performance and financial audit unique to Prop 39.