

UPDATES FROM THE AUDITORS

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TOPICS

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- Federal Compliance changes

GASB 68

GASB 68

- What is GASB 68 and how will it impact my district?
- In effect starting with fiscal years which begin after June 15, 2014 (for school districts, the 2014-15 fiscal year).
- Employees of local governments often earn two types of compensation in return for their effort: current compensation and deferred compensation.
 1. Current compensation – Salaries and other forms of compensation that are the amounts reflected in an employee’s paycheck during their employment.
 2. Deferred compensation – compensation that is not received until after the employee’s tenure with the government has concluded and vesting and age requirements have been met – mainly pension benefits.
- The employer has a present obligation to pay these deferred benefits in the future once they have been earned. This amount is referred to as the “total pension liability”.
- If the “total pension liability” exceeds the pension plan’s assets, there will be a “net pension liability”.

GASB 68

- In order to calculate the “total pension liability”, employers will need to project future benefit payments for current and former employees and their beneficiaries, discount those payments to their present value, and then allocate the present value over past, present, and future periods of employee service.
- CalPERS – will provide most of the calculated items to assist employers (including school districts) with the new reporting required.
 - Districts must request the information, which CalPERS expects to have available in Spring 2015
- CalSTRS – will include a Schedule of Proportionate Share of Contributions for Employers and a Schedule of Pension amounts for Employers in its June 30, 2014 financial statements.

GASB 68

- This “net pension liability” will then be reported in the government-wide statements ONLY. It will not be reported within the fund financial statements, similar to the GASB 45 liability or asset.
- Additional information will be reported in the required supplementary information section of the audit report, including:
 - A description of the plan and benefits provided
 - Significant assumptions employed in the measurement of the net pension liability
 - Descriptions of benefit changes and changes in assumptions
 - Assumptions related to the discount rate and the impact on the total pension liability of a 1 percentage point increase and decrease in the discount rate
 - Net pension liability and deferred outflows of resources and deferred inflows of resources

**AUDIT GUIDE UPDATE
FOR 2014-15**

LOCAL CONTROL ACCOUNTABILITY PLAN

1. Obtain a copy of the LEA's approved local control and accountability plan (LCAP) or annual update to the local control and accountability plan for the audit year.
2. Select a sample of actions or services the LEA described in Sections 3A and 3B of the plan that the LEA identifies as having actual expenditures.
3. Select a sample of actual expenditures for actions or services identified pursuant to 2. and examine supporting documentation to determine whether the expenditures were made consistent to the actions or services.
4. If the expenditures selected pursuant to 3. were not made consistent to the identified actions or services, so state in a finding.

LCAP (CONT.)

5. For county offices of education and school districts only, verify the LEA:
 - a. Presented the local control and accountability plan or approved annual update to the parent advisory committee in accordance with Education Code section 52062(a)(1) or 52068(a)(1), as appropriate.
 - b. If applicable, presented the local control and accountability plan or approved annual update to the English learner parent advisory committee, in accordance with Education Code section 52062(a)(2) or 52068(a)(2), as appropriate.
 - c. Notified members of the public of the opportunity to submit comments regarding specific actions and expenditures proposed to be included in the local control and accountability plan or approved annual update in accordance with Education Code section 52062(a)(3) or 52068(a)(3), as appropriate.
 - d. Held at least one public hearing in accordance with Education Code section 52062(b)(1) or 52068(b)(1), as appropriate.
 - e. Adopted the local control and accountability plan or approved annual update in a public meeting in accordance with Education Code section 52062(b)(2) or 52068(b)(2), as appropriate.
6. If the county office or school district was not in compliance with any of the requirements listed in (5), so state in a finding.

MIDDLE OR EARLY COLLEGE HIGH SCHOOLS

- 1.** Determine if the school district has a school that meets the definition of a middle college high school as described in Education Code section 11300 or early college high school as described in Education Code section 11302.
- 2.** Select a sample of pupils and determine if those pupils met the instructional time and enrollment conditions set forth in Education Code section 46146.5.
- 3.** State in a finding the number(s) of inappropriately reported units of ADA, by grade span, identified through the foregoing audit procedures and an estimate of their dollar value.

K-3 GRADE SPAN ADJUSTMENT

1. If the school district reported ADA for the audit year for kindergarten or grades 1 to 3, then select a representative sample of schoolsites that have pupils in those grades and verify the district's calculation of the average class enrollment for each sampled schoolsite for the school year 2012-13.
2. If the school district reported ADA for the audit year for kindergarten or grades 1 to 3, and provides documentation that the bargaining unit and school district have agreed to an alternative pursuant to Education Code section 42238.02(d)(3)(B) or (C) that is applicable to the audit year, then no further procedures in this section need to be performed. For additional information on K-3 grade span adjustments, see CDE's website at:
 - <http://www.cde.ca.gov/fg/aa/lc/lcfffaq.asp>.

K-3 GRADE SPAN ADJUSTMENT (CONT.)

3. If the school district reported ADA for 2014-15 for kindergarten or grades 1 to 3 and cannot provide documentation that the bargaining unit and school district have agreed to an alternative pursuant to Education Code section 42238.02(d)(3)(B) or (C) that is applicable to the audit year, select a representative sample of school sites that have pupils in those grades for the audit year and perform the following:
 - a. If the average class enrollment in 2012-13 was 24 pupils or less, then:
 - 1) Verify the mathematical accuracy of each school site's audit year "average class enrollment" as defined in title 5, California Code of Regulations, section 15498.1(f).
 - 2) Select a representative sample of classes in kindergarten and grades 1, 2, and 3, inclusive of combination classes, and verify the audit year "active enrollment count" as defined in title 5, California Code of Regulations, section 15498.1(d) and trace to supporting documentation.

K-3 GRADE SPAN ADJUSTMENT (CONT.)

3. b. If the average class enrollment in 2012-13 was more than 24 pupils, then:
 - 1) Verify the mathematical accuracy of the school site's calculation of the "maximum average class enrollment" as defined in title 5, California Code of Regulations, section 15498.1(g) for both the prior and audit year.
 - 2) Verify the mathematical accuracy of each school site's audit year "average class enrollment" as defined in title 5, California Code of Regulations, section 15498.1(f).
 - 3) Select a representative sample of classes in kindergarten and grades 1, 2, and 3, inclusive of combination classes, for the audit year and verify the "active enrollment count" as defined in title 5, California Code of Regulations, section 15498.1(d) and trace to supporting documentation.

K-3 GRADE SPAN ADJUSTMENT (CONT.)

4. If the testing in 3.a. resulted in any of the schoolsites “average class enrollment” exceeding 24 pupils, or if the testing in 3.b. resulted in any of the schoolsites “average class enrollment” exceeding the “maximum average class enrollment”, include a finding which shows the estimated amount of Kindergarten and Grades 1-3 grade span adjustment received as disallowed.

TRANSPORTATION MAINTENANCE OF EFFORT

1. Determine if the LEA had any transportation expenditures as specified in Education Code section 2575(k) or 42238.03(a)(6)(b) in the 2012-13 fiscal year.
2. If the LEA did have transportation expenditures in the 2012-13 fiscal year, request documentation to determine if the LEA expended at least that amount, or the amount of revenue received for that purpose in 2012-13 if that is less, in the fiscal year being audited as required by statute cited in 1. For information on 2012-13 transportation funding, see CDE's website at:
 - <http://www.cde.ca.gov/fg/fo/r14/pthsse12result.asp>.
3. If the LEA was not in compliance with the transportation expenditure requirements, report the noncompliance as a finding.

REGIONAL OCCUPATION CENTERS/PROGRAMS MAINTENANCE OF EFFORT

1. For the 2014-15 fiscal year only, determine if the LEA had any regional occupational centers or programs expenditures as specified in Education Code section 2575(k) or 42238.03(a)(7) in the 2012-13 fiscal year.
2. If the LEA had regional occupational centers or programs expenditures in the 2012-13 fiscal year, request documentation to determine if the LEA expended at least that amount, or the amount of revenue received for that purpose in 2012-13 if that is less, in the 2014-15 fiscal year as required by statute cited in 1. A COE may include expenditures made by a school district within the county, and a school district may include expenditures made by its COE within the school district. For information on 2012-13 regional occupational centers or programs funding, see CDE's website at:
 - <http://ias.cde.ca.gov/apportionment/ias.aspx?schoolyearid=2012&RptType=P2&CertType=Non>.
3. If the LEA was not in compliance with the regional occupational centers or programs expenditure requirements, report the noncompliance as a finding.

ADULT EDUCATION MAINTENANCE OF EFFORT

1. For the 2014-15 fiscal year only, determine if the LEA had any adult education expenditures as specified in Education Code section 2575(k) or 42238.03(a)(7) in the 2012-13 fiscal year.
2. If the LEA had adult education expenditures in the 2012-13 fiscal year, request documentation to determine if the LEA expended at least that amount, or the amount of revenue received for that purpose in 2012-13 if that is less, in the 2014-15 fiscal year as required by statute cited in 1. For information on 2012-13 adult education funding, see CDE's website at:
 - <http://ias.cde.ca.gov/apportionment/ias.aspx?schoolyearid=2012&RptType=P2&CertType=Non>.
3. If the LEA was not in compliance with the adult education expenditure requirements, report the noncompliance as a finding.

CALIFORNIA CLEAN ENERGY JOBS ACT

1. Select a representative sample of California Clean Energy Jobs Act expenditures and verify they were consistent with the plan, and any amendments, approved by the California Energy Commission pursuant to section 26235(f) of the Public Resources Code, and applicable California Energy Commission implementation guidelines.
2. Verify that the total expenditures for planning funds did not exceed the planning fund award amount.
3. Verify that the LEA was in compliance with section 26235(c) of the Public Resources Code (sole source).
4. If any California Clean Energy Jobs Act expenditures are found to have been made for nonqualifying purposes or not in accordance with law, list such expenditures by type and amount, and state the total in a finding.

CALIFORNIA CLEAN ENERGY JOBS ACT (CONT.)

5. If any of the approved projects from the Energy Expenditure Plan were completed between 12 and 15 months prior to any month in the audit year, determine if the LEA submitted a report of its project expenditures to the Citizens Oversight Board. If an LEA completes more than one project, determine that subsequent reports of project expenditures to the Citizens Oversight Board were submitted no later than the first full quarter following project completion. Pursuant to Public Resources Code section 26240(b) each expenditure report, to the extent practical, shall also contain information on any of the following:
- a. The total final gross project cost before deducting any incentives or other grants and the percentage of total project cost derived from the Job Creation Fund.
 - b. The estimated amount of energy saved, accompanied by specified energy consumption and utility bill cost data for the individual facility where the project is located, in a format to be specified by the Energy Commission.
 - c. The nameplate rating of new clean energy generation installed.
 - d. The number of trainees.
 - e. The number of direct full-time equivalent employees and the average number of months or years of utilization of each of these employees.
 - f. The amount of time between awarding of the financial assistance and the completion of the project or training activities.
 - g. The entity's energy intensity before and after project completion, as determined from an energy rating or benchmark system, to be determined by the Energy Commission.

CALIFORNIA CLEAN ENERGY JOBS ACT (CONT.)

6. Determine if any of the approved projects from the Energy Expenditure Plan include:
 - a. a school facility not publicly owned that is voluntarily vacated by the LEA within five years of the project completion and California Clean Energy Jobs Act funds have not been returned.
 - b. a school facility not publicly owned that an LEA is forced to vacate within the life of the project completion and California Clean Energy Jobs Act funds have not been returned.
 - c. facilities that are not used in accordance with state statute or regulation, have been torn down or remodeled or is deemed to be surplus and sold prior to the payback, as defined in the California Energy Commission's Proposition 39: California Clean Energy Jobs Act-- 2013 Program Implementation Guidelines, of the project and California Clean Energy Jobs Act funds have not been returned.
7. If the LEA did not submit a report of its project expenditures, or met any of the conditions in 6., include a finding identifying the project, the date the project was completed, the date and a description of the facility that met one of the conditions in 6., if applicable, including a disallowance of the funding received for that project.

AUDIT GUIDE REFRESHER

COMMON AUDIT ISSUES

- **Unduplicated Pupil Counts**
 - Ensure CALPADS reflects student data as of the collection date.
 - LEAs must retroactively change a student's FRPM eligibility if it is found to be different during the required audit of eligibility in November.
 - Students who are identified as speaking a language other than English as their primary language must be tested within 30 days of enrolling in the district.
- **Common Core funds must be spent prior to June 30, 2015.**

COMMON AUDIT ISSUES (CONT.)

■ Attendance

- If teachers are not consistently certifying attendance on a weekly basis, consider the possibility of getting an electronic signature system approved by the CDE.

■ Instructional Materials

- There is no longer a dollar impact associated with non-compliance, however, it is still a requirement.

■ ASES

- Early release policies should be consistent with the law and flexible enough to not overly burden staff or attendance constraints

FEDERAL COMPLIANCE CHANGES

FEDERAL COMPLIANCE CHANGES

- Uniform Guidance
- Applies to audits of non-Federal entities for fiscal years beginning on or after December 26, 2014. (2015-16 for school districts)
- Changes the Single Audit threshold from \$500,000 to \$750,000
- Updates to changes throughout, minimal operational changes on the management of federal funds side

THANK YOU