



BETTY T. YEE
California State Controller

November 29, 2022

To: K-12 Local Education Agencies (School Districts, County Offices of Education, and Charter Schools), Joint Powers Entities, and Certified Public Accountants Performing Audits of California K-12 Local Education Agencies:

Subject: Annual Audits for Fiscal Year 2021-22

This advisory provides information to assist independent auditors in performing the fiscal year (FY) 2021-22 audits of Local Education Agencies (LEA) and joint powers entities.

This audit advisory and general guidelines for audits of K-12 LEAs are available on the State Controller's website at www.sco.ca.gov/aud_k12_lea.html.

2021-22 GUIDE FOR ANNUAL AUDITS OF K-12 LOCAL EDUCATION AGENCIES AND STATE COMPLIANCE REPORTING

The audit guide is published by the Education Audit Appeals Panel (EAAP) pursuant to rulemaking procedures and incorporated by reference in Title 5, California Code of Regulations, §19810; the guide is available at www.eaap.ca.gov. The 2021-22 audit guide should be referenced as the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (2021-22 K-12 Audit Guide). Ensure that the applicable fiscal year is included in the title.

PROCEDURAL

1. FY 2021-22 audit reports must be filed with the State Controller's Office (SCO), the California Department of Education (CDE), local County Superintendent of Schools, and, if applicable, the chartering entity, by December 15, 2022. Independent auditors must submit to SCO one copy of the audit report by U.S. Postal Service or private carrier, or via Data Exchange Portal. Report submission instructions are posted on the SCO K-12 LEA website at www.sco.ca.gov/aud_k12_lea.html, under the Submissions category.

Name the electronic report file according to the entity name, document type, and fiscal year-end. For example, the following file names would be used for XYZ Unified School District:

- Report = XYZUnifiedRpt22.pdf
- Revisions = XYZUnifiedRevision22.pdf
- Revised Report = XYZUnifiedRevisedRpt22.pdf
- Management Letter Report = XYZUnifiedMgtLtr22.pdf
- Corrective Action Plan = XYZUnifiedCAP22.pdf

The electronic audit report files should be in **unsecured** PDF file format. Electronic files submitted in this format facilitate efficient processing of the annual audit reports.

2. The County Office of Education (COE) must submit its approved extension requests for submitting audit reports to SCO and CDE before December 15, 2022. The extension request must come from the COE and not the LEA or the certified public accountant (CPA). SCO will consent to the extension request only in extraordinary circumstances.

SCO does not grant extensions for charter school audits. An extension must be obtained through the chartering entity, and the chartering entity should notify SCO and CDE of the extension.

3. Charter school audit reports must contain on the cover the official name and the charter number of the charter school according to the charter school agreement and the name in the CDE school directory. If the charter school has another name, both names should appear on the cover to facilitate SCO's processing of the audit report receipt. The SCO desk review process may be significantly delayed if the charter school audit reports are not properly identified.
4. The auditor rotation requirements specified in California Education Code §41020(f)(2) apply to auditors who conduct LEA audits. California Education Code §41020(f)(2) makes it unlawful for a public accounting firm to provide audit services to the LEA if the lead audit partner, or coordinating audit partner responsible for the audit or for reviewing the audit, has performed audit services for the LEA in each of the six previous fiscal years. Consequently, a different audit firm and/or audit partners must be used in the seventh year, unless a waiver is obtained from the EAAP.
5. CPAs or public accountants planning to conduct LEA audits must be included in the SCO-published Certified Public Accountants Directory Service (CPADS). To be included in CPADS, the CPA or public accountant must submit a written request to SCO prior to conducting the audits. Instructions for submitting the request can be found on SCO's website at <http://cpads.sco.ca.gov/>.

In addition, if the auditor is performing an audit under Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the LEA must request a copy of the audit organization's peer review report, which the auditor is required to provide under generally accepted government auditing standards (Uniform Guidance Subpart F—Audit Requirements §200.509).

6. If the audit report contains a finding or findings that may be considered apportionment-significant, SCO will send the LEA a certification letter with information on its appeal rights. The LEA has 30 days from the date the U.S. Postal Service delivers the letter to request a summary review of any apportionment-significant audit finding or findings on the grounds of substantial compliance. In addition, the LEA has 60 days from delivery of the letter or 30 days following the conclusion of a summary review, with regard to the findings included in that review, to file a formal appeal of any apportionment-significant finding or findings on any of the grounds set forth in California Education Code §41344(d). For more information on audit finding appeals, visit the EAAP website at <http://eaap.ca.gov/appeals/>.
7. CDE is accepting only electronic versions of the FY 2021-22 audit reports. For instructions on how to submit the annual audit reports to CDE, see <http://www.cde.ca.gov/fg/au/ag/submitauditrpt.asp>.
8. CDE has posted the Calculator for Estimating the Cost of an Audit Finding at <http://www.cde.ca.gov/fg/au/ag/statecomp.asp>. The calculator is designed to assist LEAs and auditors in estimating the costs associated with audit findings for school districts and charter schools for the Local Control Funding Formula (LCFF) unduplicated pupil counts, LCFF K-3 grade-span adjustment, and failure to comply with instructional time requirements.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD UPDATES FOR FISCAL YEAR 2021-22

The following Governmental Accounting Standards Board (GASB) statements are effective for the FY 2021-22 financial statement audits:

- GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. Effective date: The requirements of this Statement are effective immediately.

The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later, as indicated below:

- Statement No. 87, Leases, and Implementation Guide 2019-3 – fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

- Statement No. 89, Accounting for Interest Cost Incurred before the end of Construction Period – reporting periods beginning after December 15, 2020.
- Statement No. 91, Conduit Debt Obligations – reporting periods beginning after December 15, 2021.
- Statement No. 92, Omnibus 2020, paragraphs 6 and 7 – fiscal years beginning after June 15, 2021.
- Statement No. 92, Omnibus 2020, paragraphs 8, 9, and 12 – reporting periods beginning after June 15, 2021.
- Statement No. 92, Omnibus 2020, paragraph 10 – government acquisitions occurring in reporting periods beginning after June 15, 2021.
- Statement No. 93, Replacement of Interbank Offered Rates, paragraphs 13 and 14 – fiscal years beginning after June 15, 2021, and all reporting periods thereafter.
- GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. Effective Date: The requirements of this Statement are effective as follows:
 - The requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.
 - The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021.
 - All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

Earlier application is encouraged and is permitted by specific requirement as follows:

- Paragraph 4 of this Statement as it applies to arrangements other than defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans.
- Paragraphs 6–9 of this Statement and the supersession of the remaining requirements of Statement 32 (as detailed in paragraph 3 of this Statement).

The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial

reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

- GASB Statement No. 98, The Annual Comprehensive Financial Report. Effective Date: This statement is effective for fiscal years ending after December 15, 2021.

This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

- GASB Statement No. 99, Omnibus 2022.

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

Effective Date: The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of the following are effective upon issuance: LIBOR (London Interbank Offered Rate); accounting for Supplemental Nutrition Assistance Program distributions; disclosures of nonmonetary transactions; pledges of future revenues by pledging governments; certification of certain provisions in GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis - for State Governments*, as amended; and terminology updates related to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.
- The requirements related to leases, public-private and public-public partnerships (PPP) and availability payment arrangements, and subscription-based information technology arrangements (SBITAs) are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB Statement No. 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

**CALIFORNIA DEPARTMENT OF EDUCATION UPDATES FOR FISCAL
YEAR 2021-22**

Educator Effectiveness Program Audit Finding

As a condition of receiving funds for educator effectiveness, LEAs must develop and adopt a plan for expenditure of funds and the plan must be explained in a public meeting of the governing board of the school district, county board of education, or governing body of the charter school before its adoption in a subsequent meeting. AB 181 (Chapter 52, Statutes of 2022) amended Education Code Section 41480(d) changed the adoption of the plan from December 30, 2021 to March 31, 2023.

The current 2021-22 audit guide procedures require the auditor to report a finding and recommend the LEA return the funds for Educator Effectiveness if the LEA was not in compliance with the plan adoption requirements. **If the LEA did not adopt the plan by December 30, 2021, the auditor should not recommend the return of funds, as the due date has been extended. The auditor should instead recommend that the LEA develop and adopt the plan by the new due date of March 31, 2023.**

STATE COMPLIANCE UPDATES FOR FISCAL YEAR 2021-22

- I. The Distance Learning compliance requirements and audit procedures were removed from the 2021-22 K-12 Audit Guide:
- II. The following compliance procedures were reinstated in the 2021-22 K-12 Audit Guide:
 - Report Components: Schedule of Average Daily Attendance
 - D. Independent Study
 - E. Continuation Education
 - M. Juvenile Court Schools
 - N. Middle or Early College High Schools
 - P. Transportation Maintenance of Effort
 - U. After/Before School Education and Safety Program
 - X. Local Control and Accountability Plan (LCAP)
 - Z. Immunizations
 - EE. Annual Instructional Minutes - Classroom Based

III. The following new procedures were added to the 2021-22 K-12 Audit Guide:

- AZ. Educator Effectiveness
- BZ. Expanded Learning Opportunities Grant (ELO-G)
- CZ. Career Technical Education Incentive Grant
- DZ. In Person Instruction Grant

IV. The following modifications/amendments in procedures were made to existing compliance requirements in the 2021-22 K-12 Audit Guide:

- **Report Components:** Schedule of Instructional Time required to display instructional minutes and instructional days requirements and actual minutes and days offered by the LEA.
- **B. Teacher Certification and Misassignments:** Amended to add Procedure 1.a that incorporates temporary flexibilities regarding administrative process and other requirements allowed by Executive Order N-3-22.
- **D. Independent Study:**
 - Updated Procedures 1 and 3 with additional clarification and directions.
 - Amended to add additional audit procedures to existing Procedures 1 and 3.
- **K. GANN Limit Calculations:** Amended to add Procedure 1.a for LEAs with excess limit in the 2020-21 fiscal year, due to statutory changes requires by Assembly Bill 130. Additional procedures will be applicable only to the 2021-22 fiscal year.
- **R. Comprehensive School Safety Plan:** Amended procedures for clarity.
- **W. Unduplicated Local Control Funding Formula Pupil Counts:** Amended to add a note regarding Executive Order N-18-21, clarifying that for some LEAs impacted by wildfire, additional students identified as English Learners in the 2021-22 CALPADS UPC Source File (K-12) were not included in CALPADS snapshot report 1.18.
- **X. Local Control and Accountability Plan:** Made technical amendments to Procedure 3, due to Local Control and Accountability Plan template amendments.
- **Y. Independent Study-Course Based:**
 - Amended to add various additional procedures to Procedures 1 and 2.
 - Amended to add clarification to Procedure 5.

- **BB. Mode of Instruction:** Amended to add Procedure 1.a.(1) to incorporate temporary flexibilities regarding administrative process and other requirements allowed by Executive Order N-3-22.
- **CC. Nonclassroom-Based Instruction/Independent Study:** Amended to add technical clarifications and additional procedures to Procedures 1, 2, and 4.

V. The following amendments were made to Appendix B and Appendix C:

- Appendixes B and C – Added Procedure I.B.2, which requires auditors to present the required schedules in the format established by the Office of Public School Construction (OPSC).
- Appendix B Procedure II.A.10 and Appendix C Procedure II.A.11 – Updated terminology used in the procedures and the required Table of Hard Construction Costs to more accurately describe the calculation of costs that is to be presented in the auditor’s report. The underlined terminology below is the current modification:

10. Obtain, by contacting the OPSC, the approval document that indicates that the LEA’s estimate of project costs required that 60 percent of the project funding be spent on hard construction costs. When the LEA submitted their application for funding, they certified that the cost estimate of construction work or construction contract(s) submitted to the Department of State Architect was greater than 60% of the total Project Costs (State Share and Required District Contribution grant). Prepare the table to report the percent the LEA spent on hard construction costs and display the table in the audit report. If audited hard costs are less than 60%, this does not result in an audit finding; the table is to be presented for information purposes only.

- Appendix B Procedure II.A.13 and Appendix C Procedures II.A.14 and II.B.17 – Updated procedures to add the following sentence to the end of the procedure:

Prepare the table to report the percent established for Restricted Maintenance Account and display the table in the audit report. The first year required to be audited and displayed is the fiscal year in which the funding was received. All subsequent fiscal years up to the year of the audit will be included in the audit and displayed in the table.

- Appendix B Procedure II.A.13 and Appendix C Procedures II.A.14 and II.B.17 – Added a table and note to the table, as follows:

	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	<u>Year 4</u>	<u>Year 5</u>
Fiscal Year Required Deposit					
Is District a Small School District?					
Warrant Release Date					
% Deposit Requirement					
Met RMA Requirement?					

Note: Per California Education Code section 17075.75, LEAs are required to deposit into the restricted maintenance account in each fiscal year for 20 years starting with the fiscal year in which funding was received. An additional column (Fiscal Year Required Deposit) may be added or deleted from the table as needed. Reimbursable projects may have two to three years of RMA deposits displayed in the table, and ongoing projects could have up to five fiscal years of RMA deposits displayed in the table.

- Appendix B Procedure II.A.13, and Appendix C Procedures II.A.14 and II.B.17 – Added an Information box, as follows:

<p>Information:</p> <p>If a district has a reimbursable project, it is likely that two to three years of deposits will be verified</p> <p><i>Example 1:</i> A district received its funding on April 15, 2020, and the audit began on May 1, 2021. As they received their funding on April 15, 2020, the first required deposit is for the 2019/2020 fiscal year. The 2020/2021 fiscal year will also be audited and displayed in the table, as the audit began during that fiscal year.</p> <p><i>Example 2 (Non-reimbursable project):</i> A district received its funding on March 24, 2021. The final expenditure report for the district’s high-school project was submitted on March 24, 2025, and the audit began on September 1, 2025. In this case, the following years would be verified and displayed in the table: fiscal years 2020/2021, 2021/2022, 2022/2023, 2023/2024, 2024/2025.</p>
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- Appendix B Procedure II.A.17, and Appendix C Procedures II.A.18 and II.B.9 – Updated procedures to add the following sentence to the end of the information boxes:

Obtain a copy of the required site clearance letter from DTSC. You can obtain a copy of the site clearance letter from the DTSC online EnviroStor.
<https://www.envirostor.dtsc.ca.gov/public/>.

- Appendix B Procedures II.A.21 and II.A.22, and Appendix C Procedures II.A.21, II.A.23, and II.B.18 – Updated to add the word “Required” before “District Contribution” in the Information box.

SINGLE AUDITS UNDER THE UNIFORM GUIDANCE

The following requirements are applicable if the LEA audit is subject to the single audit requirements under Uniform Guidance:

1. Independent Auditor’s Report on the Financial Statements:

If the Schedule of Expenditures of Federal Awards (SEFA) is referenced in the Supplementary Information section of the report, then the auditor should use the following statement: Schedule of Expenditures of Federal Awards, as required by Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. Schedule of Expenditures of Federal Awards (Uniform Guidance Subpart F—Audit Requirements §200.510[b]):

- Uniform Guidance requires the following to be presented on the face of the SEFA:
 - Total amounts provided to subrecipients from each federal program (§200.510[b][4]);
 - Total federal awards expended for loan or loan guarantee programs (§200.510[b][5]); and
 - The federal awards expended for each cluster of programs (§200.510[b][3]).
- The notes to the schedule must include a statement of whether or not the auditee elected to use the 10 percent de minimis indirect cost rate (§200.510[b][6]).

3. Report on Compliance and Internal Control Over Compliance Applicable to Each Major Program:

For guidance and examples of reports on compliance with requirements that could have a direct and material effect on each major federal program and on internal control over compliance issued under the audit requirements of Uniform Guidance, refer to the American Institute of Certified Public Accountants’ *Government Auditing Standards and Single Audits* with conforming changes as of April 1, 2022.

4. Schedule of Findings and Questioned Costs:

- Updated terminology and references have been incorporated into the Summary of Auditor’s Results in accordance with Uniform Guidance §200.515(d)(1).
- Findings relating to the financial statements must be reported in accordance with generally accepted government auditing standards (GAGAS).
- Findings and questioned costs for federal awards must include audit findings as defined in Uniform Guidance §200.516(a).

5. **Audit Findings Follow-up:**

- The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements, which are required to be reported in accordance with GAGAS (Uniform Guidance §200.511[a]).
- The summary schedule of prior audit findings must report the status of all audit findings included in the prior audit's schedule of findings and questioned costs (Uniform Guidance §200.511[b]).
- At the completion of the audit, the LEA must prepare, in a document separate from the auditor's findings described in Uniform Guidance §200.516, a corrective action plan to address each audit finding included in the current-year auditor's report (Uniform Guidance §200.511[c]).

REPORT CERTIFICATION COMPLIANCE REMINDERS

During the annual audit report certification process, SCO staff members spend a significant amount of time corresponding with independent auditors regarding audit report deficiencies. To expedite certification of audit reports for FY 2021-22, the SCO requests that auditors adhere to the following requirements when completing their audit reports. Failure to comply with these requirements will result in audit reports being rejected:

1. **LEA Organization Structure Description:** The description must be presented in the Supplementary Information section of the audit report as required in the 2021-22 K-12 Audit Guide (Report Components 4.a.).
2. **Schedule of Average Daily Attendance (ADA):** If there are any ADA adjustments due to audit findings, the schedule must display additional columns for the Second Period and Annual Reports reflecting the final ADA after audit finding adjustments, as required by the 2021-22 K-12 Audit Guide (Report Components 4.b.).

The schedule of ADA for charter schools must display total ADA and ADA that is generated through classroom-based instruction by grade span. For LEAs that include one or more charter schools in their financial statements, total ADA and classroom-based ADA for each charter school must be presented.

3. **Schedule of Instructional Time:** When a charter school is included in the sponsoring entity's audit report, a separate Schedule of Instructional Time for each classroom-based charter school must be included in the supplementary information section of the audit report as required by the 2021-22 K-12 Audit Guide (Report Components 4.c.).

The following is also required:

- For charter school reports, include the number of instructional days offered in the schedule of instructional time.

- For school districts and charter schools that received a Form J-13A approval, a list of the actual days in the Instructional Days Offered column, and columns that list the credited days per the approved Form J-13A and the total days offered, with the actual offering added to the amount of days credited per approved Form J-13A. A footnote should be included stating that the school district or charter school received an approved Form J-13A identifying the number of days approved.

4. **State Compliance Findings:** The financial impact of state compliance findings must be quantified, as applicable. The 2021-22 K-12 Audit Guide includes specific information that must be included in each finding. For example, for attendance findings, the 2021-22 K-12 Audit Guide requires that the audit report include a statement of the number of units of ADA that were inappropriately reported for apportionment and an estimate of their dollar value.

If quantification of financial impact is required to be included in a finding and the auditor determines that there is no financial impact based on the procedures performed, then the finding must describe the reasons for the auditor's conclusion.

The stated criteria should refer to a California state law or regulation that governs the program. It is not appropriate to cite the 2021-22 K-12 Audit Guide as the criterion.

5. **Federal Compliance Findings:** For single audits under Uniform Guidance, Federal award findings must be presented in accordance with Uniform Guidance, Subpart F—Audit Requirements, §200.516, as follows:

- **Reference number(s):** Each audit finding must include a reference number in the format meeting the requirements of the data collection form submission required by Uniform Guidance §200.512 – Report submission, paragraph (b). The format is 20XX-XXX;
- **Federal program(s) information:** The Assistance Listings title and number, federal award identification number and year, name of the federal agency, and name of the applicable pass-through entity;
- **Criteria or specific requirement:** Statutory, regulatory, or other citation;
- **Condition:** Facts that support the deficiency in the audit finding;
- **Cause:** Statement of cause that identifies the reason or explanation for the condition or the factors responsible for the finding;
- **Effect:** Clear, logical link to establish the impact or potential impact of the difference between the condition and criteria;

- **Questioned costs:** Identification of questioned costs and how they were computed. Known questioned costs must be identified by applicable Assistance Listings number(s) and applicable federal award identification number(s);
 - **Context:** Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit finding represents an isolated instance or a systematic problem. The auditor should report whether the sampling was a statistically valid sample;
 - **Identification as a repeat finding:** Identification of whether the audit finding was a repeat of a finding in the immediately prior audit and, if so, any applicable prior-year audit finding number(s);
 - **Recommendation:** Information to prevent future occurrences of the deficiency identified in the audit finding(s); and
 - **Views of responsible officials:** Views of the auditee and planned corrective actions.
6. **Elements of Audit Findings:** Each audit finding should be presented in the level of detail described in the Findings and Recommendations section of the 2021-22 K-12 Audit Guide (Report Components, 6.a.).

OTHER

In May 2020, the American Institute of Certified Public Accountants (AICPA) issued Statement on Auditing Standards (SAS) No. 141, *Amendment to the Effective Dates of SAS Nos. 134–140*. Due to the significant changes in the form and content of the auditor reports as a result of implementation of these standards, the State Controller’s Office provided an illustrative example of the *Independent Auditor’s Report on State Compliance* presented in the Appendix. Auditors must use the provided format for the Independent Auditor’s Report on State Compliance, and must provide an opinion on the LEA’s compliance with requirements described in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*.

The report illustration provided in the Appendix is not intended to be all-inclusive representation of the specific reporting requirements. The independent auditor performing the audit is responsible for identifying and applying the audit standards applicable to the audit period and the audit.

Additional authoritative reference materials that should be consulted in conducting the audit include, but are not limited to:

- AU-C – AICPA *Codification of Statements on Auditing Standards*;
- GAGAS – *Government Auditing Standards* (Yellow Book), published by the Comptroller General of the United States;

- GASB – Governmental Accounting Standards Board *Codification of Governmental Accounting and Financial Reporting Standards*, issued by the Governmental Accounting Standards Board;
- Code of Federal Regulations - Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and
- K-12 Audit Guide – *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, published by the State of California Education Audit Appeal Panel.

The SCO's FY 2021-22 LEA Desk Review Checklist will be available on the SCO website at www.sco.ca.gov/aud_k12_lea.html by December 15, 2022.

If you have any questions or need additional information, please contact the Division of Audits, LEA Unit, by telephone at (916) 324-6442, or by email at leaaudits@sco.ca.gov.

Sincerely,

Original signed by

KIMBERLY TARVIN, CPA
Chief, Division of Audits

KT/lr

21263

cc: Tony Thurmond, State Superintendent of Public Instruction
California Department of Education

Appendix— Illustrative Independent Auditor’s Report on State Compliance

[Independent Auditor’s Letterhead]

Governing Board
California Unified School District
City, CA XXXXX

INDEPENDENT AUDITOR’S REPORT ON STATE COMPLIANCE

Report on Compliance

Opinion^{1, 2}

We have audited the California Unified School District’s (District) compliance with the requirements specified in the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the District’s state program requirements identified below for the year ended June 30, 2022.

In our opinion, California Unified School District complied, in all material respects, with the laws and regulations of the state programs noted in the table below for the year ended June 30, 2022.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with the compliance requirements referred to above.

¹ If non-compliance results in a modified opinion, the auditor should include a section with an appropriate heading, indicating the basis for the modified opinion, and include a description of such non-compliance in an accompanying Schedule of Findings and Questioned Costs. See AU-C Section 935.35 for additional guidance.

² If the auditor expresses a modified opinion (qualified, adverse, or disclaimer), the auditor should use a heading that indicates the type of opinion expressed (e.g. Qualified Opinion). See AU-C Section 705 for additional guidance.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above, and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the California Unified School District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances;
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and

- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

2021-22 K-12 Audit Guide Procedures	Procedures Performed ³
Local Education Agencies Other than Charter Schools:	
A. Attendance	_____
B. Teacher Certification and Misassignments	_____
C. Kindergarten Continuance	_____
D. Independent Study	_____
E. Continuation Education	_____
F. Instructional Time	_____
G. Instructional Materials	_____
H. Ratio of Administrative Employees to Teachers	_____
I. Classroom Teacher Salaries	_____
J. Early Retirement Incentive	_____
K. GANN Limit Calculation	_____
L. School Accountability Report Card	_____
M. Juvenile Court Schools	_____
N. Middle or Early College High Schools	_____
O. K-3 Grade Span Adjustment	_____
P. Transportation Maintenance of Effort	_____
Q. Apprenticeship: Related and Supplemental Instruction	_____
R. Comprehensive School Safety Plan	_____
S. District of Choice	_____
School Districts, County Offices of Education, and Charter Schools:	
T. California Clean Energy Jobs Act	_____
U. After/Before School Education and Safety Program	_____
V. Proper Expenditure of Education Protection Account Funds	_____
W. Unduplicated Local Control Funding Formula Pupil Counts	_____
X. Local Control and Accountability Plan	_____
Y. Independent Study-Course Based	_____
Z. Immunizations	_____
AZ. Educator Effectiveness	_____
BZ. Expanded Learning Opportunity Grant (ELO-G)	_____
CZ. Career Technical Education Incentive Grant	_____
DZ. In Person Instruction Grant	_____
Charter Schools:	
AA. Attendance	_____
BB. Mode of Instruction	_____
CC. Nonclassroom-Based Instruction/Independent Study	_____
DD. Determination of Funding for Nonclassroom-Based Instruction	_____
EE. Annual Instructional Minutes – Classroom Based	_____
FF. Charter School Facility Grant Program	_____

³ Indicate “Yes”, “No”, or “N/A.” If the response is “No” or “N/A,” include a statement explaining why procedures were not performed or not applicable.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Other Matters⁴

The results of our auditing procedures disclosed instances of noncompliance, which are described in the accompanying Schedule of Findings and Questioned Costs as items [*List finding reference numbers, for example, 2022-001 and 2022-002*].

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2021-22 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

[Manual or printed signature of the auditor's firm]

[City and state where the auditor's report is issued]

[Date of the auditor's report]

⁴ If noncompliance is not identified in the Schedule of Findings and Questioned Costs, the *Other Matters* section should be omitted.