



**MALIA M. COHEN**  
California State Controller

December 12, 2023

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 2022-23**

This advisory provides information to assist independent auditors in performing the fiscal year (FY) 2022-23 audits of local education agencies (LEAs) and joint powers entities.

This audit advisory and general guidelines for audits of K-12 LEAs are available on the State Controller's Office (SCO) website at [www.sco.ca.gov/aud\\_k12\\_lea.html](http://www.sco.ca.gov/aud_k12_lea.html).

**2022-23 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](http://www.eaap.ca.gov). The 2022-23 audit guide should be referenced as the *2022-23 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* (2022-23 K-12 Audit Guide). Ensure that the applicable fiscal year is included in the title.

**PROCEDURAL**

1. FY 2022-23 audit reports must be filed with the SCO, the California Department of Education (CDE), the local County Superintendent of Schools, and, if applicable, the chartering entity, by December 15, 2023. Independent auditors must submit to the SCO one copy of the audit report via the SCO's Data Exchange Portal. Report submission instructions are posted on the SCO K-12 LEA website at [www.sco.ca.gov/aud\\_k12\\_lea.html](http://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 = XYZUnifiedRpt23.pdf
- Revisions = XYZUnifiedRevision23.pdf
- Revised Report = XYZUnifiedRevisedRpt23.pdf
- Management Letter Report = XYZUnifiedMgtLtr23.pdf
- Corrective Action Plan = XYZUnifiedCAP23.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 must submit its approved extension requests for submitting audit reports to the SCO and CDE before December 15, 2023. The extension request must come from the County Office of Education and not the LEA or the certified public accountant (CPA). The 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 the 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 the 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 the SCO prior to conducting the audits. Instructions for submitting the request can be found on the SCO 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, the SCO will send the LEA a certification letter with information on its appeal rights. The LEA has 30 days from the date on which 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 2022-23 audit reports. For instructions on how to submit the annual audit reports to CDE, see <https://www.cde.ca.gov/fg/au/ag/index.asp>.
8. CDE has posted the Calculator for Estimating the Cost of an Audit Finding at <https://www.cde.ca.gov/fg/au/ag/penaltycalc.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 unduplicated pupil counts, Local Control Funding Formula K-3 grade-span adjustment, and failure to comply with instructional time requirements.

### **GOVERNMENTAL ACCOUNTING STANDARDS BOARD UPDATES FOR FISCAL YEAR 2022-23**

The following Governmental Accounting Standards Board (GASB) statements are effective for the FY 2022-23 financial statement audits:

- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements. This Statement is effective for fiscal years beginning after June 15, 2022.

The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnerships arrangements.

- GASB Statement No. 96, Subscription-Based Information technology Arrangements. The Statement is effective for periods beginning after June 15, 2022.
- 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.

The requirements of this Statement are effective as follows:

- The requirements related to extending the use of the following are effective as of April, 2022: London Interbank Offered Rate (LIBOR); 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 and availability payment arrangements, and subscription-based information technology arrangements 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.

### **STATE COMPLIANCE UPDATES FOR FISCAL YEAR 2022-23**

The following compliance requirements and audit procedures were removed from the 2022-23 K-12 Audit Guide:

- DZ. In Person Instruction Grant

The following new compliance requirements and audit procedures were added to the 2022-23 K-12 Audit Guide:

- TT. Home to School Transportation Reimbursement
- UU. Independent Study Certification for ADA Loss Mitigation
- EZ. Transitional Kindergarten

The following modifications/amendments in procedures were made to existing compliance requirements in the 2022-23 K-12 Audit Guide:

- **B. Teacher Certification and Misassignments:** Procedure 1.a was deleted due to the expiration of temporary flexibility allowed by Executive Order N-3-22.

- **D. Independent Study:**
  - Various procedures were amended to incorporate requirements of Education Code section 51747.
  - Technical amendments were made in Procedures 1 and 3.
  - Procedures 3.h.(10), 3.o, and 3.p were deleted.
- **K. GANN Limit Calculations:** Procedure 1.a was deleted, as it was applicable only for the FY 2021-22 audits.
- **W. Unduplicated Local Control Funding Formula Pupil Counts:**
  - The note regarding the LEAs impacted by wildfire as identified in Executive Order N-18-21 was deleted, as it applies only to FY 2021-22.
  - Technical amendments were made to Procedure 1.
- **X. Local Control and Accountability Plan:** Technical amendments were made to Procedure 3 to conform to Education Code section 52064(b)(7).
- **Y. Independent Study – Course Based:**
  - Several procedures were modified due to technical changes.
  - Procedures 1 and 2 were amended to incorporate requirements of Education Code sections 51749.5 and 51749.6.
  - Procedures 2.1 and 2.m were deleted, as these requirements apply only to FY 2021-22.
- **Z. Immunizations:** References to the 2021-22 fiscal year pertaining to Average Daily Attendance (ADA) were deleted.
- **AZ. Educator Effectiveness:** Procedures 1 and 2 were amended, and Procedures 3 and 4 were added, due to changes in Education Code section 41480.
- **BZ. Expanded Learning Opportunities Grant:**
  - Technical amendments were made to Procedure 2.
  - Procedures 3, 4, and 5 were deleted.
  - The final procedure was re-numbered and updated to reference Procedures 1 and 2 instead of the deleted procedures.
- **BB. Mode of Instruction:** Procedure 1.a (1) was deleted due to the expiration of temporary flexibility allowed by Executive Order N-3-22.
- **CC. Nonclassroom-Based Instruction/Independent Study:**
  - Technical amendments were made in Procedures 4.g and 4.h.

- Various procedures were amended to align with updated requirements on Education Code section 51747.

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

- Appendix B – Amendments
  - Technical amendments and additional audit procedures were added regarding modular school facilities piggyback contracts entered after August 21, 2022. Six sub-procedures were added to each of the following sections of Appendix B:
    - I. Initial Steps, B. Documents Needed to Audit – All Projects, Procedure 1
    - II. Non-Financial Hardship Projects, A. Closeout Audit, Procedure 8
    - II. Non-Financial Hardship Projects, B. Reduced to Costs Incurred, Procedure 15
    - III. Financial Hardship Projects, A. Closeout Audit, Procedure 9
    - III. Financial Hardship Projects, B. Reduced to Costs Incurred, Procedure 16
    - IV. Career Technical Education, A. Closeout Audit, Procedure 8
    - IV. Career Technical Education, B. Reduced to Costs Incurred, Procedure 8
    - V. Charter School Facilities Program, A. Closeout Audit, Procedure 9
    - V. Charter School Facilities Program, B. Reduced to Costs Incurred, Procedure 8
- Appendix B – Additions and Deletions
  - Additional procedures were added related to savings to each section of Appendix B, as follows:
    - III. Financial Hardship Projects, A. Closeout Audit, Procedures 22-23
    - III. Financial Hardship Projects, C. Savings Audit, Procedures 1-3
    - IV. Career Technical Education, A. Closeout Audit, Procedures 14-16
    - IV. Career Technical Education, C. Savings Audit, Procedures 1-3
    - V. Charter School Facilities Program, A. Closeout Audit, Procedures 22-23
    - V. Charter School Facilities Program, C. Savings Audit, Procedures 1-3
  - Two procedures related to savings and unspent funds were deleted in each section of Appendix B listed above.

- Appendix C – Amendment
  - Technical amendments and additional audit procedures were added regarding modular school facilities piggyback contracts entered after August 21, 2022. Six sub-procedures were added to each of the following sections of Appendix C:
    - I. Initial Steps, A. Identify if LEA has project ready for Audit, Procedure 1 (b), Reduction to Costs Incurred
    - I. Initial Steps, B. Documents Needed to Audit – All Projects, Procedure 1
    - II. Full-Day Kindergarten Program, A. Closeout Audit, Procedure 8

### **SINGLE AUDITS UNDER 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 is referenced in the “Other Matters” 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 Schedule of Expenditures of Federal Awards:
  - Total amounts provided to subrecipients from each federal program (§200.510[b][4]); and
  - Total federal awards expended for loan or loan guarantee programs (§200.510[b][5]).
- The schedule must now include a total for each cluster of programs (§200.510[b][3]).
- The notes to the schedule must include a statement as to whether or not the auditee elected to use the 10% 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' governmental illustrative auditor's reports from the 2023 guide with conforming changes as of October 8, 2023.

#### 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 2022-23, 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 2022-23K-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 2022-23 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 2022-23 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, list the actual minutes and days in the Instructional Minutes Offered and Instructional Days Offered columns, add columns that list the credited minutes and days per the approved Form J-13A and the total minutes and days offered with the actual offering added to the number of minutes and 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 and minutes approved.
  - For school districts and charter schools that are pending a Form J-13A approval, list the actual minutes and days in the instructional minutes and days offered columns, and add columns that list the minutes and days per the submitted Form J-13A and the total minutes and days including pending Form J-13A, adding the actual offering to the amount of minutes and days that may be credited per the submitted Form J-13A. Include a footnote stating that the school district or charter school is pending a Form J-13A approval and identifying the number of days and minutes that may be approved.
  - Report a finding if the actual instructional minutes or days offered did not meet the instructional time requirements, as the LEA is not in compliance with the instructional time requirements.
4. **State Compliance Findings:** The financial impact of state compliance findings must be quantified, as applicable. The 2022-23 K-12 Audit Guide includes specific information that must be included in each finding. For example, for attendance findings, the 2022-23 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. The estimated cost of inappropriately reported ADA must be reported in the audit finding regardless of the LEA's funding basis.

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 2022-23 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):** A reference number for each finding in the format that meets the requirements of the data collection form submission required by Uniform Guidance §200.512 – Report submission, paragraph (b). The format is 201X-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 Listing 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 2022-23 K-12 Audit Guide (Report Components, 6.a.).

**OTHER**

The SCO's FY 2022-23 LEA Desk Review Checklist will be available on the SCO website at [www.sco.ca.gov/aud\\_k12\\_lea.html](http://www.sco.ca.gov/aud_k12_lea.html) by December 15, 2023.

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](mailto:leaaudits@sco.ca.gov).

Sincerely,

*Original signed by*

KIMBERLY TARVIN, CPA  
Chief, Division of Audits

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