

LONG BEACH UNIFIED SCHOOL DISTRICT

OVERALL PLAN TO ACCOMPLISH THE MEASURE K BOND PROGRAM AUDITS For the Year Ended June 30, 2013

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BACKGROUND INFORMATION

In November 2000, the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school districts and community colleges under certain circumstances and subject to certain conditions.

Pursuant to the requirements of Proposition 39 and related State legislation, the Board of Trustees of the District had appropriately established a Citizens' Oversight Committee. The principal purpose of the Citizens' Oversight Committee, as set out in State law, is to inform the public as to the expenditures made using the proceeds of the bonds issued pursuant to the Measure K bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C), Article XIII A of the California Constitution allows for bonded indebtedness for the following:

- Construction, reconstruction, rehabilitation or replacement of school facilities
- Furnishing and equipping of school facilities
- Acquisition or lease of real property for school facilities

In regards to the allowed uses, the following accountability requirements must be met:

- Proceeds from the sale of bonds be used only for the purposes listed above and not for any other purpose, including administrator salaries and other school operating expenses
- A list of the specific school facilities projects to be funded and a certification that the District evaluated safety, class size reduction and information technology needs in developing the list
- An annual independent performance audit be conducted to ensure that the funds have been expended only on the specific projects listed
- An annual independent financial audit be conducted to ensure the bond proceeds have been expended for the school facilities projects. This type of audit will be done until all proceeds have been expended.

Senate Bill No. 1473 added section 15286 to the Education Code to clarify that the independent financial and performance audits are to be conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. The Education Code is effective for reports issued after January 1, 2011. As a result, the Auditor's opinion letter for the performance audit was revised beginning with the June 30, 2011 audit. Although the law has

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defined the specific standards to be employed, they do not vary significantly from the attestation standards utilized in previous audits including the requirement to:

- Be independent
- Use professional judgment
- Have the appropriate continuing education in government accounting
- Ensure quality control and peer review process is in place

Two Senate Bills are currently being considered by the Education Committee of the California State Senate, which could impact audit requirements and oversight of K-12 School District Prop 39 bonds.

- (1) Senate Bill 584 would require the Education Audit Appeals Panel (EAAP) to develop an audit manual for Prop 39 performance audits. The development of an audit manual could increase the scope of a performance audit and remove some of the flexibility Districts currently have in deciding the type of performance audit they desire.
- (2) Senate Bill 581 calls for several changes. It would:
 - (a) Require the District's auditor file electronic copies of both the Prop 39 financial and performance audits with the State Allocation Board (SAB),
 - (b) Elevate the authority of the SAB by allowing them to contribute to the Prop 39 audit guide, and
 - (c) Amend the Ed Code to require that the State Controller to also have input on the audit guides for Prop 39 audits.

SCOPE OF THE AUDITS

The scope of our audits will cover the fiscal period from July 1, 2012 through June 30, 2013 and include all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources will not be included within the scope of our audit. Expenditures incurred subsequent to June 30, 2013 will not be reviewed for compliance. Our performance audit will be limited to the objectives outlined below.

AUDIT SERVICES/PROCEDURES-PERFORMANCE AUDIT

Our audit will be made in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on the following audit objectives:

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- Document the expenditures charged to the Long Beach Unified School District Measure K Bond Program Fund (hereinafter referred to as the “Measure K Fund”).
- Determine whether expenditures from July 1, 2012 through June 30, 2013, charged to the Measure K Fund, have been made in accordance with the bond project authorization approved by the voters through the approval of Measure K in November 2008 (“Bond Projects”).
- Note any incongruities or system weaknesses and provide recommendations for improvement.
- Provide the District Board and the Measure K Citizens’ Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

AUDIT SERVICES/PROCEDURES-FINANCIAL AUDIT

We will conduct our audit of the Measure K Bond Fund in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We will audit the Balance Sheet, Statement of Revenues, Expenditures and Change in Fund Balance and Statement of Revenues, Expenditures and Change in Fund Balance – Budget and Actual for the Measure K Bond Fund of the Long Beach Unified School District as of and for the year ended June 30, 2013.

TIMING OF THE AUDITS

Our audits will be performed in three phases: (1) planning, (2) test of controls, risk assessment, and compliance testing, and (3) account balance procedures. Our planning and test of controls, risk assessment and compliance testing will take place in the spring and account balance procedures will take place in October. We will maintain regular contact with appropriate members of management to ensure all due dates will be met.