

Memorandum

*Serious drought.
Help Save Water!*

To: RIHUI ZHANG, Chief
DIVISION OF LOCAL ASSISTANCE

Date: April 21, 2015

File: P1560-0007

From: MARSUE MORRILL, Chief *Marsue*
External Audits – Local Governments
Audits & Investigations

Subject: **Pre-award Audit – Lompoc Unified School District**

At the request of Caltrans Audits and Investigations, the State Controller's Office (SCO) conducted a preaward audit of the Lompoc Unified School District (District) to determine if the District's financial management system is adequate to accumulate and segregate reasonable, allowable, and allocable project costs and has procurement policies and procedures in compliance with 49 CFR, Part 18.

Based on audit work performed by the SCO, we determined the District's financial management system is adequate to accumulate and segregate reasonable, allowable and allocable project costs and has procurement policies and procedures in compliance with 49 CFR, Part 18.

The report is solely for the information of the District, Caltrans Management, Caltrans District 5, the California Transportation Commission and the Federal Highway Administration. However, this report is a matter of public record and its distribution is not limited. In addition, this report will be placed on the Caltrans website.

If you have any questions, please contact Alice Lee, Audit Manager, at (916) 323-7953.

Enclosure

RIHUI ZHANG

April 21, 2015

Page 2 of 2

- c: Margarita Reyes, Finance Director, Lompoc Unified School District
- Shirley Ranard, Budget Analyst, Lompoc Unified School District
- Janice Richard, Director, Financial Services, Federal Highway Administration
- Jermaine Hannon, Director, Planning and Air Quality, Federal Highway Administration
- Kara Magdaleno, Administrative Program Assistant Planning and Finance,
Federal Highway Administration
- John Hoole, Acting Chief, Bridge Bond and Safety Programs
- Winton Emmett, Chief, Office of Project Implementation-North, Division of Local
Assistance
- Robert Nguyen, Acting Chief, Office of Project Implementation-South, Division of Local
Assistance
- Adam Ambrosini, Senior Transportation Engineer, Caltrans Division of Local
Assistance
- Garin Schneider, Senior Transportation Engineer, Caltrans District 5
- Lai Huynh, Audits and Federal Performance Measures Analyst, Caltrans Division of Local
Assistance
- David Saia, LAPM/LAPG Coordinator, Caltrans Division of Local Assistance

LOMPOC UNIFIED SCHOOL DISTRICT

Audit Report

**PREAWARD AUDIT
CALTRANS CONTRACT NO. 77A0044
(Audit Request No. P1560-0007)**

July 1, 2013, through June 30, 2014



BETTY T. YEE
California State Controller

April 2015



BETTY T. YEE
California State Controller

April 17, 2015

MarSue Morrill, Chief
External Audits-Local Governments
Audits and Investigations, MS 2
California Department of Transportation
1304 O Street, Suite 200, MS 2
Sacramento, CA 95814

Dear Ms. Morrill:

The State Controller's Office (SCO) conducted a pre-award audit of the Lompoc Unified School District.

The purpose of the audit was to determine whether the district is 1) in compliance with the requirements identified in Caltrans Local Assistance Procedures Manual, Chapter 5, Accounting/Invoices, 2) has sufficient accounting controls to properly manage federal and state funded projects, and 3) has procurement policies and procedures that are in compliance with Title 49, *Code of Federal Regulations*, Part 18.36.

We determined that the district's accounting system appears adequate to properly capture costs and that the project costs were allowable, reasonable, and in compliance with applicable federal and state laws and regulations, and the fiscal provisions stipulated in the contract.

The audit has determined that the District has a capable accounting system to accumulate and segregate, direct and indirect labor costs by project; however, the District has never had a need to segregate employees into multiple projects for the purposes of reimbursement. Even though the District plans to hire only one full time employee that will directly work on the Active Transportation Program project funded by Caltrans, processes to segregate all labor costs by direct and indirect projects should be implemented in order to contract with Caltrans.

If you have any questions, please contact Andrew Finlayson, Chief, State Agency Audits Bureau, by telephone at (916) 324-6310.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/gj

Contents

Audit Report

Summary	1
Background	1
Objectives, Scope, and Methodology	2
Conclusion	3
Views of Responsible Officials.....	3
Restricted Use	3

Audit Report

Summary

The State Controller's Office (SCO) conducted a pre-award audit of Lompoc Unified School District (LUSD).

The purpose of the audit was to determine whether the district is 1) in compliance with the requirements identified in Caltrans Local Assistance Procedures Manual, Chapter 5, Accounting/Invoices, 2) has sufficient accounting controls to properly manage federal and state funded projects, and 3) has procurement policies and procedures that are in compliance with Title 49, *Code of Federal Regulations*, Part 18.36.

We determined that the district's accounting system appears adequate to properly capture costs and that the project costs were allowable, reasonable, and in compliance with applicable federal and state laws and regulations, and the fiscal provisions stipulated in the contract.

Background

The district was incorporated as a unified school district in 1960. LUSD operates under a locally elected five-member board form of government and provides educational services to grades K-12 as mandated by the State and/or federal agencies. The district provides education programs for 9,800 students in the Lompoc Valley area at nine elementary schools, two middle schools, one continuation high school, two senior high schools, one adult education program, and one independent study program.

LUSD applied for a \$411,000 Safe Routes to School program grant. Safe Routes to School, overseen by the California Transportation Commission, is one of several transportation programs included in the Active Transportation Program (ATP), which was created to encourage increased use of active modes of transportation, such as biking and walking. With a population of approximately 40,000, the Lompoc Valley community is considered a small urban region, qualifying for the 10% of ATP funding reserved for small urban and rural regions with populations of 200,000 or fewer persons.

The audit was performed by the SCO on behalf of Caltrans (Audit Request No. P1560-0007). The authority to conduct this audit is given by:

- Interagency Agreement No. 77A034, dated June 1, 2014, between the SCO and Caltrans, which provides that the SCO will perform audits requested by Caltrans.
- Government Code section 12410, which states, "The Controller shall superintend the fiscal concerns of the state. The Controller shall audit all claims against the state and may audit the disbursement of any money, for correctness, legality, and for sufficient provisions of law for payment."

Objectives, Scope, and Methodology

The scope of the audit was limited to select financial and compliance activities. The audit also included tests of individual accounts in the general ledger and supporting documentation to assess allowability, allocability, and reasonableness of costs, and an assessment of the internal control system.

We conducted this pre-award audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was conducted to determine whether the district is 1) in compliance with the requirements identified in Caltrans Local Assistance Procedures Manual, Chapter 5, Accounting/Invoices, 2) has sufficient accounting controls to properly manage federal and state funded projects, and 3) has procurement policies and procedures that are in compliance with Title 49, *Code of Federal Regulations*, Part 18.36.

To achieve our audit objectives, we performed the following audit procedures:

- Reviewed the agency's prior audit reports;
- Reviewed the agency's written policies and procedures relating to accounting systems, procurement, and project/contract management;
- Interviewed employees, completed the internal control questionnaire, and performed a system walk-through in order to gain an understanding of the agency's internal controls, accounting systems, timekeeping and payroll systems, and procurement and billing processes; and
- Performed a limited test of controls on a haphazard sample of transactions to confirm and validate existing documented processes and procedures.

We did not audit Lompoc Unified School District's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that the district could properly manage Federal and State funded projects. In addition to developing appropriate auditing procedures, our review of internal control was limited to gaining an understanding of the transaction flow, accounting system, and applicable controls to determine the district's ability to accumulate and segregate reasonable, end to and allowable, properly manage federal and state funded projects.

Conclusion

We determined that Lompoc Unified School District's accounting system appears adequate to capture costs and that the project costs were allowable, reasonable, and in compliance with applicable federal and state laws and regulations and the fiscal provisions as stipulated by the contract. Our audit determined the District's accounting system is capable of accumulating and segregating direct and indirect labor costs by project; however, the District does not need to segregate employees into multiple projects for the purposes of reimbursement. Even though the District plans to hire only one full-time employee to work directly on the Active Transportation Program project funded by Caltrans, the District should implement processes to segregate all labor costs by direct and indirect projects in order to contract with Caltrans.

**Views of
Responsible
Officials**

We discussed our audit results with the district's representatives during an exit conference conducted on March 25, 2015. Margarita Reyes, Finance Director, and Shirley Ranard, Budget Analyst, agreed with the audit results. Ms. Reyes declined a draft audit report and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of the Lompoc Unified School District, the California Department of Transportation and the SCO. It is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

April 17, 2015

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>