

# Memorandum

*Serious drought.  
Help Save Water!*

**To:** RIHUI ZHANG, Chief  
DIVISION OF LOCAL ASSISTANCE

**Date:** April 21, 2015

**File:** P1560-0003

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

**Subject:** **Pre-award Audit – San Juan Unified School District**

At the request of Caltrans Audits and Investigations, the State Controller's Office (SCO) conducted a preaward audit of the San Juan Unified School District (District) to determine if the District's financial management system was 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 3, the California Transportation Commission and the FHWA. 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

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- c: Fil Duldulao, Finance Director, San Juan 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
- Stella Liao, Senior Transportation Engineer, Caltrans the District 3
- Lai Huynh, Audits and Federal Performance Measures Analyst, Caltrans Division of Local  
Assistance
- David Saia, LAPM/LAPG Coordinator, Caltrans Division of Local Assistance

**SAN JUAN UNIFIED SCHOOL  
DISTRICT**

Audit Report

**PREAWARD AUDIT  
CALTRANS CONTRACT NO. 77A0044  
(Audit Request No. P1560-0003)**

*July 1, 2013, through June 30, 2014*



**BETTY T. YEE**  
California State Controller

April 2015



**BETTY T. YEE**  
California State Controller

April 16, 2015

Zilan Chen, 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. Chen:

The State Controller's Office (SCO) conducted a preaward audit of San Juan Unified School District.

The purpose of the audit is 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.

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/lis

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## Audit Report

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# Audit Report

## Summary

The State Controller's Office (SCO) conducted a preaward audit of San Juan Unified School District (SJUSD). The purpose of the audit is 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. The district provides quality education options through offerings at more than 62 school sites in the areas of Sacramento, Carmichael, and Citrus Heights. It covers 75 square miles of Sacramento County and serves more than 42,000 students. The staffing level includes more than 5,000 employees. The district consists of five board members who are elected at large by the community to four-year terms. It hears views of the public, sets district policies and goals, decides how to prioritize and spend the district's funds, communicates with other school boards and government bodies, oversees employee relations, approves contracts, and establishes curriculum and standards.

The SJUSD applied for a \$250,000 Safe Routes to School program grant. Safe Routes to School, overseen by the California Transportation Commission (CTC), 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.

The audit was performed by the SCO on behalf of Caltrans (Audit Request No. P1560-0003). The authority to conduct this audit is given by:

- Interagency Agreement No. 77A0044, 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 the 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 performance audit in accordance with the 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 report;
- 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 San Juan 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 department's ability to accumulate and segregate reasonable, allowable costs.

## **Conclusion**

We determined that San Juan 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 did not disclose any reportable conditions.

**Views of  
Responsible  
Officials**

We discussed our audit results with the district's representative during an exit conference conducted on April 7, 2015. Fil Duldulao, Director of Accounting, agreed with the audit results. Ms. Duldulao 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 San Juan 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 16, 2015

**State Controller's Office  
Division of Audits  
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