

# **PROGRAM AUDIT OF THE CALIFORNIA CLEAN ENERGY JOBS ACT**

## **PROPOSITION 39 PROGRAM**

Audit Report for July 1, 2019, through June 30, 2020



## PRESENTED BY:

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# Agenda

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- Audit Authority and Objectives
- Audit Scope
- Audit Methodology – Local Education Agencies (LEAs)
- Audit Methodology – Community College Districts (CCDs)
- Audit Results (Findings)
- Audit Results (Observation)
- Questions



# Audit Authority, Objectives, Scope, and Methodology

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# Audit Authority and Objectives

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The State Controller's Office and the Citizens Oversight Board entered into a two-year contract on July 21, 2020 to:

- Develop an audit plan to include a selection of projects completed during FY 2019-20 (80% LEAs and 20% CCDs) and conduct a performance audit to determine compliance with Proposition 39 Program Guidelines.
  - The audit will determine that:
    - (1) selected projects adhered to CEC's Program Implementation Guidelines (for LEAs) and the CCCCO's Proposition 39 Implementation Guidelines (CCDs), and
    - (2) each energy expenditure plan was approved in accordance with the CEC's Energy Expenditure Plan Handbook (for LEAs) and Proposition 39 Implementation Guidelines (for CCDs).



# Audit Authority and Objectives

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The two-year contract also included additional engagements to:

- Develop an audit plan to include a selection of projects completed during FY 2020-21 (80% LEAs and 20% CCDs) and conduct a performance audit to determine compliance with Proposition 39 Program Guidelines, and
- Conduct a financial statement audit of the Job Creation Fund for FY 2018-19, FY 2019-20, and FY 2020-21. This audit will include an opinion stating whether the financial statement amounts are correct in all material respects.



# Audit Authority and Objectives

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The latest contract included a new provision to verify the existence of school buses purchased through the State's Bus Replacement Program. Information provided by the CDE supported funding to the following districts included in our current-year audit plan:

- Anaheim Elementary School District - \$2,501,732;
- Madera Unified School District - \$1,660,045; and
- Thermalito Union Elementary School District - \$1,660,047



However, California schools were closed for FY 2020-21 while following statewide COVID-19 protocols and we could not verify the existence of school buses purchased by these LEAs.



# Audit Scope

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As of June 30, 2020, California schools reported the following completed project costs under the Proposition 39 Program:

- Local Education Agencies – 313 LEAs totaling \$213,837,359
- Community College Districts – 31 CCDs totaling \$36,403,651





# Audit Scope

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From the listing of completed projects, we judgmentally selected for audit:

- 16 LEAs with reported total expenditures of \$30,994,040 (14.5% of the total), and
- 4 CCDs with reported total expenditures of \$8,184,571 (22.5% of the total).

( Our selections included both urban and rural districts throughout various areas of the State)



# Audit Methodology - LEAs



## We determined whether:

- Planning funds were expended properly and unused funds were applied to project implementation;
- LEAs submitted an Energy Expenditure Plan (EEP) to the CEC consistent with their project priorities;
- The CEC approved the EEPs in compliance with the Proposition 39 Program Implementation Guidelines and EEP Handbook;
- The approved EEPs included all of the required components;
- The final report from the LEA included all information outlined in Public Resource Code sections 26240(b)(1) through section 26240(b)(7) and submitted it timely;
- LEAs used a competitive bid process and did not use a sole-source process to award project funds;
- LEAs had signed contracts identifying project specifications, costs, and energy savings; and
- Project costs incurred were adequately documented and supported.



# Audit Methodology - CCDs

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## We determined whether:

- CCDs submitted a Proposition 39 Funding Application to the California Community Colleges Chancellor's Office (CCCCO), which approved the application consistent with CCCCCO Implementation Guidelines;
- CCDs submitted a "Call for Projects" form identifying projects as energy efficiency or renewable energy generation;
- Proposition 39 Close-out Project Completion Forms and the Annual Project Expenditure Report submitted to the CCCCCO contained all the required information and were submitted timely;
- CCDs used a competitive bid process and did not use a sole-source process to award project funds;
- CCDs had signed contracts identifying project specifications, costs, and energy savings; and
- Project costs incurred were adequately documented and supported.





**Controller Betty T. Yee**  
California State Controller's Office

# Audit Results (Monetary Findings)

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## Sole-Sourced Contracts – Sole-sourced contracts totaled:

- \$1,411,867 (\$1,065,574 for six LEAs and \$346,293 for two CCDs). [Note - \$34,513 of the amount for CCDs is also identified as an ineligible expenditure].

## Ineligible Expenditures – Ineligible Project Costs totaled:

- \$40,321 (\$5,808 for one LEA and \$34,513 for one CCD). The LEA received and expended more than approved and the CCD expended funds for a project it described as “ADA Parking Lot Resurfacing.”



# Audit Results (Monetary Findings)

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Unspent Funds – One LEA had unspent planning funds totaling \$25,355 and two LEAs had unspent program implementation funds totaling \$102,725. The districts spent less on their approved energy projects than they received.

Unspent Interest Earnings – Two LEAs earned interest totaling \$37,992 on their Proposition 39 allocations but did not expend the earnings on their approved energy projects. Neither district has a remaining eligible energy project on which to expend the earned interest.



# Audit Results (Non-Monetary Findings)

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Energy Savings Not Identified – Signed contracts did not specify required projected energy savings for eleven LEAs and three CCDs.

No signed contracts – Five LEAs and two CCDs had project expenditures that were not supported with signed contracts. Two of the LEAs incurred expenditures with multiple vendors that were not supported by signed contracts.

Final Project Completion Reports Submitted After the Deadline – Final project completion reports were submitted to the CEC more than 15 months after the deadline for twelve LEAs.



# Audit Results (Non-Monetary Findings)

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## Violation of Energy Payback Period

We found that the Children of Promise Preparatory Academy (a charter school) closed on June 30, 2020 when the Inglewood Unified School District denied renewal of its charter. The school's facilities are currently vacant and for sale as a school site. A court-appointed receiver is handling the disposition of the school's assets.

The school completed its energy projects in 2018 using \$241,822 of Prop 39 funds with energy payback periods of 7 years for lighting and 27.7 years for its HVAC system. The school is potentially in violation of the energy payback period until the facilities continue being used as a school site.

We recommended that the CEC monitor this situation.





# Audit Results (Observation)

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One LEA received Proposition 39 funds exceeding the amounts in its approved EEP, totaling \$235,475. We brought this issue to the attention of CDE. CDE agrees that the district received excess payments likely due to changes made in planning fund budgets and the lack of final project completion reports when apportioning funds, although the amount may actually be \$46,373. The difference of \$189,102 consists of unidentified revenues posted to the LEA's designated Proposition 39 revenue account. The revenues are unidentified because the did district did not provide support during the audit for the source of the revenues.

This issue is labeled as an Observation because reconciling funds apportioned by the CDE to final EEP amounts approved by the CEC is not an objective of our audit. However, audit standards require that we report the issue, as it requires the attention of management.



# Questions

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