

January 19, 2023

Michelle Gilman, Commissioner
State of Connecticut
Department of Administrative Services
450 Columbus Blvd.
Hartford, CT 06103

Re: State of Connecticut (“State”) School Construction Grant Program

Dear Commissioner Gilman:

The State of Connecticut Department of Administrative Services (the “DAS”) retained Marcum LLP to assess the Office of School Construction Grants Program final school project audits’ compliance with the DAS established Audit Program and Compliance Checklist for the period from January 2018 through December 2021. This analysis included re-performing certain steps within the Audit Program and Compliance Checklist, with a focus on the financial records, systems, and controls related to funds provided through the State’s School Construction Grant Program.

The following report describes our procedures, findings, and recommendations. We appreciate the opportunity to assist you in this matter.

Kind regards,

Marcum LLP



Jeffrey C. Solomon, CPA
Partner

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**STATE OF CONNECTICUT
DEPARTMENT OF ADMINISTRATIVE SERVICES**

SCHOOL CONSTRUCTION GRANT PROGRAM

MARCUM LLP REPORT

January 19, 2023

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INTRODUCTION AND ENGAGEMENT OBJECTIVES

The State of Connecticut Department of Administrative Services (the “DAS”) retained Marcum LLP (“Marcum,” “we,” “our”) to assess the Office of School Construction Grant Program final school project audits’ compliance with the DAS established Audit Program and Compliance Checklist (see Appendix B for On-Site and Limited Scope Audit Programs defining the specific processes and procedures required to be followed by the DAS in performing their audits) for the period from January 2018 through December 2021. This analysis included re-performing certain steps within the Audit Program and Compliance Checklist, with a focus on the financial records, systems, and controls related to funds provided through the State’s School Construction Grants Program.

I. LIMITATIONS AND DISCLAIMERS

Our services entail neither the rendering of legal advice by Marcum, its partners or staff, nor the compilation, review, or audit of financial statements or internal controls, as those terms are defined by the AICPA. Our services were performed in accordance with the Statements on Standards for Consulting Services issued by the AICPA. Because our services are limited in nature and scope, they cannot be relied upon to discover all documents and other information or provide all analyses that may be of importance in this matter.

We have not and shall not be deemed to assume any duties or obligations to any third party. This report is limited to the specific scope of work agreed to with the DAS, including through discussions with the School Audit Team within the DAS Business Office to establish an understanding of the processes, tools, and forms utilized by the DAS in performing their audits of school construction grants awarded from January 2018 through December 2021. In preparing this report, Marcum used professional care and diligence and relied upon information provided by the DAS, the Connecticut General Statutes (“CGS”), and other sources for our analysis. No representation or warranty, express or implied, is made by Marcum as to the accuracy or completeness of the information relied upon.

II. BACKGROUND

Within the State, the School Building Projects Advisory Council, established pursuant to Section 10-292q(b) of the Connecticut General Statutes, provides the Connecticut School Construction Standards and Guidelines for Local Educational Agencies (“LEAs”) (“the Standards and Guidelines”) embarking on a school building project through the Office of School Construction Grants & Review (“OSCGR”).

II. BACKGROUND (Continued)

The Standards and Guidelines have been developed to provide consistent, clear information for LEAs and Design Professionals and to establish a uniform level of quality and cost for all of Connecticut's public school buildings. They are the culmination of standards, "best practices," accepted procedures, statutory and regulatory requirements, and the experience of experts and authorities across the United States and apply to all new school construction and new additions to existing buildings. Renovation to existing facilities will adhere to the Standards and Guidelines, whenever possible, as approved by OSCGR.¹

Further, the DAS has defined thresholds for the types of construction audits required of its team for testing the school building projects - desk audit for projects below \$1 million; limited scope audits for projects from \$1 million to \$5 million; and on-site audits for projects greater than \$5 million. During the period under scope for our test procedures, audit files were permitted to be accumulated and completed in manual or electronic format, or in a combination of both.

Marcum was engaged to assess historical compliance from January 2018 to December 2021 with the DAS established Audit Program and Compliance Checklist, including re-performing certain steps within the Audit Program and Compliance Checklist, with a focus on the financial records, systems, and controls related to funds provided through the State's School Construction Grants Program.

III. ENGAGEMENT APPROACH

Marcum was engaged by the DAS to assess and analyze existing DAS audit files for 111 school construction projects (see Appendix A). The projects spanned 2018 to 2021 and entailed 43 separately listed districts as provided by the DAS. The scope of work for this engagement did not include outreach to the school districts, nor did we perform any work on site at the school districts. The School Audit Team within the DAS Business Office served as the direct, and sole, point of contact for the Marcum team during the engagement.

We were provided with the Audit Program and Compliance Checklist master document that DAS teams utilized in previously auditing the in-scope school construction projects. Project files were available either manually or in electronic format.

¹ State of Connecticut Department of Administrative Services – *Connecticut School Construction Standards and Guidelines, September 22, 2016*

III. ENGAGEMENT APPROACH (Continued)

The major phases of our engagement entailed the following:

- a) Understanding the DAS established Audit Programs and Compliance Checklists, both for On Site audits and Limited Scope audits (see Appendix B, where the specific processes and procedures required to be followed by the DAS in performing their audits are specified);
- b) Examining project files from 2018 to 2021, including the Audit Program and Compliance Checklist, related support documents that were provided to us by the DAS in the manual and electronic project files, and the DAS final Audit Report for each project;
- c) Where applicable:
 - Reviewing the Audit Program and Compliance Checklist for level and accuracy of documentation; accuracy was assessed when support documents were available and were required to match records of the LEAs;
 - Reviewing Audit Program and Compliance Checklist steps and agree steps performed to applicable supporting documentation that was referenced for consistency;
 - Recalculating required calculations;
 - Tracing support documentation (primarily general contractor invoices) to related general ledgers and other reports; and
 - Reviewing requirements to start school construction audit within two years of grant commitment.
- d) Meeting with members of the DAS School Construction Audit team to better understand the audit process; and
- e) Documenting our findings and related recommendations.

IV. FINDINGS AND RECOMMENDATIONS

Based on the electronic and manual files provided, as well as meetings with the DAS School Construction Audit team, the following are the findings and recommendations resulting from our work. The findings, which are based on the School Construction Grant files provided to Marcum, are detailed below and supported by Appendix A, which lists the 111 projects in scope and summarizes the findings by project.

IV. FINDINGS AND RECOMMENDATIONS (Continued)

Findings and Recommendations

1. Overall, your Audit Program should be revised to specify the work that is required and the work that is being performed. The Audit Program should include required testing thresholds where applicable. Further, the Audit Program should avoid using vague or broad terms where possible. For instance, in certain areas the Audit Program denotes “all invoices” are subject to review or certain validation procedures; however, we were informed that sampling is most often performed. The Audit Program should be specific on the amount of coverage required for any test area, including the testing required based on the applicable volume of transactions and invoices. Marcum also prepared an alternative example of an audit program that incorporates best practices (see Appendix C), and has shared this Audit Program with the DAS team. Overall, a completed Audit Program should allow for the user to easily re-perform the steps completed by the preparers.
2. The Audit Program testing is based on statutory requirements, and thus typically results in auditing larger invoices for General Contractors, which make up a significant amount of the total costs for each project. Based on best practices, the DAS may want to consider also incorporating a review of a sample of transactions related to subcontractors and smaller vendors to ensure compliance is consistent with all grant funds being expended, as smaller expenditures that may normally be outside of the audit scope are a risk area if they are rarely tested during the audits.
3. For many of the Audit Programs, multiple steps appear to be left blank or marked as “N/A.” In either instance, best practices dictates that there should be additional documentation as to why the Audit Program step was skipped or considered not applicable. Providing such explanations will cut down on missed Audit Program steps and also allow for a more efficient and effective review process.
4. For the audits completed by the DAS, related project files were provided to us. The files consisted of both hard-copy workpapers and support documents, as well as workpapers and support documents that were maintained in electronic format. Overall, there should be a consistent audit approach developed amongst paper and electronic test work, as well between various document preparers (those within the school districts who are responsible for providing support documentation) and reviewers (those within the DAS that are responsible for completing the Audit Programs). The lack of a uniform audit file can make it difficult to follow for outside reviewers and leads to inconsistencies in the audit support.
5. In order to improve the ease of following the Audit Programs and the efficiency in reviewing the project folders, consider developing a standard list of workpaper references that better align with the Audit Program steps. Clear and transparent workpaper references should be considered prior to implementing an updated audit program.

IV. FINDINGS AND RECOMMENDATIONS (Continued)

6. In certain projects/instances, the reimbursement rates did not match the support in the project file. In such instances, clear documentation should be made to document any legislation overriding the statutorily required rate.
7. In all project files, including electronic files, a finalized, signed and reviewed PDF version of the Audit Program should be maintained. This includes final signoff of all steps and reviewer signoff. Further, consider mandating all audit files be prepared, where possible, and maintained, in all cases, in an electronic format going forward.

While the DAS has defined thresholds for the types of construction audits required (desk audit for projects below \$1 million; limited scope audits for projects from \$1 million to \$5 million; and on-site audits for projects greater than \$5 million), based on our testing and inquiries we noted certain instances where other guidelines were followed (in all cases, a higher level of audit was performed than necessary). In some of these instances, it appears that the DAS audit engagement letter, which is provided by the DAS to the LEA and details the documents requested by the DAS for the performance of their audit, provided to the school districts covered multiple projects, which in total correlated to the level of audit efforts incurred. In other instances, the school districts received an individual DAS audit engagement letter for each project, even though one audit was performed with a scope that covered multiple projects.

Additionally, based on discussions with the DAS management, it was noted that in certain instances, the DAS will bundle projects. This involves the DAS taking potentially five projects that each individually would be desk audits, but combined rise to the level of an on-site audit. The DAS would then audit each of the 5 projects at an on-site scope. This resulted in more higher scope audits being performed, but the exact rationale for the audit scope was not noted. There were no engagements noted where a higher scope audit should have been performed, but the DAS opted to perform a lower scope audit.

Overall, when bundling projects together for purposes of auditing, it should be clearly documented when and why the audit process deviates from the established thresholds. Risk and efficiency should be considered and documented to support the reason for deviating from the prescribed thresholds.

8. Step 3 in the preliminary Audit Program (Appendix B) calls for listing out the Open Project Number; however, this step was listed as “N/A” for almost every audit we assessed. We would anticipate that the project number assigned to the school construction job would be listed out in this step, or recommend that the step is removed from the audit program.

IV. FINDINGS AND RECOMMENDATIONS (Continued)

9. Overall, more frequent communications between the DAS, OSCGR, and the municipality undertaking the school construction projects should be established, particularly for projects that span greater than 12 months. The OSCGR process should be clearly understood by the audit team, including specific information on approved construction expenses; known and/or potential issues; ineligible costs and any possible concerns or focus areas; legislative changes; current grant project schedules; and any other relevant information that is applicable to each unit's mission.

Further, establishing expectations from the application forward, inclusive of both the level of detail required and timelines that should be adhered to, should serve to greatly increase the effectiveness and efficiency of the audits. If this is communicated up front, the municipalities will need to compile the information along the way, rather than spending a greater amount of time to do so at project completion. These additional check-in points would streamline the work and better manage resources across DAS and OSCGR, as well as keep municipalities more involved, as they will likely get their final reimbursement sooner if the files are complete, accurate, and in a consistent format.

Additionally, an enhanced communication process will establish a timelier audit trail and allow the DAS to report on the progress of projects to the Local Educational Authorities (“LEAs”) on a more regular and more informed basis. Under the current process, the DAS may not know at any point in time when school construction project documents will be provided to them for audit. To the extent possible, we recommend using live schedules, starting at the point of estimating the project start date and ending with the estimated completion date. The estimated dates can be updated, as regularly as desired but not less than annually, by OSCGR and the municipality.

10. State statute requires that construction of a school start within two years of grant commitment, and the Compliance Questionnaire suggests that work needs to begin within two years after the effective date of the General Assembly Authorization. In certain instances, work began prior to this authorization, and in certain instances work began more than two years after the authorization. Where work started prior to authorization, there was no audit finding because a district begins work at its own risk – if they do not subsequently receive a grant commitment, they will not be reimbursed by the state for that work. Where work started more than two years after the authorization, districts would not be eligible for reimbursement absent approval for this deviation through special legislation. In these instances, documentation and evidence of approval for this deviation was not noted in the file. Regardless, the Compliance Questionnaire should be revised to clarify that work beginning prior to authorization will not result in an audit finding.
11. It is recommended that the DAS establish a formal policy dictating the time period for which audit documents should be maintained. Based on the AICPA Auditing Standard AU-C Section 230, paragraph .17, “After the documentation completion date, the auditor should not delete or discard audit documentation of any nature before the end of the specified retention period.”

Appendix A

State Performed				Findings (See Legend)			
Audit Type	District	Project #	Electronic or Paper	{A}	{B}	{C}	{D}
Desk	Naugatuck	088-0071RR	Paper				☒
Limited Scope	Hartford	064-0260 CV	Electronic			☒	
Limited Scope	Hartford	064-0266 BE/CV	Electronic			☒	
Limited Scope	South Windsor	132-0079 CV	Paper				
Limited Scope	South Windsor	132-0080 RR	Paper				☒
Limited Scope	South Windsor	132-0081 RR	Paper				☒
Limited Scope	South Windsor	132-0084 RR	Paper				☒
Limited Scope	South Windsor	132-0082 RR	Paper				☒
Limited Scope	Milford	084-0196 RR	Paper				
Limited Scope	Milford	084-0192 RR	Paper				
Limited Scope	Milford	084-0190 RR	Paper				
Limited Scope	New Hartford	092-0037RR	Paper				
Limited Scope	Milford	084-0201 RR	Paper				
Limited Scope	Milford	084-0193 RR	Paper				
Limited Scope	Canton	023-0031 RR	Paper			☒	
Limited Scope	Vernon	146-0137 RR	Paper				☒
Limited Scope	Vernon	146-0135 RR	Paper				
Limited Scope	Vernon	146-0138 RR	Paper				☒
Limited Scope	Berlin	007-0066 RR	Paper			☒	
Limited Scope	Tolland	142-0080 RR	Paper				
Limited Scope	Brooklyn	019-0030 RR	Paper			☒	
Limited Scope	Ansonia	002-0059 RE	Paper				
Limited Scope	Vernon	146-0139 RR	Paper			☒	
Limited Scope	Brooklyn	019-0029 RR	Paper			☒	
Limited Scope	Windham	163-0078 RR	Paper			☒	
Limited Scope	Region #6	206-0054 RR	Paper			☒	
Limited Scope	Windham	163-0073 RR/CV	Paper				
Limited Scope	Hartford	064-0300 A	Paper			☒	
Limited Scope	Hartford	064-0288 CV	Paper				☒
Limited Scope	Tolland	142-0085 CV	Paper				☒
Limited Scope	West Haven	156-0140 RR	Electronic				
Limited Scope	Stamford	135-0273 A/EC	Paper			☒	
Limited Scope	East Hartford	043-0233 RR	Paper		☒		
Limited Scope	Stamford	135-0272 RR	Paper				
Limited Scope	Stamford	135-0262 CV	Paper				
Limited Scope	Side by Side	18DASYC2700001 EA	Paper				
Limited Scope	New Hartford	18DASYC0920038 ECCV	Paper				
Limited Scope	Milford	084-0198 RR	Paper				
Limited Scope	Milford	084-0191 RR	Paper				
Limited Scope	Milford	084-0197 RR	Paper				
Limited Scope	Milford	084-0199 RR	Paper				
On-site	Naugatuck	088-0067 RNV	Electronic		☒	☒	
On-site	New Canaan	090-0044 RNV/E	Electronic		☒	☒	
On-site	Oxford	108-0028 N	Electronic			☒	
On-site	Hartford	064-0291 MAG/EA	Electronic & Paper		☒		
On-site	Hartford	064-0292 MAG/EA	Electronic				
On-site	Bethel	009-0057 EA	Electronic		☒		
On-site	Bloomfield	011-0077 EA/RR	Electronic		☒	☒	
On-site	Bloomfield	011-0075 A/RR	Electronic			☒	
On-site	Wallingford	148-0147 VA/VE	Electronic & Paper			☒	☒
On-site	New London	095-0085 MAG/EA	Electronic			☒	
On-site	New London	095-0084 MAG/EA	Electronic		☒		
On-site	Danbury	034-0138 EA/RR	Electronic			☒	
On-site	Bloomfield	011-0076 EA	Electronic			☒	
On-site	Woodbridge	167-0025 A/RR/EC	Electronic				
On-site	Bloomfield	011-0078 EA	Electronic				
On-site	Tolland	142-0081 RE	Electronic				
On-site	Common Grounds Charter	268-0001 E	Electronic			☒	☒
On-site	Danbury	034-0139 EA	Electronic		☒	☒	☒

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Appendix A (Continued)

Type	District	Project #	Electronic or Paper	Findings (See Legend)			
				{A}	{B}	{C}	{D}
On-site	Norwalk	103-0241 EA	Electronic			☒	
On-site	Darien	035-0111BE/PF/A	Electronic		☒	☒	
On-site	Danbury	034-0140 EA	Electronic			☒	
On-site	Danbury	034-0141 EA	Electronic			☒	
On-site	Naugatuck	088-0068 RNV/BE	Electronic		☒	☒	
On-site	Danbury	034-0147 RR	Electronic				
On-site	Naugatuck	088-0070 RR	Electronic			☒	
On-site	Fairfield	051-0125 EA	Electronic & Paper		☒	☒	
On-site	Hartford	064-0303 RNV/EA	Paper			☒	
On-site	Shelton	126-0081 RNV/EA	Paper				
On-site	East Hartford	043-0236 A/BC	Paper				☒
On-site	Hartford	064-0304 MAG/EA	Paper				
On-site	Learn	245-0087 MAG/N	Paper			☒	
On-site	Hartford	064-0298 EA/RR	Paper			☒	
On-site	Bolton	012-0039RNV/E	Paper		☒	☒	
On-site	Bristol	017-0076 N/PS	Paper				
On-site	Bristol	017-0081 RR	Paper			☒	
On-site	Amistad - New Haven	289-0001 N/PS	Paper			☒	
On-site	Bristol	017-0077 N/PS	Paper		☒	☒	☒
On-site	Bolton	012-0038 BE/RNV	Paper				
On-site	Hartford	064-0294 RNV/A	Paper				
On-site	Hartford	064-0299 RNV/A	Paper				☒
On-site	Hartford	064-0296 EA/RR	Paper				
On-site	ACES	244-0037 MAG/EA	Paper		☒	☒	
On-site	New Haven- Bishop Woods	093-0352 N	Paper				☒
On-site	Canton	023-0028 EA	Paper				
On-site	Fairfield	051-0112 EA	Paper			☒	
On-site	Bridgeport	015-0156 RNV	Paper			☒	
On-site	Manchester	077-0224 RNV/E	Paper				
On-site	Salem	121-0017 RR/CV	Paper				
On-site	Waterbury	151-0254 N	Paper			☒	
On-site	Fairfield	051-0121 EA	Electronic & Paper				☒
On-site	Fairfield	051-0123 RR	Electronic & Paper				☒
On-site	Hartford	064-0246 RNV/E	Electronic & Paper			☒	☒
On-site	Hartford	064-0293 MAG/EA	Electronic & Paper				
On-site	Manchester	077-0209 RNV/PS	Paper				
Limited Scope	West Haven	156-0137A(L)	Electronic				
Limited Scope	New London	095-0080 A	Electronic				
Limited Scope	New London	095-0075 RE	Electronic			☒	
Limited Scope	New London	095-0077 A/CV	Electronic			☒	
Limited Scope	Windham	163-0072 RR	Electronic				
Limited Scope	Hartford	064-0275 RR	Paper				
Limited Scope	Hartford	064-0276 RR	Paper				
Limited Scope	Hartford	064-0297 MAG/RE	Paper				
On-site	Hamden	062-084 N	Electronic			☒	
On-site	Stamford	135-0259 MAG/N/PS	Paper				
On-site	Elm City	289-001 N/PS	Paper				
On-site	Norwalk	103-0242 EA	Paper			☒	
On-site	Hartford	064-0290 MAG/EA	Unknown	☒			
On-site	Hartford	064-0287 MAG/N	Unknown	☒			
On-site	Hartford	064-0279 MAG/N/PS	Unknown	☒			
On-site	Hartford	064-0270 MAG/E	Unknown	☒			
				4	14	46	19

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Appendix A (Continued)

<u>Total Projects Engaged to Review</u>	
On-Site	62
Limited Scope	48
Desk	1
	<u>111</u>

Finding Legend

- {A}** Audit File was not provided by the DAS. However, the issued audit report was provided. No procedures were performed over the project noted; each of these relates to Hartford projects for which special legislation was issued.
- {B}** Per review of the audit program, steps call for obtaining the final general contractor invoice and agreeing the invoice to the final general ledger. In these instances, the final general contractor invoice was not maintained or did not agree to the general ledger.
- {C}** During the course of our analysis, we noted certain steps/information on the State Audit Programs were not accurately completed (i.e. item marked as Yes, but should have been No; inconsistency in ineligible cost reporting). However, all steps in the State Audit Programs were completed.
- {D}** State statute requires that construction of a school start within two years of grant commitment, and the Compliance Questionnaire suggests that work needs to begin within two years after the effective date of the General Assembly Authorization. In certain instances, work began prior to this authorization, and in certain instances work began more than two years after the authorization.

Appendix B

ON SITE AUDIT PROGRAM

Preliminary:

1. Prior to performing the audit, review and be familiar with the following reference materials available within TBO:
 - (a) CGS – Chapter 173 – Public School Building Projects (for the applicable time period)
 - (b) School Construction Grant Regulations
 - (c) School Construction Grants Manual
 - (d) School Construction Policy Book
 - (e) Reimbursement Percentage File
2. Check OSCGR database and project files to confirm that the grant has not been audited.
3. Open project number
4. Obtain the following documents from the OSCGR project files:
 - (a) Final grant calculation Form
 - (b) Form ED-049F, final grant application for school building grant.
 - (c) Ineligible Cost Worksheet and OSCGR ineligible letter
 - (d) All applicable payment schedules:
 - (1) Cash (310C)
 - (2) Principal (310P)
 - (3) Interest (310I)
 - (4) Progress Payment Schedule
 - (e) Form ED-049 Application for Proposed School Building Grant.
 - (f) Project Status Report which corresponds to the final grant calculation.
 - (g) Final plan approval(s)
 - (h) Notice of General Assembly action
 - (i) Special legislation
 - (j) Change Order Log
 - (k) Education Specifications
 - (l) Form ED-045 – Notice of Bond Issue
 - (m) ED-053 – Site Acquisition
 - (n) Site Acquisition Approval Letter
 - (o) Relevant correspondence
5. Complete the Compliance Questionnaire and advise supervisor and note in report if any issues are noted.
6. Prepare standard letter for Supervisor's signature to Superintendent
 - a) requesting to schedule on-site audit and supplying checklist of necessary documentation such as project ledgers, schedules, and other supporting data. It is the Field Reviewer's responsibility to make sure that all requested items have been obtained and/or are available at the field location.
7. Call the Superintendent or his designee to schedule and/or verify the date that the fieldwork is to commence and that all requested records are available. Immediately bring to the attention of Supervisor all situations in which restrictions have been placed on our review procedures.
8. Conferences – Document the results of all conferences including entrance, progress and exit conferences. Including names of people who attended and the items discussed.

Appendix B (Continued)

On-Site Field Work:

1. Initial

Obtain copies of the following at the town/LEA offices:

- (a) General Ledger, Cash Disbursements Journal, Prepayment Vouchers and Original invoices.
- (b) The general contractor's final invoice and detail of charges and project change orders
- (c) Other funding sources: federal, state grants, insurance proceeds and rebates from vendors
- (d) All bid documentation including invitations to bid and/or bid summaries for all bid items
- (e) Detail schedule of reported ineligible items and limited eligible items
- (f) Independent documentation of sq. ft. (Per code sheet or as built plans)
- (g) Schedule of project costs that reconciles to general ledger or project ledger
- (h) Enrollment projection documentation (If applicable)

2. Confirmation of Grant Reimbursement Percentage

- (a) Date initial project application was received_____
 - (b) Reimbursement percentage used in School Construction Grant Calculation_____%_____
 - (c) Compare the reimbursement percentage in item 2b to the applicable rate in the reimbursement percentage file.
- Any differences noted?
Discuss any differences with Supervisor.

3. Reconciliation and Testing of Expenditures

Our objective is to confirm that reported project expenditures were incurred and are associated with the project.

- (a) Reconcile the expenditures submitted by the LEA and included in the final grant calculation to the project ledger/financial ledger. Investigate any unreconciled difference in excess of \$25,000 or .5% of total project costs.
- (b) If no project ledgers are available as an alternate procedure obtain the Town audit reports and reconcile to the project costs.
- (c) If Step 3(a) reconciles to the ledgers, proceed to 4(a). Otherwise, perform the following:
 - (1) Trace construction contractor's all payment(s) from invoice to ledger.
 - (2) Confirm total construction costs from contractor's final invoice.
 - (3) Trace 10% of remaining costs to supporting documentation (invoices, contracts, etc.). Note: Scan ledger and judgmentally select expenditures from at least two cost categories (i.e., architect, furniture, etc.) Be aware of and note any ineligible expenditure such as repairs and maintenance items, bond and BAN interest, and all other items listed in Section 10-287c-15d of regulations.
 - (4) If exceptions are noted in Steps (1)-(3) above, test an additional 10% of costs.
 - (5) Document any exceptions and proposed audit adjustments.

4. Testing of Ineligible and Limited Eligible Items

Our objective is to confirm that all ineligible or limited eligible items

- (a) Limited Eligible Items (outdoor athletic facility, tennis courts, natatorium, gymnasium seating or auditorium). (Section 10-286(a)(3))
 - (1) Obtain supporting documentation confirming costs associated with any limited eligible items reported by the LEA
 - (2) Review ED Specs/project description, final invoice, and change orders for indications limited eligibles. Obtain supporting documentation confirming costs.
 - (3) Document any exceptions and proposed audit adjustments.

Appendix B (Continued)

- (b) Ineligible Cost Items (repair and maintenance, replacement, boiler/HVAC replacement, excess furnishings, bond and BAN interest, ineligible change order items, etc.). (Regulations Section 10-287c-15(2)(d)).
 - (1) Obtain supporting documentation confirming costs associated with any ineligible items used in the grant calculation.
 - (2) Review Ed Specs/project description, final invoice and change orders for indications of unreported ineligible items. Obtain supporting documentation confirming costs.
 - (3) Determine whether any allocation methods were used and the reasonableness of such methods.
 - (4) Document any exceptions and proposed audit adjustments.
- 5. Change Orders
Our objective is to confirm that all change orders for the project have been submitted to BSF for evaluation.
 - (a) Compare the total Co's contained in final invoices to the total change orders submitted. If a material difference exists proceed with steps b-e.
 - (b) Identify all change orders for the project by examining the contractor's final invoice or from other LEA documentation.
 - (c) Compare identified change orders in step 5(a) to BSF's Change Order Log obtained in step 4(J). List and obtain any change orders not submitted to OSCGR
 - (d) Advise the LEA to submit to OSCGR all previously un-submitted change orders. Any change order not located or submitted should be considered ineligible.
 - (e) Document any exceptions and proposed audit adjustments.
- 6. Public Advertising and Competitive Bid Requirement (C.G.S. Sec. 10-287(b))
The objective is to confirm that the LEA has complied with public advertising and bid requirements for contracts and orders amounting to \$10,000 or more. [Note: Change orders are exempt from this requirement].
 - (a) Identify all contracts for the projects that amount to \$10,000 or more.
 - (b) Confirm that each item identified in 6a above were publicly advertised and competitively bid. (Review newspaper ads, invoices, bid summaries, etc.).
 - (c) Schedule all items identified in (a) above for which documentation of advertising and bidding are not available. Provide a copy of the schedule to the LEA to research and confirm. [Document any "emergency nature" determinations/waivers approved by the Commissioner].
 - (d) Obtain documentation supporting the LEA's choice of other than low bidder. Discuss with Supervisor if documentation is not available or inadequate.
 - (e) Adjust for any items noted above that lack required advertising or bid documentation.
- 7. Special Construction Activity Items
 - A. Plant Purchase (C.G.S. 10-286(2))
The objective is to confirm the purchase costs of the school building (and associated land, if applicable); and that such costs are within appraised fair market values.
 - (1) Obtain and review the contract for purchase of the plant, including payment and other financial provisions.
 - (2) Trace payments to supporting documentation and identify any variances from contract provisions.

Appendix B (Continued)

- (3) Obtain and review appraisals for the FMV of the plant. Confirm that the purchase price did not exceed FMV.
 - (4) Identify any additional costs including renovations, reported by the LEA for the plant purchase project and trace to supporting documentation. Determine whether such costs are unallowable (i.e., penalties, settlements, components of the purchase price, etc.).
 - (5) Detail any proposed audit adjustments from LEA reported amounts
- B. Site-Acquisition Grant (10-286d CGS) (Section 10-287c-15(c)(2) of the Regulations)
The objective is to confirm the expenditures of acquiring the site and the number of acres for a site purchase.
- (1) Obtain and review the contract for the purchase of the site, including payment and other financial provisions.
 - (2) Trace payments to supporting documentation and identify any variances from contract provisions.
 - (3) Verify from the contractor or other supporting documentation, the number of acres purchased. If applicable, identify the amount of acres already in use or acquired prior to this purchase. (Note: This would be primarily adjacent land).
 - (4) Obtain and review the two independent appraisals to determine the eligible site acquisition costs do not exceed the higher of the appraisals.
 - (a) The number of acres equal to the highest projected enrollment for the eight year period from the date of application divided by one hundred plus.
 - (b) Ten additional acres if the project is an elementary school, or fifteen acres if the project is a middle school, or twenty additional acres if the project is a secondary school.
 - (5) Trace purchase price and acres identified above to amount reported by the LEA and used in the grant calculation.
 - (6) Confirm that site expenditures were not also included in amounts reported by the LEA for the associated construction grant.
 - (7) Confirm that site acreage is allowable based upon projected enrollment.
 - (8) Detail any proposed audit adjustments.
- C. Public School Administrative or Service Facility (CGS 10-286(5))
The objective is to confirm that expenditures for the construction of public school administrative or service facilities are properly reported by the LEA.
Note: If these are stand alone projects, then no additional work is required in this section. However, if the construction of the above mentioned facilities are done in conjunction with another project, then perform the following steps:
- (1) Identify any allocation methods used by the LEA and whether such basis for allocation is reasonable and in accordance with SDE policy.
 - (2) Review ED Specs and other applicable project documentation for evidence that all costs solely associated with the administrative facility are properly charged to that cost center.
 - (3) Ensure that the proper reimbursement rate for the administrative facility costs were used in the grant calculation.
 - (4) Document any proposed audit adjustments.

Appendix B (Continued)

8. Floor Area – Square Footage (C.G.S.-10-286(a)(1) et al) The objective is to confirm the floor area square footage contained in the grant calculation.
 - (a) Trace reported floor area to supporting documentation.
 - (b) Confirm the square footage associated with any reimbursement rate percentage bonus items included in the grant calculation such as school readiness, lighthouse school, available out-of-district spaces or full day kindergarten/reduced size classes.
 - (c) Detail any proposed audit adjustments.
9. Student Enrollment (C.G.S.-10-286(a)(1) et a1) The objective is to confirm the highest projected enrollment as contained in the grant calculation.
 - (a) Trace enrollment number to supporting documentation (i.e., highest projected enrollment study, etc.)
 - (b) Detail any proposed audit adjustments.
10. Testing of Revenues and Financing
The objective is to confirm that all funding and financing services for the project have been properly reported by the LEA.
 - A. Bond Funds
 - (1) Trace data reported on Form ED-045 “Notice of Bond Issue” to supporting documentation including Bond Issuance documents, financial statements (Debt Service Funds, Capital Project Fund, etc.).
 - (2) Recalculate and foot principal and interest from the bond issues.
 - (3) Verify that Form ED-045 is properly signed.
 - (4) Verify that the sum of the bond amounts ties to the total school bond issue.
 - (5) Detail any proposed audit adjustments.
 - B. Other Funding
 - (1) Trace any reported federal, state, insurance settlements, private or other funds to supporting documentation.
 - (2) Review Building Committee Minutes, correspondence files, etc. for indication of unreported other funds.
 - (3) Conduct inquiries with town officials and corporation counsel as necessary concerning “other funds” received (i.e., Technology Grant or Building Maintenance Grant funds).
 - (4) Confirm that all “other funds” identified have been properly deducted from project costs.
11. Sign and date all steps. If a step is not applicable, write “N/A.”
12. All questioned items must be discussed with the appropriate LEA/ town officials prior to leaving the location. Document these discussions in the Inquiry format. Including all names and positions of the people these items were discussed with.
13. Report Package and Report
 - (a) At the end of fieldwork, prepare a work paper package Including a draft audit report for review.
 - (b) After the work papers have been reviewed and a draft of the report has been prepared, a copy of the draft audit report should be forwarded to the town with the “Acceptance/Non-Acceptance Form.”

Appendix B (Continued)

- (c) Upon receipt of "Acceptance/Non-Acceptance Form," prepare the final audit report for issuance to the LEA and OSCGR. Town disagreements with any audit adjustments, as well as proposed town actions (e.g., legislative relief), should be noted in the cover memo.
- (d) Time – Include in work papers a summary of time spent on audit. Obtain from time keeper.

Compliance Questionnaire:

- 1 Was the final grant application submitted within one year from the date of completion and acceptance by the LEA?
 - (a) Date accepted complete
 - (b) Date final grant appl'n submitted
- 2 If #1 above is "no," did LEA apply for a waiver of forfeiture? [Include Commissioner's letter, if appl.]
- 3 Did the LEA receive approval of final plans prior to going out to bid?
 - (a) Date of final plan approval letter:
 - (b) Construction start date
(Project Status Report)
- 4 Was this project a new purchase or lease of a facility?
- 5 If the answer to #4 above is "yes," did the LEA submit the grant application five years after any
- 6 If the answer to #5 above is "yes," did the LEA submit the grant amounts paid or due on the abandonment, sale, lease, demolished, or redirected facility?
- 7 Did construction begin within two years after the effective date of the General Assembly authorization?
 - (a) Date General Assembly Authorization
 - (b) Start of construction date
- 8 Is this project for the replacement, extension, or major alteration of a damaged or destroyed facility?
- 9 If the answer to #8 above is "yes," did the LEA insure its facility and capital equipment in accordance with the provision of C.G.S. 10-220?
- 10 Did the LEA include any site costs in the project?
- 11 Was the site approved by the Commissioner of Education and the local board prior to the date of beginning construction?
- 12 Is this a roof replacement project?
- 13 If #12 above is yes, has this roof or portion of roof existed for at least twenty years? (copy of supporting documentation)
- 14 If the answer to #13 above is "no," has a registered architect or engineer stated that the roof was improperly designed or constructed and that the town is prohibited from recovery of damages with no recourse in law or equity? (copy supporting documentation).
- 15 If the answer to #14 is no then is the roof at least fifteen years old but less than twenty and can not be determined by a registered architect engineer that such roof was improperly designed or constructed? If yes the divided the age of the roof by 20 to obtain the roof eligibility percentage. /20 (apply to roof

Appendix B (Continued)

LIMITED AUDIT PROGRAM

Preliminary:

- 1 Prior to performing the audit, review and be familiar with the following reference materials available within TBO:
 - (a) CGS – Chapter 173 – Public School Building Projects (for the applicable time period)
 - (b) School Construction Grant Regulations
 - (c) School Construction Grants Manual
 - (d) School Construction Policy Book
 - (e) Reimbursement Percentage File
- 2 Check OSCGR database and project files to confirm that the grant has not been audited.
- 3 Obtain the following documents from the OSCGR project files:
 - (a) Final grant calculation Form
 - (b) Form ED-049F, final grant application for school building grant.
 - (c) Ineligible Cost Worksheet and OSCGR ineligible letter
 - (d) All applicable payment schedules:
 - (1) Cash (310C)
 - (2) Principal (310P)
 - (3) Interest (310I)
 - (4) Progress Payment Schedule
 - (e) Form ED-049 Application for Proposed School Building Grant.
 - (f) Project Status Report which corresponds to the final grant calculation.
 - (g) Final plan approval(s)
 - (h) Notice of General Assembly action
 - (i) Special legislation
 - (j) Change Order Log
 - (k) Education Specifications
 - (l) Form ED-045 – Notice of Bond Issue
 - (m) ED-053 – Site Acquisition
 - (n) Site Acquisition Approval Letter
 - (o) Relevant correspondence
- 4 Complete the Compliance Questionnaire and advise supervisor and note in report if any issues are noted.
- 5 Prepare standard letter for Supervisor's signature to Superintendent advising LEA of the limited scope
 - a) All contractor's final invoices not contained in OSCGR files (80% of total reported project costs are required).
 - b) Independent documentation of sq. ft. (per plan code sheet).
 - c) If all documentation is contained in the OSCGR file. This intro letter doesn't need to be sent. However the LEA should be notified. Document the contact in notes to file. Including who and when contact was made.
- 6 If fieldwork is required, bring to the attention of supervisor prior to contacting Superintendent.

Appendix B (Continued)

Limited Scope Desk/Field Work

1 Confirmation of Grant Reimbursement Percentage

- (a) Date initial project application was received_____
- (b) Reimbursement percentage used in School Construction Grant Calculation
- (c) Compare the reimbursement percentage in item 1b to the applicable rate in the reimbursement percentage file.

Any differences noted?

Discuss any differences with Supervisor.

2 Confirmation of 80% of Reported Expenditures

Our objective is to confirm that reported project expenditures were incurred and are associated with the project.

Prepare schedule of contractor's final invoices received from LEA/OSCGR file supporting at least 80% of total reported project costs. If this level of documentation is not obtained, discuss with supervisor.

3 Reasonability Testing of Ineligible and Limited Eligible Items

Our objective is to confirm the reasonability of ineligible or limited eligible items reported by the LEA.

- (a) Limited Eligible Items (outdoor athletic facility, tennis courts, natatorium, gymnasium seating or auditorium). (Section 10-286(a)(3))
 - (1) Review applicable contractor invoices to confirm that limited eligible expenditures reported are reasonable for project.
 - (2) Review ED Specs/project description, final invoice, and change orders for indications of unreported limited eligibles.
 - (3) Document any exceptions and proposed audit adjustments.
- (b) Ineligible Cost Items (repair and maintenance, replacement, boiler/HVAC replacement, excess furnishings, bond and BAN interest, ineligible change order items, etc.). (Regulations Section 10-287c-15(2)(d)).
 - (1) Review applicable contractor invoices and ineligible change orders to confirm that eligible expenditures reported are reasonable for the project.
 - (2) Review ED Specs/project description, final invoice, and change orders for indications of unreported ineligible items
 - (3) Determine whether any allocation methods were used and the reasonableness of such methods.
 - (4) Document any exceptions and proposed audit adjustments.

4 Change Orders

Our objective is to confirm that change orders for those contractors scheduled in step 2 have been submitted to OSCGR for evaluation.

- (a) Identify change orders for the project by examining the contractor's final invoice(s).
- (b) Compare identified change orders in step 4(a) to OSCGR's Change Order Log. List any change orders not submitted to OSCGR.
- (c) Document any exceptions and proposed audit adjustments.

Appendix B (Continued)

5 Special Construction Activity Items

A. Site-Acquisition Grant (10-286d CGS) (Section 10-287c-15(c)(2) of the Regulations)

The objective is to confirm the expenditures of acquiring the site and the number of acres for a site purchase.

- (1) Obtain and review the contract for the purchase of the site. Note payment provisions and other financial provisions.
- (2) Confirm from the contract or other supporting documentation, the number of acres purchased. If applicable, identify the amount of acres already in use or acquired prior to this purchase. (Note: This would be primarily adjacent land).
- (3) Obtain and review the two independent appraisals to determine the eligible site acquisition costs do not exceed the higher of the appraisals.
 - (a) The number of acres equal to the highest projected enrollment for the eight year period from the date of application divided by one hundred plus.
 - (b) Ten additional acres if the project is an elementary school, or fifteen acres if the project is a middle school, or twenty additional acres if the project is a secondary school.
- (4) Trace purchase price and acres identified above to amount reported by the LEA and used in the grant calculation.
- (5) Confirm that site acreage is allowable based upon projected enrollment.
- (6) Detail any proposed audit adjustments.

B. Public School Administrative or Service Facility (CGS 10-286(5))

The objective is to confirm that expenditures for the construction of public school administrative or service facilities are properly reported by the LEA.

Note: If these are stand alone projects, then no additional work is required in this section.

However, if the construction of the above mentioned facilities are done in conjunction with another project, then perform the following steps:

- (1) Identify any allocation methods used by the LEA and whether such basis for allocation is reasonable and in accordance with DAS/SDE policy.
- (2) Review ED Specs and other applicable project documentation for evidence that all costs solely associated with the administrative facility are properly charged to that cost center.
- (3) Ensure that the proper reimbursement rate for the administrative facility costs were used in
- (4) Document any proposed audit adjustments.

6 Floor Area – Square Footage (C.G.S.-10-286(a)(1) et al)

The objective is to confirm the floor area square footage contained in the grant calculation.

- (a) Trace reported floor area to supporting documentation. (Project code sheet)
- (b) Confirm the square footage associated with any reimbursement rate percentage bonus items included in the grant calculation such as school readiness, lighthouse school, available out-of-district spaces or full day kindergarten/reduced size classes.
- (c) Detail any proposed audit adjustments.

Appendix B (Continued)

7 Testing of Bond Fund Financing (if applicable)

The objective is to confirm that all funding and financing services for the project have been properly reported by the LEA.

- (a) Trace data reported on Form ED-045 "Notice of Debit Service" to supporting documentation including Bond Issuance documents, financial statements (Debt Service Funds, Capital Project Fund, etc.).
- (b) Recalculate and foot principal and interest from the bond issues.
- (c) Verify that Form ED-045 is properly signed.
- (d) Verify that the sum of the bond amounts ties to the total school bond issue.
- (e) Detail any proposed audit adjustments.

8 Sign and date all steps. If a step is not applicable, write "N/A."

9 All questioned items must be discussed with the appropriate LEA/ Town Officials. Document all discussions in the Inquiry format including all names and positions of the people these items were discussed with.

10 Report Package and Report

- (a) At the end of fieldwork, prepare a work paper package including a draft audit report for review.
- (b) After the work papers have been reviewed and a draft of the report has been prepared, a copy of the draft audit report should be forwarded to the town with the "Acceptance/Non-Acceptance Form."
- (c) Upon receipt of "Acceptance/Non-Acceptance Form," prepare the final audit report for issuance to Division of Grants Management. Town disagreements with any audit adjustments, as well as proposed town actions (e.g., legislative relief), should be noted in the report.

11 Time – Include a summary of total time spent on audit. Time summary should be obtained from time keeper.

Appendix B (Continued)

Compliance Questionnaire:

- 1 Was the final grant application submitted within one year from the date of completion and acceptance by the LEA?
 - (a) Date accepted complete
 - (b) Date final grant application submitted
- 2 If #1 above is "no," did LEA apply for a waiver of forfeiture? [Include Commissioner's letter, if appl.]

- 3 Did the LEA receive approval of final plans prior to going out to bid?
 - (a) Date of final plan approval letter:
 - (b) Construction start date
(Project Status Report)
- 4 Was this project a **new purchase or lease** of a facility?
- 5 If the answer to #4 above is "yes," did the LEA submit the grant application five years after any abandonment, sale, lease, demolition, or redirection of use of any school facility constructed or renovated with state assistance?
- 6 If the answer to #5 above is "yes," did the LEA submit the grant amounts paid or due on the abandonment, sale, lease, demolished, or redirected facility?
- 7 Did construction begin within two years after the effective date of the General Assembly authorization?
 - (a) Date General Assembly Authorization
 - (b) Start of construction date
- 8 Is this project for the replacement, extension, or major alteration of a damaged or destroyed facility?
- 9 If the answer to #8 above is "yes," did the LEA insure its facility and capital equipment in accordance with the provision of C.G.S. 10-220?
- 10 Did the LEA include any site costs in the project?
- 11 Was the site approved by the Commissioner of Education and the local board prior to the date of beginning construction?
- 12 Is this a roof replacement project?
- 13 If #12 above is yes, has this roof or portion of roof existed for at least twenty years? (copy of supporting documentation)
- 14 If the answer to #13 above is "no," has a registered architect or engineer stated that the roof was improperly designed or constructed and that the town is prohibited from recovery of damages with no recourse in law or equity? (copy supporting documentation).
- 15 If the answer to #14 is no then is the roof at least fifteen years old but less than twenty and can not be determined by a registered architect engineer that such roof was improperly designed or constructed? If yes the divided the age of the roof by 20 to obtain the roof eligibility percentage. /20 (apply to roof

Appendix C

Project Name: _____
Project Code: _____

Grant Application Type (Per ED049)
Type of Project / Construction (Select all that apply)

- PF Facility Purchase (PF)
- N New Construction (N)
- E Extension of Facility (E)
- A Alteration of Existing Facility (A)
- RE Relocatable Classrooms (RE)
- RR Roof Replacement (RR)
- EC Energy Conservation (EC)
- CV Code Violation (CV)
- PS Site Acquisition (PS)
- VE Vo-Ag Equipment pursuant to CGS Section 10-65 (VE)
- RN Renovation pursuant to CGS Sec. 10-286 (RN)
- IAQ Indoor Air Quality (IAQ)

Key Dates / Rates
(Per Project Status Report - out of the Grant Management System)

- Reimbursement Rate Approved for Town
- Reimbursement Rate used Per Final Grant calculation
- Application Date
- SDE / General Assembly Authorization Date
- Plan Approval
- Construction bid date
- Construction start date
- Date final grant application submitted
- Date of final plan approval letter:
- BOE acceptance
- Authorized Project Costs

Additional Workpaper to support rate,
date or \$

Preliminary Compliance Steps

- 1 Check OSCGR database and project files to confirm that the grant has not been audited.
- 2 Was the final grant application submitted within one year from the date of completion and acceptance by the LEA?
 - (a) If above is "no," did LEA apply for a waiver of forfeiture? [Include Commissioner's letter, if appl.]
- 3 Did the LEA receive approval of final plans prior to going out to bid?
- 4 Did construction begin within two years after the effective date of the General Assembly authorization?
 - (a) If above is "no," is there special legislation or waiver?
- 5 Compare the reimbursement percentage for town to the applicable rate in the reimbursement percentage file. Are differences noted?
 - (a) If above is "yes," is there special legislation or waiver?
- 6 Was this project a new purchase or lease of a facility?
 - (a) If the answer above is "yes," did the LEA submit the grant application five years after any abandonment, sale, lease, demolition, or redirection of use of any school facility constructed or renovated with state assistance?
 - (b) If the answer above is "yes," did the LEA submit the grant amounts paid or due on the abandonment, sale, lease, demolished, or redirected facility?
- 7 Is this project for the replacement, extension, or major alteration of a damaged or destroyed facility?
 - (a) If the answer above is "yes," did the LEA ensure its facility and capital equipment in accordance with the provision of C.G.S. 10-220?
- 8 Did the LEA include any site costs in the project?
 - (a) If the answer above is "yes," was the site approved by the Commissioner of Education and the local board prior to the date of beginning construction?
- 9 Is this a roof replacement project?
 - (a) If the answer above is yes, has this roof or portion of roof existed for at least twenty years? (include reference to support)
 - (b) If the answer above is no, has a registered architect or engineer stated that the roof was improperly designed or constructed and that the town is prohibited from recovery of damages with no recourse in law or equity? (include reference to support)
 - (c) If the answer above is no, is the roof at least fifteen years old but less than twenty and can not be determined by a registered architect engineer that such roof was improperly designed or constructed? (include reference to support)
- 10 Review and be familiar with the following reference materials available:
 - (a) CGS – Chapter 173 – Public School Building Projects (for the applicable time period)
 - (b) School Construction Grant Regulations
 - (c) School Construction Grants Manual
 - (d) School Construction Policy Book
- 11 Obtain the following documents from the OSCGR project files. If files can not be obtained from OSCGR, obtain from Town/LEA offices
 - (a) Form ED-049 Application for Proposed School Building Grant.
 - (b) Final plan approval(s)
 - (c) Notice of General Assembly action
 - (d) Special legislation
 - (e) Change Order Log
 - (f) Education Specifications
 - (g) Form ED-045 – Notice of Bond Issue
 - (h) Form ED-053 – Site Acquisition
 - (i) Site Acquisition Approval Letter
 - (j) General Ledger, Cash Disbursements Journal, Prepayment Vouchers and Original invoices.
 - (k) The general contractor's final invoice and detail of charges and project change orders
 - (l) Other funding sources: federal, state grants, insurance proceeds and rebates from vendors
 - (m) All bid documentation including invitations to bid and/or bid summaries for all bid items
 - (n) Detail schedule of reported ineligible items and limited eligible items
 - (o) Independent documentation of sq. ft. (Per code sheet or as built plans)
 - (p) Schedule of project costs that reconciles to general ledger or project ledger
 - (q) Enrollment projection documentation (If applicable)
 - (r) Project Status Report which corresponds to the final grant calculation.
 - (s) Progress Payment Schedule
 - (t) Final grant calculation Form
 - (u) Form ED-049F, final grant application for school building grant.
 - (v) Ineligible Cost Worksheet and OSCGR ineligible letter
 - (w) All other relevant correspondence (List items maintained here:)

Yes No N/A Comments/Reference (if N/A - must comment why)

The contents of this document were prepared solely for the use of the State of Connecticut – Department of Administrative Services in the normal course of discharging its duties. It is not to be used, relied upon or referred to by any other party for any purpose.

Appendix C (Continued)

	Yes	No	N/A	Comments/Reference (if N/A - must comment why)
Testing Steps				
1 Do the expenditures submitted and the project ledger/general ledger tie within \$25,000 or 0.5% of one another?	X			
Balance per GL obtained				
Authorized Project costs				
\$ Difference				
% Difference			0.00%	
Is difference >.5%		NO		
Is difference >\$25K		NO		
2 Trace all of the general contractor's payment(s) from invoice to ledger, and confirm total construction costs from contractor's final invoice.				
3 Select a sample of 5 payments to vendors who's total balances are below \$10,000 and trace to supporting documentation (invoices, contracts, etc.). Note: Scan ledger and judgmentally select expenditures from at least two cost categories (i.e., architect, furniture, etc.) Be aware of and note any ineligible expenditure such as repairs and maintenance items, bond and BAN interest, and all other items listed in Section 10-287c-15d of regulations.				
4 If exceptions are noted in Steps 2 or 3 above, select additional testing selections based on discussion with management at DAS. Document any exceptions and proposed audit adjustments.				
5 Public Advertising and Competitive Bid Requirement (C.G.S. Sec. 10-287(b)) The objective is to confirm that the LEA has complied with public advertising and bid requirements for contracts and orders amounting to \$10,000 or more. [Note: Change orders are exempt from this requirement].				
(a) Identify all contracts for the projects that amount to \$10,000 or more.				
(b) Confirm that each item identified in 5a above were publicly advertised and competitively bid. (Review newspaper ads, invoices, bid summaries, etc.)				
(c) Schedule all items identified in (a) above for which documentation of advertising and bidding are not available. Provide a copy of the schedule to the LEA to research and confirm. [Document any "emergency nature" determinations/waivers approved by the Commissioner].				
(d) Obtain documentation supporting the LEA's choice of other than low bidder. Discuss with Supervisor if documentation is not available or inadequate.				
(e) Adjust for any items noted above that lack required advertising or bid documentation.				
6 Change Orders (CO) - Objective is to confirm that all change orders for the project have been submitted to BSF for evaluation.				
(a) Compare the total CO's contained in final invoices to the total change orders submitted. If a material difference exists proceed with steps b-e.				
(b) Identify all change orders for the project by examining the contractor's final invoice or from other LEA documentation.				
(c) Compare identified change orders in step 6(a) to BSF's Change Order Log obtained in Preliminary Step 11(e). List and obtain any change orders not submitted to OSCGR				
(d) Advise the LEA to submit to OSCGR all previously un-submitted change orders. Any change order not located or submitted should be considered ineligible.				
(e) Document any exceptions and proposed audit adjustments.				
7 Testing of Ineligible and Limited Eligible Items - Our objective is to confirm that all ineligible or limited eligible items				
(a) Limited Eligible Items (outdoor athletic facility, tennis courts, natatorium, gymnasium seating or auditorium). (Section 10-286(a)(3))				
(1) Obtain supporting documentation confirming costs associated with any limited eligible items reported by the LEA				
(2) Review ED Specs/project description, final invoice, and change orders for indications limited eligibles. Obtain supporting				
(3) Document any exceptions and proposed audit adjustments.				
(b) Ineligible Cost Items (repair and maintenance, replacement, boiler/HVAC replacement, excess furnishings, bond and BAN interest, ineligible change				
(1) Obtain supporting documentation confirming costs associated with any ineligible items used in the grant calculation.				
(2) Review Ed Specs/project description, final invoice and change orders for indications of unreported ineligible items. Obtain				
(3) Determine whether any allocation methods were used and the reasonableness of such methods. Obtain				
(4) Document any exceptions and proposed audit adjustments.				
8 Special Construction Activity Items				
(a) Plant Purchase (C.G.S. 10-286(2)) - The objective is to confirm the purchase costs of the school building (and associated land, if applicable); and that such costs are within appraised fair market values.				
(1) Obtain and review the contract for purchase of the plant, including payment and other financial provisions.				
(2) Trace payments to supporting documentation and identify any variances from contract provisions.				
(3) Obtain and review appraisals for the FMV of the plant. Confirm that the purchase price did not exceed FMV.				
(4) Identify any additional costs including renovations, reported by the LEA for the plant purchase project and trace to supporting documentation. Determine whether such costs are unallowable (i.e., penalties, settlements, components of the purchase price, etc.).				
(5) Detail any proposed audit adjustments from LEA reported amounts				
(b) Site-Acquisition Grant (10-286d CGS) [Section 10-287c-15(c)(2) of the Regulations] - The objective is to confirm the expenditures of acquiring the site and the number of acres for a site purchase.				
(1) Obtain and review the contract for the purchase of the site, including payment and other financial provisions.				
(2) Trace payments to supporting documentation and identify any variances from contract provisions.				
(3) Verify from the contractor or other supporting documentation, the number of acres purchased. If applicable, identify the amount of acres already in use or acquired prior to this purchase. (Note: This would be primarily adjacent land).				
(4) Obtain and review the two independent appraisals to determine the eligible site acquisition costs do not exceed the higher of the appraisals.				
(a) The number of acres equal to the highest projected enrollment for the eight year period from the date of application divided by one hundred plus.				
(b) Ten additional acres if the project is an elementary school, or fifteen acres if the project is a middle school, or twenty additional acres if the project is a secondary school.				
(5) Trace purchase price and acres identified above to amount reported by the LEA and used in the grant calculation.				
(6) Confirm that site expenditures were not also included in amounts reported by the LEA for the associated construction grant.				
(7) Confirm that site acreage is allowable based upon projected enrollment.				
(8) Detail any proposed audit adjustments.				
(c) Public School Administrative or Service Facility (CGS 10-286(5)) - The objective is to confirm that expenditures for the construction of public school administrative or service facilities are properly reported by the LEA. Note: If these are stand alone projects, then no additional work is required in this section. However, if the construction of the above mentioned facilities are done in conjunction with another project, then perform the following steps:				
(1) Identify any allocation methods used by the LEA and whether such basis for allocation is reasonable and in accordance with SDE policy.				
(2) Review ED Specs and other applicable project documentation for evidence that all costs solely associated with the administrative facility are properly charged to that cost center.				
(3) Ensure that the proper reimbursement rate for the administrative facility costs were used in the grant calculation.				
(4) Document any proposed audit adjustments.				
9 Floor Area – Square Footage (C.G.S.-10-286(a)(1) et al) - The objective is to confirm the floor area square footage contained in the grant calculation.				
(a) Trace reported floor area to supporting documentation.				
(b) Confirm the square footage associated with any reimbursement rate percentage bonus items included in the grant calculation such as school readiness, lighthouse school, available out-of-district spaces or full day kindergarten/reduced size classes.				
(c) Detail any proposed audit adjustments.				
10 Student Enrollment (C.G.S.-10-286(a)(1) et al) - The objective is to confirm the highest projected enrollment as contained in the grant calculation.				
(a) Trace enrollment number to supporting documentation (i.e., highest projected enrollment study, etc.)				
(b) Detail any proposed audit adjustments.				

The contents of this document were prepared solely for the use of the State of Connecticut – Department of Administrative Services in the normal course of discharging its duties. It is not to be used, relied upon or referred to by any other party for any purpose.

Appendix C (Continued)

		Yes	No	N/A	Comments/Reference (If N/A - must comment why)
11	Testing of Revenues and Financing - The objective is to confirm that all funding and financing services for the project have been properly reported by the LEA.				
A.	Did the Project obtain any Bond Funds?				
	(1) Trace data reported on Form ED-045 "Notice of Bond Issue" to supporting documentation including Bond Issuance documents, financial statements (Debt Service Funds, Capital Project Fund, etc.).				
	(2) Recalculate and foot principal and interest from the bond issues.				
	(3) Verify that Form ED-045 is properly signed.				
	(4) Verify that the sum of the bond amounts ties to the total school bond issue.				
	(5) Detail any proposed audit adjustments.				
B.	Did the project obtain any Other Funding?				
	(1) Trace any reported federal, state, insurance settlements, private or other funds to supporting documentation.				
	(2) Review Building Committee Minutes, correspondence files, etc. for indication of unreported other funds.				
	(3) Conduct inquiries with town officials and corporation counsel as necessary concerning "other funds" received (i.e., Technology Grant or Building Maintenance Grant funds).				
	(4) Confirm that all "other funds" identified have been properly deducted from project costs.				
12	Report Package and Report				
	(a) At the end of fieldwork, prepare a work paper package including a draft audit report for review.				
	(b) After the work papers have been reviewed and a draft of the report has been prepared, a copy of the draft audit report should be forwarded to the town with the "Acceptance/Non-Acceptance Form."				
	(c) Upon receipt of "Acceptance/Non-Acceptance Form," prepare the final audit report for issuance to the LEA and OSCGR. Town disagreements with any audit adjustments, as well as proposed town actions (e.g., legislative relief), should be noted in the cover memo.				
	(d) Time - Include in work papers a summary of time spent on audit. Obtain from time keeper.				
	(e) Put into file the final audit report issued. For any changes made document changes made herein.				

Preparer Name _____
 Preparer Final Sign Off: _____
 Date Final Sign Off: _____

Reviewer Name _____
 Reviewer Final Sign Off: _____
 Date Final Sign Off: _____