



PALISADES

CHARTER HIGH SCHOOL

CHIEF BUSINESS OFFICER

COVER SHEET FOR AGENDA ITEMS

February 28, 2023

TOPIC/ AGENDA ITEM:

VI. FINANCE

C. 2021-2022 Audit Corrective Action Plan

PERSONNEL INVOLVED:

Board of Trustees, Executive Director/Principal, Chief Business Officer, Finance, Audit committee, independent audit firm

ISSUES INVOLVED/FISCAL IMPLICATIONS (IF ANY):

The purpose of this action is to approve the 2021-2022 Audit Corrective Action Plan. As a result of two (2) audit findings, PCHS must discuss, review, and approve a corrective action plan.

The corrective action plan was previously discussed with the PCHS Audit Committee and independent audit firm. Both LAUSD Charter School Division (CSD) and the California Department of Education (CDE) will require an audit finding narrative and approved corrective action plan.

IMPACT ON SCHOOL MISSION, VISION OR GOALS, (IF ANY):

The action requested of the Board today will support the goal of ensuring compliance for PCHS.

OPTIONS OR SOLUTIONS:

The expectation is that the board approve the 2021-22 audit corrective action plan.

CHIEF BUSINESS OFFICER'S RECOMMENDATION:

The Chief Business Officer recommends that the Board approve the 2021-2022 audit corrective action plan.

RECOMMENDED MOTION:

“To approve the 2021-2022 audit corrective action plan.”

Juan Pablo Herrera
Chief Business Officer



AUDIT FINDING 2022-001: OTHER POSTEMPLOYMENT BENEFIT LIABILITY REPORTING (30000)

Condition: The Charter's most recent actuarial study is dated December 7, 2021. The Charter has not yet obtained an actuarial study for the 2021-22 fiscal year; therefore, the net other postemployment liability was not properly reported to consider the newly established trust asset and required audit adjustment.

a. Detailed explanation and/or root-cause analysis regarding the audit finding;

Historically, PCHS has completed the required actuarial valuation every two (2) years. Based on new FASB ASC 715 guidelines, PCHS should complete the actuarial valuation annually. Specifically, the actuarial valuation report should be available at the time of the independent audit, so that the Other Post Employment (OPEB) Liability can accurately be reported.

Given that the last actuarial report was an "annual update" on December 7, 2021, at the time of the audit completion, there was not an updated actuarial valuation.

b. Corrective Action Plan - description of specific steps/plan to address the deficiency going forward and question costs, if applicable:

The actuarial valuation for 2021-2022 is still in progress. PCHS is targeting to have the report completed in the coming weeks and presented during the March 2023 Board of Trustees meeting.

Moving forward (for the 2022-23 year and beyond), the CBO will ensure that our actuary and independent audit firm connect early in the process. The CBO will also ensure timely delivery of census data, health/benefit information, and financial documents by June 30th of each year. Unaudited actuals will be provided as soon as they are available, no later than Aug 30th of each year. This will ensure that the actuary firm has time to complete the valuation report and collaborate with the independent audit firm to accurately report PCHS' OPEB liability.



AUDIT FINDING 2022-002: EDUCATION STABILIZATION FUND DISCRETIONARY GRANTS– SPECIAL TESTS AND PROVISIONS (50000 & 30000)

Condition: The Charter used funding from the Elementary and Secondary School Emergency Relief II (ESSER II) Fund program for one capital expenditure. The funding terms and conditions require the Charter to obtain approval from the funding agency prior to incurring the expenditure. The Charter was unable to provide documentation that the required approval was obtained.

a. Detailed explanation and/or root-cause analysis regarding the audit finding;

PCHS utilized Federal relief funding (ESSER II) on capital expenditure projects. Specifically, the school's boiler system was non-operable. This was discussed at multiple Budget & Finance Committee meetings. When developing the ESSER II Expenditure Plan, PCHS allocated funds to replace the three (3) boilers. The ESSER II Expenditure Plan was approved by the Board of Trustees. The projects/expenses occurred in November of 2021.

Upon nearing completion of the audit, the CBO was made aware that use of ESSER funds on capital expenditure projects requires pre-approval from the California Department of Education (CDE). At the time PCHS applied for ESSER funds (April 2021), this was not a requirement and the CDE later provided updated guidance. In fact, LEAs were able to use ESSER funds for expenses dating back to March 2020. So pre-approval from the CDE was not possible.

The CBO submitted the Capital Expenditure pre-approval form(s) to the CDE in December of 2022. The CDE has reviewed and is asking for additional clarification before they can "approve" the project. As a result, at the time of the audit completion, PCHS did not have an "approval" letter from the CDE, so it resulted in an audit finding.

b. Corrective Action Plan - description of specific steps/plan to address the deficiency going forward and question costs, if applicable:

The CBO will participate in an ESSER/GEER training webinar on March 2nd, has enrolled in a RFP/bidding webinar on February 28th and will be connecting with the audit firm to review any questions related to 2022-23 capital expenditures.

Moving forward, there is now clarity on the CDE requirement for using ESSER funds on capital expenditures and the finding will be isolated to the current audit report.