



February 16, 2021

TO: Business Administrators
Los Angeles County K-12 School Districts, Community Colleges,
Regional Occupational Centers/Programs (ROC/Ps), and
Selected Joint Powers Authorities (JPAs)

FROM: Gabriel Leung, Assistant Director
Accounting and Financial Services
Division of School Financial Services

SUBJECT: Annual Audit Contracts due March 19, 2021

In accordance with Education Code (EC) Section 41020 (b) (3), if the governing board of a Local Educational Agency (LEA) does not have an audit contract in place by April 1, the County Superintendent of Schools, having jurisdiction over the LEA, shall provide for the audit and charge the LEA's fund for the cost incurred.

Auditor Information and Online Filing Procedures

Each year, the county superintendent of schools is required to submit to the Division of Audits, State Controller's Office and the County of Los Angeles, Department of Auditor-Controller, the audit contract information for LEAs under its jurisdiction. This includes K-12, Community Colleges (although not subject to EC 41020), ROC/Ps and JPAs.

Please submit a copy of your district's **2020-21 audit contract, the Board minutes, and the required information** using the link provided below. All contracts, required information, and Board minutes are due to our office by March 19, 2021 with the exception of charter schools (a separate bulletin will be issued). **Note:** You do not need to submit this information if you have previously submitted a multiyear audit contract that has not yet expired.

<https://app.smartsheet.com/b/form/f94fa7eb6e5547c0b6da0fcd7e6ef4b2>

Districts are also required to comply with additional guidelines and limits with respect to the length of time an audit firm and/or audit partner can provide annual audit services to a district. *EC Section 41020 (f) (2)* states the following:

Except as provided in subdivision (d) of Section 41320.1, it is unlawful for a public accounting firm to provide audit services to a local educational agency if the lead audit partner, or coordinating audit partner, having primary responsibility for the audit, or the audit partner responsible for reviewing the audit, has performed audit services for that local education agency in each of the six previous fiscal years. The Education Audits Appeal Panel may waive this requirement if the panel finds that no otherwise eligible auditor is available to perform the audit.

Required Audit Contract Provisions

All audit contracts must contain the following provisions (sample contract language is attached):

- A provision to withhold 10 percent of the audit fee until the [State] Controller certifies the audit report conforms to the reporting provisions of subdivision (a) of Section 14503.” *[EC Section 14505 (a)]*

Multiyear Audit Contracts must contain:

- A provision to withhold 50 percent of the audit fee for any subsequent year of a multiyear contract if the prior-year’s audit report was not certified as conforming to reporting provisions of subdivision (a) of Section 14503. *[EC Section 14505 (b)]*

Should you have any questions regarding this bulletin, please contact:

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LEAs	Carmen Rivas	(562) 922-6620	Rivas_Carmen@laoe.edu

Approved:
Nkeiruka Benson, Director
Division of School Financial Services

GL:lt
Attachment

SFS-A35-2020-2021

SAMPLE

CONTRACT LANGUAGE

Single Year Contracts

Ten (10) percent of the fee for the annual audit will be withheld until the audit report has been certified by the State Controller as conforming to the reporting provisions of subdivision (a) of Education Code (EC) Section 14503.

Multiyear Contracts

Ten (10) percent of the fee for the annual audit will be withheld until the audit report has been certified by the State Controller as conforming to the reporting provisions of subdivision (a) of EC Section 14503.

If the audit report for any year is not certified by the State Controller as conforming to the reporting provisions of subdivision (a) of EC Section 14503, fifty (50) percent of the audit fee for any subsequent year will be withheld. The withheld amount will not be released until the State Controller certifies that the audit report for the subsequent year conforms to the reporting provisions of subdivision (a) of EC Section 14503, or payment is ordered by the California Board of Accountancy.

This contract is null and void if a firm or individual is declared ineligible to audit K-12 school districts pursuant to Subdivision (c) of EC Section 41020.5.

Attachment to:
Info. Bul. No. 5332
SFS-A35-2020-2021