

**20XX-XX Annual Audit  
Requires Board Action by April 1, 20XX**

Attached are copies of the "Notice of Governing Board's Intention to Provide for Audit", and a sample of an "Agreement for Audit." The "Agreement for Audit" is intended to be used as a guide and is not a mandatory format. In this sample, we have indicated with an asterisk (\*) the sections which are required per Education Code Sections 41020g (1) and 14505. Please review all new contracts and existing contracts for compliance with these Education Code sections.

The governing board of each school district is required, per Education Code Section 41020(b), to either provide for an annual audit or arrange with the county superintendent of schools to provide for the annual audit. Districts that elect to make their own audit arrangements must do so no later than the first day in April of each fiscal year. In the event the governing board of a district has not provided for an annual audit by April 1, the county superintendent of schools shall do so by May 1 of that fiscal year.

The "Notice of Governing Board's Intention to Provide for Audit" and one copy of any new "Agreement for Audit" must be completed and returned to this office on or before April 1, 20XX.

AB 2834 (Chapter 1128/2002) established a limit of six consecutive years for any firm where the partner in charge of the audit and the reviewing partner have been the same in each of those years. Therefore, your current audit firm is eligible to perform your audit for a sum total of six consecutive years with the same partner in charge and reviewing partner. At the end of the sixth year, the firm could rotate partners with these responsibilities but the two partners cannot just switch roles. The law does allow the six-year limitation to be waived by the Education Audit Appeals Panel if it finds that no other eligible auditor is available to perform the audit.

Due to this requirement it is mandatory for you to list the Partner-in-Charge and the Reviewing Partner names on the attached "Notice of Governing Board's Intention to Provide for Audit".

The following are additional Education Code sections regarding the annual audit report process for districts:

- Education Code Section 41020(h) requires K-12 districts to file their prior year annual audit report with appropriate local (including the county office of education) and state agencies no later than December 15.
- Education Code Section 41020.3 requires K-12 governing boards to review the annual audit including audit adjustments, findings and recommendation(s), and management letters for the prior fiscal year no later than January 31.
- Education Code Section 41020.3 also requires that the annual audit be reviewed at a public meeting and be placed on the agenda of the meeting. Education Code Section 41020(i)-(k) requires that the county superintendent review the audit findings/exceptions, including prior year unresolved findings and management letters, to determine that an acceptable plan of action is developed to address these findings and certify to the state by May 15 of actions being taken.

If you have any questions, please do not hesitate to contact Business Advisory Services.

\_\_\_\_\_ **County Superintendent of Schools**

**NOTICE OF GOVERNING BOARD'S INTENTION  
TO PROVIDE FOR AUDIT**

This is to certify that in accordance with Education Code Section 41020, for K-12 districts, the Governing Board of the \_\_\_\_\_ School District of \_\_\_\_\_ County:

(Please mark one statement)

1.          Elects to implement the terms of the existing audit contract for the fiscal year ending June 30, 20XX.  
The audit firm and fee is: \_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_  
Partner-in-Charge name                      Reviewing Partner name
  
2.          Elects to extend a previous contract to include fiscal year ending June 30, 20XX. The contract modifications made are attached. (Attach a copy of the contract extension).  
The audit firm and fee is: \_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_  
Partner-in-Charge name                      Reviewing Partner name
  
3.          Has selected a new auditor for the audit of the books and accounts of the district for the fiscal year ending June 30, 20XX. (Attach a copy of the new contract agreement for our review)  
The audit firm and fee is: \_\_\_\_\_ \$ \_\_\_\_\_  
\_\_\_\_\_  
Partner-in-Charge name                      Reviewing Partner name

The governing board recognizes that such provision shall be made on or before April 1, 20XX. In the event that the governing board has not made provision by April 1, the county superintendent of schools shall do so by May 1, 20XX, as mandated by Education Code Section 41020.

Signed:

_____	_____
District Authorized Signature	Date
_____	_____
Date of Governing Board Action (if new or modified contract)	District Contact Person Name/Phone number

*Return to the attention of:*

**BUSINESS ADVISORY SERVICES**  
**NO LATER THAN APRIL 1, 20XX**

\_\_\_\_\_ **County Superintendent of Schools**

**AGREEMENT FOR AUDIT**

This agreement is made and entered on the \_\_\_\_ day of \_\_\_\_\_, 20XX, by and between \_\_\_\_\_ School District of \_\_\_\_\_ County, hereinafter referred to as the "district," and \_\_\_\_\_, hereinafter referred to as the "auditor."

- \*1. Auditor, not an assignee, beginning \_\_\_\_\_, 20XX, shall audit and report for each of the fiscal years \_\_\_\_\_, \_\_\_\_\_, and \_\_\_\_\_, for the district in accordance with the requirements of Education Code, Sections 41020, et. al., for K-12 districts and in compliance with the requirements of the current edition of "Standards and Procedures for Audits of California K-12 Local Educational Agencies" issued by the Office of the Controller, State of California and pursuant to standards and procedures developed in accordance with Chapter 3, Section 14500, of Part 9 of Division 1 of Title 1.

The audit(s) covered by this contract shall be performed in accordance with generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA), government standards for financial and compliance audits as promulgated by the United States General Accounting Office (GAO) in "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions," and standards issued by the Office of the State Controller.

To the extent possible, a detailed description of a correction or plan of correction shall be incorporated into the audit report describing specific actions planned to correct the identified audit findings and/or management improvement recommendations.

2. Auditor, auditor's agents and employees, at all times in the performance of obligations under this agreement, shall act as independent contractors and shall not act as, or in any manner be construed to be, agents, officers, or employees of the district.
3. Auditor shall indemnify, defend, save and hold the district, its officers, agents, and employees free and harmless of and from any liability, claims, demands, debts, suits, actions and causes of action of whatsoever kind, nature or sort, arising out of or in any manner connected with the performance of auditor, auditor's agents or employees, or any of auditor's obligations or duties hereunder, and auditor shall assume full responsibility for payments of federal, state, and local taxes or contributions imposed or required under the social security, workers' compensation, and income tax laws concerning auditor, any agent or employee thereof.
- \*4. Auditor shall file \_\_\_\_ copies of the report with the district, county superintendent of schools, State Department of Education and the State Controller no later than December 15 of each year, unless the district and auditor secure an extension from the county office of education in accordance with the provisions of Education Code Section 41020.2.
5. If important or significant irregularities are discovered by auditor, they shall immediately report the same to district and shall furnish all relevant information with their recommendation as to additional services required.
6. District shall pay auditor \$ \_\_\_\_\_ per hour, all expenses and allowances included, and other personnel as follows: \_\_\_\_\_, \$ \_\_\_\_\_ per hour; \_\_\_\_\_, \$ \_\_\_\_\_ per hour; and \_\_\_\_\_, \$ \_\_\_\_\_ per hour, including expenses and allowances, but total payment for the services described in paragraphs 1, 2, and 3 shall not be in excess of \$ \_\_\_\_\_, to be made as follows: (if multi-year contract, list amounts or COLA % increases for subsequent fiscal year audits) \_\_\_\_\_.

7. Auditor shall render services additional to those described in paragraphs 1, 2, and 3 at \$ \_\_\_\_\_ per hour, expenses and allowances included, and other personnel as follows:  
 \_\_\_\_\_ \$ \_\_\_\_\_ per hour; \_\_\_\_\_ \$ \_\_\_\_\_ per hour; and  
 \_\_\_\_\_ \$ \_\_\_\_\_ per hour, including expenses and allowances. Said additional services shall be rendered only upon written request from the district at a total cost not in excess of the maximum amount setout in such request. Payment shall be made upon completion of such requested services.
8. Either party may cancel this agreement no later than February 1, 20XX, with respect to fiscal year\_\_\_\_, and no later than February 1, 20XX, with respect to fiscal year \_\_\_\_\_.
- \*9. In accordance with Education Code Section 14505(a), the district shall withhold 10 percent of the audit fee until the State Controller certifies that the audit report conforms to the reporting provisions of the audit guide.
- \*10. In accordance with Education Code Section 14505(b), the district shall withhold 50 percent of the audit fee for any subsequent year of a multi-year contract, if the prior year's audit report was not certified as conforming to reporting provisions of the audit guide. This contract shall be null and void if a firm or individual is declared ineligible pursuant to Subdivision (c) of Section 41020.5. The withheld amount shall not be payable unless payment is ordered by the State Board of Accountancy or the audit report for that subsequent year is certified by the State Controller as conforming to reporting provisions of the audit guide.
- \*11. All audit reports shall be developed and reported using a format established by the State Controller's Office.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the day and year first above written.

School District of _____ County	Name and Address of Auditor
Signature of Clerk of Governing Board	Signature of Authorized Agent
Date	Date

\*Required components