



Santa Barbara County Education Office

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Susan C. Salcido, Superintendent of Schools

March 8, 2021

SBAS-9407

TO: K-12 School Districts
Santa Barbara County SELPA
County Education Office - Fiscal Services

**Due Date:
Wed., March 31**

ATTENTION: Chief Business Officials

FROM: Denice Cora, Administrator

SUBJECT: **Annual Financial Audit Contract**

Education Code Section 41020(b)(3) requires that Local Education Agencies (LEAs) file their annual financial audit contracts for Fiscal Year 2020-21 with our office by April 1. To file your audit contract, please complete the attached *Auditor Selection Form* and return to SBAS along with a copy of your LEA's current audit contract.

If the governing board of an LEA is unable to make satisfactory arrangements for the annual financial audit prior to April 1, the Education Code requires that the county education office provide for the audit and charge the district.

Auditor Rotation Requirement

LEAs are required to comply with certain guidelines and limits with respect to the length of time an audit firm and/or audit partner can provide annual audit services. Specifically, Education Code 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."

We recommend that LEAs check with their audit firm to ensure that the firm is in compliance with the rules concerning auditor rotation.

Required Audit Contract Provisions

All audit contracts must contain the following provision:

"A provision to withhold 10 percent of the audit fee until the [state] controller certifies that the audit report conforms to the reporting provisions of subdivision (a) of Section 14503." [Education Code Section 14505(a)]

In addition, all multi-year audit contracts must contain the following:

"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. This provision shall include a statement that a multiyear contract will be null and void if a firm or individual is declared ineligible pursuant to subdivision (c) of Section 41020.5. The amount withheld is not payable unless payment is ordered by the California Board of Accountancy or the audit report for that subsequent year is certified by the Controller as conforming to reporting provisions of subdivision (a) of Section 14503." [Education Code Section 14505(b)]

Sample contract language has been attached to show how these various Education Code provisions can be incorporated into the language of the LEA's audit contract.

Penalties for Delinquent Audit Reports

Education Code Section 41020(h) requires that the completed audit report for the preceding year be filed with our office and other agencies by **Dec. 15***. If a report is delinquent, the superintendent of public instruction has the authority to withhold payment of any stipend, expenses, or salaries to the superintendent or members of the governing board until the delinquent reports have been submitted. [Education Code Section 42129]

Filing Procedure

Please complete the attached *Auditor Selection Form* and return to SBAS along with a copy of the current audit contract no later than March 31. This information may be submitted electronically to sbasfinance@sbceo.org.

Please feel free to contact your district financial advisor if you have any questions.

ad
attachment

c District Financial Advisor

*** Note: For 2019-20 Audit Only, this date has been extended to Mar. 31, 2021.**