

SAN DIEGO UNIFIED SCHOOL DISTRICT
PROPOSITIONS S AND Z AND MEASURE YY BOND PROGRAM
PERFORMANCE AUDIT REPORT
June 30, 2022

SAN DIEGO UNIFIED SCHOOL DISTRICT
San Diego, California

PROPOSITIONS S AND Z AND MEASURE YY BOND PROGRAM
PERFORMANCE AUDIT REPORT
June 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Audit Committee and Board of Education
San Diego Unified School District
San Diego, California

We have conducted a performance audit of San Diego Unified School District (the "District") Propositions S and Z and Measure YY General Obligation Bond funds for the year ended June 30, 2022.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit was limited to the objectives listed on pages 4 through 14 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Propositions S and Z and Measure YY General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for San Diego Unified School District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal controls of San Diego Unified School District to determine the audit procedures that are appropriate for the purpose of providing conclusions on the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, in all significant respects, San Diego Unified School District met the objectives listed on pages 4 through 14 and expended Propositions S and Z and Measure YY General Obligation Bond funds for the year ended June 30, 2022 only for the specific projects developed by the District's Governing Board and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.


Crowe LLP

Sacramento, California
December 6, 2022

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BACKGROUND INFORMATION
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The Proposition S San Diego School Repair and Safety Measure was approved by District voters in November 2008 to provide \$2.1 billion in improvements to San Diego Unified School District facilities. The Proposition Z San Diego Neighborhood Schools Classroom Safety and Repair Measure was approved by District voters in November 2012 to provide \$2.8 billion in improvements to District facilities. The Measure YY San Diego Neighborhood Schools Repair and Student Safety Measure was approved by District voters in November 2018 to provide \$3.5 billion in improvements to District facilities. Propositions S and Z and Measure YY are Proposition 39 bonds, requiring 55% favorable vote for passage and requirements per Article 13A of the California Constitution, as paraphrased:

- Proceeds from the sale of the bonds are to be used only for the purpose of construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, and not for any other purpose, including teacher and administrative salaries and other school operating expenses.
- A list is to be developed for the specific school facilities projects to be funded, and verification that the school district board has evaluated safety, class size reduction, and information technology needs in developing that list.
- A requirement that the school district board conduct annual, independent financial and performance audits until the entire bonds proceeds have been expended for the school facilities projects set forth per the ballot measure. The performance audit is done to ensure that the funds have been expended only on the specific projects listed.

Per the Proposition S ballot language at page PR-32D0-1, “the bond funds are to be used to improve every neighborhood school by: repairing outdated student restrooms, deteriorated plumbing and roofs, upgrading career/vocational classrooms and labs; providing up-to-date classroom technology; improving school safety/security; replacing dilapidated portable classroom, upgrading fire alarms, and removing hazardous substances.”

Per the Proposition Z ballot language at page PR-32D0-1, “the bond funds are to be used to repair neighborhood schools and charter schools by: repairing deteriorating 60-year old classrooms, libraries, wiring, plumbing, bathrooms and leaky roofs; removing hazardous mold, asbestos and lead; upgrading fire safety systems/doors; and upgrading classrooms instructional technology, labs and vocational education classrooms.”

Per the Measure YY ballot language the bond funds are to be used “to improve Neighborhood and Charter Schools by: Improving school security, emergency communications, controlled-entry point, door locks; Upgrading classrooms/labs for vocational/career, science, technology, math education; Repairing foundations, bathrooms/plumbing; Removing lead in drinking water and hazardous asbestos.”

The Bond Project Lists of Propositions S and Z, respectively, were merged by the District’s Board of Education at a public meeting on December 11, 2012. The Bond Project List of Measure YY was merged into the existing merged Proposition S and Z project list by the District’s Board of Education at a Public meeting on December 4, 2018. The combined list describes the specific projects the District proposes to finance with the proceeds of the bonds. Listed projects are completed as needed at a particular school site according to a Board-reviewed Project Prioritization Matrix. The Bond Project List authorizes expenditures of bond proceeds for site discretionary projects; school improvements to support student health, safety and security; projects to improve school accessibility; school improvements to support student learning and instruction; major building systems repair and replacement; accommodating school enrollment; and charter school facilities. The Bond Project List also presents a listing of authorized projects at individual District school sites.

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Election of 2008 Series A and Series B Proposition S bonds were sold in April 2009, generating \$170 million in bond proceeds for the building program. Election of 2008 Series C and Series D Proposition S bonds were sold in August 2010, generating an additional \$200 million in bond proceeds for the building program. Election of 2008 Series E Proposition S bonds were sold in May 2012 generating \$150 million. Election of 2008 Series F and G Proposition S bonds were sold in April 2014 generating \$65.1 million. Election of Series H Proposition S bonds were sold in June 2015 generating \$31.7 million. Election of 2008 Series I were sold in November 2015 generating \$99.9 million. Election of 2008 Series J were sold in May 2016 generating \$45 million. Election of 2008 Series K were sold in December 2017 generating \$100 million. Election of 2008 Series L-1 and L-2 were sold in March 2021 generating \$125 million. As of June 30, 2022, a total of \$987 million of \$2.1 billion has been issued.

Election of 2012 Series A and B Proposition Z bonds were sold in April 2013, generating \$530 million in bond proceeds for the building program. Election of 2012 Series D and E were sold in September 2015 generating \$154.4 million in proceeds for the building program. Election of 2012 Series F and G bonds were sold in November 2015 generating \$470.6 million in bond proceeds for the building program. Election of 2012 Series H, I and J were sold in November 2017 generating \$720 million in bond proceeds for the building program. Election of 2012 Series K-1, K-2, and L were sold in October 2019 generating \$250 million. Election of 2012 Series M-1 and M-2 were sold in August 2020 generating \$300 million. Election of 2012 Series N-1 and N-2 were sold in October 2021 generating \$225 million. As of June 30, 2022, total of \$2.65 billion of the \$2.8 billion has been issued.

Election of 2018 Series A and B Measure YY bonds were sold in May 2018, generating \$250 million in bond proceeds for the building program. Election of 2018 Series C-1 and C-2 Measure YY bonds were sold in October 2019 generating \$100 million. Election of 2018 Series D-1 and D-2 Measure YY bonds were sold in August 2020 generating \$545 million. Election of 2018 Series E-1 and E-2 Measure YY bonds were sold in October 2021 generating \$350 million. As of June 30, 2022 a total of \$1.245 billion of the \$3.5 billion has been issued.

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1. COMPLIANCE WITH CERTAIN APPLICABLE LAWS AND REGULATIONS

Objective: Determine compliance with Public Contract Code related to bid requirements and District policy for change orders.

Procedures Performed: Crowe selected 9 public works contracts out of a population of 63 awards approved during the fiscal year ended June 30, 2022, as noted below, comprising a total value of \$117.8 million of construction commitments that the District entered into during the fiscal year ended June 30, 2022. Crowe tested compliance with the public bidding and contractor selection requirements set forth in California law, including the Public Contract Code, as well as District Policy. The attributes tested included:

- Completion of two week advertising requirement
- Existence of bidder's security
- Selection of lowest qualified bidder or best value if applicable
- Board approval
- Compliance with DVBE% requirement

| Projects | Proposition / Measure | Contract Amount | Advertising Requirement (Y/N) | Bidder's Security | Lowest Bidder or Best Value | Board Approved | DVBE% |
|--|-----------------------|-----------------|-------------------------------|-------------------|-----------------------------|----------------|-------|
| Morse HS New Bldg Admin & Theater | YY, Z | \$65,672,402 | Y | Y | Y | Y | 3.1% |
| Darnall CS WSM Final GMP | S, Z | \$23,009,234 | Y | Y | Y | Y | 6.8% |
| Linda Vista ES WSM Final GMP | S, YY, Z | \$15,536,383 | Y | Y | Y | Y | 5.3% |
| Taft Middle School Joint Use Field and Makerspace | YY, Z | \$6,595,700 | Y | Y | Y | Y | 5.3% |
| F&I Fencing and SPOE Group C, Contract Completion | YY | \$2,234,344 | Y | Y | Y | Y | 3.5% |
| Replace Refrigeration Equipment at CS Facility | YY | \$1,375,000 | Y | Y | Y | Y | 3.0% |
| CPMA Joint Use Field Parking and Fencing | YY | \$1,292,530 | Y | Y | Y | Y | 3.0% |
| Furnish & Install Shade Shelters 10 Sites, 2A & 2B | YY | \$1,164,397 | Y | Y | Y | Y | 3.0% |
| Roof Repairs at Physical Plant Operations | YY | \$896,555 | Y | Y | Y | Y | 3.0% |

Conclusions: The results of our test indicate that in all significant respects the contracts were awarded in compliance with applicable sections of the Public Contract Code and Board policy as noted above.

2. COMPLIANCE WITH DISTRICT POLICY FOR CHANGE ORDERS

Objective: Determine the change order procedures are in compliance with applicable Board of Education policy and the Public Contract Code.

Procedures Performed: Crowe selected 40 contract change orders on 15 projects out of a total of 82 projects to assess compliance with applicable Board of Education policy and applicable laws and regulations. The attributes tested included:

- Accuracy of designation
- Accuracy of change order amount
- Proper approval

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2. COMPLIANCE WITH DISTRICT POLICY FOR CHANGE ORDERS (Continued)

| <u>Projects</u> | <u>Proposition/ Measure</u> | <u>Original Contract Amount</u> | Approvals | <u>Number of Change Orders</u> |
|--|---------------------------------|-------------------------------------|---|------------------------------------|
| | | | (District Under \$450k & Board Over \$450k) | |
| Canyon Hills HS New Classroom Bldg and Site Improvem | S | 22,885,000 | Yes | 3 |
| Central ES Major Site Rebuild Project | YY | 80,508,289 | Yes | 2 |
| Clairemont Canyons Academy WSM and JUF | S/Z | 39,497,305 | Yes | 3 |
| Crawford HS WSM Phase II | S | 10,895,798 | Yes | 1 |
| Emerson Bandini ES WSM Increment II | YY | 49,983,664 | Yes | 12 |
| La Jolla ES WSM | YY | 2,313,495 | Yes | 1 |
| Logan Memorial Educational Complex Memorial WSM Ph | S/Z | 117,525,068 | Yes | 3 |
| Montgomery MS WSM | S | 14,165,000 | Yes | 1 |
| Muir @ Andersen WSM Ph. II | YY | 53,836,209 | Yes | 1 |
| O'Farrell Charter Interim Housing | YY | 2,618,798 | Yes | 1 |
| Pacific Beach MS WSM Project | Z | 37,031,562 | Yes | 2 |
| Point Loma HS WSM | S/Z | 61,761,987 | Yes | 6 |
| Taft MS Joint Use Field | YY | 4,187,000 | Yes | 1 |
| Wangenheim MS Roof & HVAC Replacement | S | 6,708,526 | Yes | 1 |
| Wilson MS Increment II Bldgs 100-700 | Z | 115,056,292 | Yes | 2 |

*WSM – Whole site modernization

It was noted that the cumulative change order percentage for tested projects was below 10%, and the total amount of change orders tested was approximately \$3,110,000.

Conclusions: The objective was met in all significant respects.

2. BOND EXPENDITURES AND RECORDKEEPING

Objectives: Determine if total individual contract awards agree to total project expenditures, verify that the facilities project expenditure tracking system reconciles to District financial records and determine if expenditures are described in the budget.

Procedures Performed: Crowe tested \$56.2 million of the District's projects totaling \$581.1 million in the fiscal year ended June 30, 2022. Crowe obtained the budget detail and traced the expenditure detail per the PeopleSoft database into the Unifier database. Crowe noted expenditures were paid within contract amounts, and were consistent between both databases.

Conclusions: The results of our test indicate in all significant respects that the expenditures related to contract awards were described in the budget, reconciled and agreed to total project expenditures.

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3. BOND EXPENDITURES AND RECORDKEEPING (Continued)

Objectives: Determine that such funds were properly expended on specific projects listed in the text of the applicable ballot measure. Verify that the funds were generally expended for the construction, renovation, furnishing, and equipping of school facilities constituting authorized bond projects. Verify that the funds used to pay the salaries of district employees were allowable per Opinion 04-110 issued on November 9, 2004 by the State of California Attorney General.

Procedures Performed: Crowe tested 125 expenditures totaling \$99.1 million or 17 % of total Propositions S and Z and Measure YY expenditures of \$581.9 million. As part of our expenditure testing, Crowe also selected payroll expenditures for 50 employees totaling \$4.4 million, and their related payroll charges to Propositions S and Z and Measure YY during the fiscal year ended June 30, 2022.

Conclusions: The results of our test indicate that in all significant respects the expenditures were properly expended on specific projects listed in the text of the ballot measure for Propositions S and Z and Measure YY. Funds were generally expended for the construction, renovation, furnishing and equipping of school facilities constituting authorized bond projects. In addition, funds that were used to pay salaries of district employees were allowable per Opinion 04-110.

Objectives: Determine if selected Propositions S and Z and Measure YY projects are real and exist.

Procedures Performed: In order to physically observe the existence of Propositions S and Z and Measure YY construction projects, Crowe conducted site visits at three District sites where construction activities took place during the fiscal year ended June 30, 2022. At the sites a total of \$109.7 million was spent in the fiscal year, which accounts for 20% of the \$559 million in total school site level expenditures.

| <u>School Site Walks</u> | <u>Major Work Observed</u> | <u>Proposition/ Measure</u> | <u>Amount Charged</u> |
|--------------------------|----------------------------|---------------------------------|---------------------------|
| Memorial Preparatory | New Building Construction | S, Z, YY | \$ 63.2 million |
| Nipaquary Elementary | New Building Construction | S, YY | \$ 5.6 million |
| Central Elementary | New Building Construction | S, Z, YY | \$ 40.9 million |

Conclusions: The results of our tests indicate that in all significant respects that the projects are real and exist.

Objectives: Verify that rates charged by professional service organizations through their billings were consistent with their contracted rates.

Procedures Performed: Crowe obtained the detail for the account object codes used to track expenditures with professional service organization expenditures. The total expenditures of these codes totaled \$110.4 million. Crowe selected 9 vendors out of 84 vendors charged to the bond program and compared the amounts charged, employees charged, and position billing rates with the amounts specified in the original board approved contract. In addition, Crowe tested that a bid process was utilized in the selection process.

Conclusions: The results of our test indicated in all significant respects that Propositions S and Z and Measure YY expenditures that were made for these contracts during the fiscal year ended June 30, 2022 were charged at the rates consistent with their contracts.

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4. INTERNAL CONTROLS OVER FACILITIES PROCUREMENT

Objectives: Determine if controls over payment processing and the use of purchase orders in the procurement process are properly designed and implemented.

Procedures Performed: Crowe performed inquiries of management and walkthroughs of 3 bond expenditures, one for Proposition S, one for Proposition Z and one for Measure YY, to analyze District internal controls over bond expenditure payment processing and the use of purchase orders in the procurement process. Additionally, 78 bond expenditures were selected over the three bond measures verifying proper payment, proper authorizations and proper bidding processes upheld.

Conclusions: Controls over payment processing and the use of purchase orders are properly designed and implemented in all significant respects.

5. DOCUMENT MANAGEMENT'S EFFORTS TO MAXIMIZE POTENTIAL FUNDING AND REDUCE PROGRAM COSTS

Objective: Determine the District has a process in place to identify, apply for, and acquire non bond funded financing and other resources.

Procedures Performed: Crowe performed inquiries of District management and examined supporting documents to determine how the District identifies, applies for, and acquires non bond funded financing and other resources.

Crowe noted management has obtained funding from several sources in addition to standard general obligation bonds, including \$98.5 million in State School Facilities funds to date. The District has saved \$119.2 million through collection of developer fees for qualified projects. The District has also earned interest subsidies on \$74.8 million in Series B, D-1 and D-2 Qualified School Construction Bonds' (QSCB) sold. In addition, the program has received \$118.5 million from Federal E-Rate program matching funds to date. The Federal E-rate funds are being directed toward the i21 classroom technology program. In addition, the District has received \$1 million from Community Oriented Policing Services (COPS) and Secure Our School Grants (SOS), and saved \$49.5 million from DOD funding for the Miller and Hancock elementary school modernization and upgrades of navy housing schools. The District received \$1.3 million from the City of San Diego for the construction of a joint use field at Horton Elementary School, \$1.2 million from the City of San Diego for the construction of a joint use field at Tubman Elementary School, \$1.0 million from the City of San Diego for the construction of a joint use field at Rolando Elementary School, and \$90 thousand from the City of San Diego for the construction of a joint use field at Standley Middle School. In addition, the District has and continues to apply for funding from the state of California under Proposition 51 with 35 applications currently submitted to the state for approval and one application approved in the 2021-22 fiscal year for Logan Memorial.

Conclusions: The objective was met in all significant respects.

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5. DOCUMENT MANAGEMENT'S EFFORTS TO MAXIMIZE POTENTIAL FUNDING AND REDUCE PROGRAM COSTS (Continued)

Objective: Determine that management has strategies to reduce program costs.

Procedures Performed: Crowe performed inquiries of District management and documented management's strategies to reduce program costs, considering several approaches towards cost-control that District management has undertaken, including negotiation with professional service contractors, large volume purchases, value engineering, joint use agreements, and public and private partnerships.

Crowe noted through inquiries of District management and inspection of supporting documents including the Cost Saving Matrix document as of June 16, 2022, presented to the ICOC on June 16, 2022, that during the 2021-22 fiscal year, a competitive selection process had been utilized to assist District management in its evaluation of professional services firms on the basis of cost as well as experience. Crowe also noted public and private partnerships from inception of the propositions to date consisting of the following:

- Elementary and middle school fields with joint use agreements with the City of San Diego, including a field at Horton Elementary School, Tubman Elementary School, Rolando Elementary School and Standley Middle School.
- Donations totaling \$100 thousand from the National Football League towards the artificial turf field at Morse High School and \$500 thousand from a private foundation for its baseball/multi-use field.
- Donations and contributions from the O'Farrell Foundation of \$1.7 million towards the O'Farrell Community School Track and Field, and Softball Field.

The District is also focused on reducing costs through a focus in sustainability. Crowe noted the development of "Leadership in Energy & Environmental Design" (LEED) buildings, such as the woodshop constructed at Hoover High School. These projects are intended to promote increases in energy and water efficiency both for cost savings as well as stewardship of resources. The District also participates in the SDG&E "Savings by Design" incentive program, a nonresidential new construction energy efficiency program administered statewide and funded by utility customers. The District's goal in participating in this program is to realize reduced long-term operating costs through energy-efficient building design and construction practices. Crowe noted the installation of LED lighting at schools across the District. In January 2016, the District issued \$100 million in Election of 2012, Series G "Green Bonds" to allow investors to invest directly in bonds that finance environmentally beneficial projects. Per inspection of the construction projects and fixed asset additions listings, the District completed 5 photovoltaic solar panel projects and purchases 2 solar panels that were previously leased in 2019/20. The District has completed solar panel projects to provide a source of renewable energy and to help offset energy costs. In addition, the District continues to install LED lighting at the schools throughout the District.

Conclusions: The objective was met in all significant respects.

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5. DOCUMENT MANAGEMENT'S EFFORTS TO MAXIMIZE POTENTIAL FUNDING AND REDUCE PROGRAM COSTS (Continued)

Objectives: Determine that management has a sustainability plan for the i21 Program.

Procedures Performed: Crowe performed inquiries of District management and examined supporting documentation to document management's sustainability plan for the i21 Program. In addition, Crowe inspected the i21 Quarterly report presented to the Board.

Through our inquiries and inspection of supporting documents, Crowe noted the District has developed an i21 Classroom Sustainability plan to refresh devices in existing classrooms on an as needed basis due to ageing or failure beyond repair. Furthermore, the District's Technology Advisory Group meets regularly to review the status of the i21 Program and technology in the classrooms.

Conclusions: The objective was met in all significant respects.

6. DOCUMENTATION OF PROGRAM MANAGEMENT PROCEDURES

Objectives: Determine management has a plan to monitor the planning and execution of projects in place and verify that the project status is communicated to the ICOC and taxpayers are accurate.

Procedures Performed: Crowe performed inquiries of District management, examined supporting documents, and traced reports to source documentation to document management's plan to monitor project planning and execution of projects.

Through our inquiries and inspection of documentation Crowe determined that District staff in the Facilities Planning and Construction ("FPC") department oversee construction management, program management, and contract management processes.

Per the results of our inquiries, Crowe noted FPC holds weekly status meetings to monitor existing and upcoming construction projects. Regarding project execution, management monitors key data points including billing percentage of completion, construction percentage of completion, observations related to individual projects, and change order status. Crowe examined documents used by management to monitor the planning and execution of projects and communicate project status with the ICOC and taxpayers.

The reports that Crowe examined included the following:

- Propositions S and Z and Measure YY Contract Awards Report
- Propositions S and Z and Measure YY Construction Management Report
- Monthly Program Controls Status Report
- i21 Quarterly Update
- PPO Project Management Report
- Cost Savings Measure Matrix

In order to determine whether the aforementioned reports are consistent with one another and accurate relative to source documentation Crowe sampled key data points (including contract name, number, vendor, amount, etc.) Crowe additionally verified that the status reports were presented to the Board and the ICOC on a monthly basis through the inspection of meeting minutes.

Conclusions: The objective was met in all significant respects.

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6. DOCUMENTATION OF PROGRAM MANAGEMENT PROCEDURES (Continued)

Objectives: Determine the District has procedures in place related to District management's program for quality control/quality assurance (QC/QA) and test to determine if the procedures meet the required procedural goals.

Procedures Performed: Crowe performed inquiries of District management and inspected documentation for the District's program for QC/QA review procedures.

Crowe walked through and inspected the QA/QC volume 2 summary report for Crown Point Elementary School WSM project noting that QC/QA procedures performed at the 100% construction design (CD) stages met the procedural goals, namely: conformance to District design standards, use of District standard details and specifications, proper interdisciplinary coordination, project constructability, and overall quality of the design submittal. As an example, FPC utilizes Blue Beam software to electronically view and mark up drawings.

Conclusions: The objective was met in all significant respects.

Objectives: Determine communication protocols and procedures exist between District departments outside of Facilities Planning and Construction (FPC).

Procedures Performed: Crowe performed inquiries of District management and documented the protocols and procedures between District departments. Crowe noted through the results of our inquiries that communications media in the form of website content that District departments outside of Facilities Planning and Construction (FPC) are kept apprised of the status of Propositions S and Z and Measure YY. Crowe inspected the website to ensure a site construction schedule is available on the Propositions S and Z and Measure YY website so all employees can be kept abreast of the timetables for projects occurring at their respective sites.

Conclusions: The objective was met in all significant respects.

7. EVALUATION OF THE BOND ISSUANCE PROCESS

Objectives: Determine if the issuance of general obligation bonds was appropriately recorded in the District's general ledger.

Procedures Performed: Crowe examined the supporting documentation related to the issuance of the Election of 2012 Series N-1 and N-2 and Election of 2018 Series E-1 and E-2 noting the debt issuance was recorded in the bond funds appropriately.

Conclusions: The objective was met in all significant respects.

8. SPECIAL INTEREST ITEMS

Objectives: Determine if management has a plan for soliciting and monitoring the participation of local firms and workers in District projects.

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8. SPECIAL INTEREST ITEMS (Continued)

Procedures Performed: Crowe performed inquiries of District management and inspected supporting solicitation documentation to include the Lease LeaseBack Fact Sheet 2021-22, published to the public in the San Diego Unified School District Newsletters as well as in publicly available meeting minutes. Through our inquiries and inspection of District documents Crowe determined that the District maintains a listing of over 1,600 Emerging Business Enterprises (EBE) of wide-ranging construction specialization. The District uses this listing like a database and filters by construction specialty (as pertaining to the needs of a particular contract) when developing “blast emails” bid solicitation sent out to relevant EBEs to encourage them to bid on a particular contract. In addition to the proactive measure of sending out blast emails, Crowe also noted that the District provides Project Stabilization Agreement (PSA) trainings as requested to similarly encourage contractors to become eligible to bid on work. In addition, the District performs the following activities:

- Attends Emerging Business Enterprise meetings
- Participate in Public Agency Business Outreach events and marketing
- Actively maintain a Business Outreach Database
- Distribute a Business Outreach Newsletter
- Plan and hosts Construction Expo

Conclusions: The objective was met in all significant respects.

Objectives: Determine if the District is compliant with the Board of Education approved budget and position control.

Procedures Performed: Crowe performed inquiries with FPC management to document the District’s compliance with the Board of Education approved budget and position control. Additionally, Crowe inspected and reviewed the budget to actual Bond Budgetary Comparison FY22 report for the Bond funds, Fund 21, noting favorable variances for both salaries and employees benefits.

As a result of inquires of FPC management Crowe determined the District complied with the Board of Education approved FPC budget and position control that was part of District-wide budget adoption. Underlying that summary budget, is a detailed budget that is generated, updated and utilized internally within FPC, while being made available to public review and oversight.

Conclusions: The objective was met in all significant respects.

Objectives: Determine if the Bond Oversight Committee (ICOC) meets regularly.

Procedures Performed: Performed inquiries with management and inspect ICOC meeting minutes and reports.

Through our inquiries and inspection of the ICOC’s documentation of minutes and reports (available on the District’s website) Crowe noted that the ICOC has established three subcommittees which meet regularly to evaluate the progress of the Propositions S, Z, and Measure YY program. In addition, ICOC established Ad Hoc committees to address specialized considerations on as needed basis. As a result of its evaluations, the ICOC provides an annual report, in addition to quarterly status reports to the Board of Education. All reports are available online on the District’s web page. Due to COVID-19 implications, the committees now meet during regularly scheduled ICOC meetings.

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8. SPECIAL INTEREST ITEMS (Continued)

The Executive/Governance subcommittee concerns roles and responsibilities of the ICOC and also generates the committee’s Planning calendar along with the ICOC’s reports to the Board of Education. The construction subcommittee reviews updates to project and construction management reports, the FPC organizational chart, small business outreach program status, and other items pertinent to construction activities. The Finance/Audit subcommittee focuses on the scoping and review of the external performance audit as well as consideration of the findings and recommendations thereof.

| <u>Meeting Month</u> | <u>ICOC</u> | <u>Executive/ Governance Subcommittee</u> | <u>Construction Subcommittee</u> | <u>Finance/Audit Subcommittee</u> |
|----------------------|-------------|---|--------------------------------------|---------------------------------------|
| July 2021 | 1 | 0 | 0 | 0 |
| August 2021 | 1 | 0 | 0 | 0 |
| September 2021 | 1 | 1 | 0 | 0 |
| October 2021 | 1 | 0 | 0 | 0 |
| November 2021 | 0 | 0 | 0 | 0 |
| December 2021 | 1 | 0 | 0 | 0 |
| January 2022 | 1 | 0 | 0 | 0 |
| February 2022 | 1 | 0 | 0 | 0 |
| March 2022 | 1 | 0 | 0 | 0 |
| April 2022 | 0 | 0 | 0 | 0 |
| May 2022 | 1 | 0 | 0 | 0 |
| June 2022 | 1 | 0 | 0 | 0 |

Conclusions: The objective was met in all significant respects.

Objectives: Determine that management has a plan to inform and engage community stakeholders about bond-funded projects.

Procedures Performed: Crowe performed inquiries with the Facilities Communications Supervisor, requesting support for communication protocols and procedures between District’s departments as well as in regard to external communications.

Through our inquiries, Crowe determined the core responsibilities of the Facilities Communications department per the results of the inquiry include, maintenance of the Propositions S and Z and Measure YY website, managing media relations, and community outreach. Information provided in response to our request, included example content from the Propositions S and Z and Measure YY website and various press releases and appears to support the sufficiency of program communication.

Conclusions: The objective was met in all significant respects.

Objectives: Determine the total value of Major Repair and Renovation (MRR) expenditures through June 30, 2022 and verify that MRR expenditures are communicated to the ICOC regularly.

Procedures Performed: Through our inquiries, we noted that as of June 30, 2022, direct MRR expenditures amounted to approximately \$1.6 billion to date, however this includes MRR-type work, which includes projects done under alternate categories, such as Replace Inadequate Buildings, Student Learning & Instruction, Accessibility, and Code Compliance that accomplish multiple objectives including repairs to existing facilities.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
PROPOSITIONS S AND Z AND MEASURE YY BOND PROGRAM
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2022

8. SPECIAL INTEREST ITEMS (Continued)

Crowe performed inquiries with FPC management and examined the Measure YY Prop S and Z – Categories Chart Ending 6-30-2022 supporting documentation regarding the status of MRR expenditures related to the Propositions S and Z and Measure YY expenditures through June 30, 2022. The District provided us with the most recent version of the Controls Status Report that is provided to the ICOC on a monthly basis. This report includes a breakout of MRR expenditures.

Conclusions: The objective was met in all significant respects.

Objectives: Determine if Proposition Z and Measure YY Charter School expenditures were made in accordance with the purposes outlined in each bonds ballot language. Proposition Z and Measure YY set out a number of goals to provide quality facilities for all San Diego Unified School District students utilizing \$350 million in Proposition Z bond funds and \$588 million in Measure YY bond funds. The stated purpose of the local bonds for charter schools includes all uses that were identified for traditional district schools, but a primarily focus on:

- Site reconfiguration to better accommodate charter school co-location,
- Development of new facilities for charter schools,
- Consistent with the District’s obligation under Proposition 39, provide classroom capacity, including furnishings and equipment, for in-district charter school students at a level comparable to students attending district-run schools, and
- Construction, reconstruction, rehabilitation or replacement of charter school facilities, including the furnishing and equipping of charter school facilities, or the acquisition of lease of real property for charter school facilities.

Procedures Performed: Crowe tested 4 expenditures totaling \$27.6 million or 47% of the Proposition Z and Measure YY Charter School related expenditures of \$59.2 million. The results of our test indicated that Charter School expenditures were for permissible Proposition Z and Measure YY purposes in accordance with the ballot language and Board-approved priorities.

Conclusions: The objective was met in all significant respects.

Objectives: Determine that Physical Plant Operations (PPO) communications protocols and procedures between facilities and PPO exist.

Procedures Performed: Crowe performed inquires of District management and inspected the communication protocol flowchart provided by the District. Through our inquiries and inspection of supporting documentation Crowe documented that the District has established communication protocols and procedures between facilities and PPO.

Conclusions: The objective was met in all significant respects.

(Continued)

SAN DIEGO UNIFIED SCHOOL DISTRICT
PROPOSITIONS S AND Z AND MEASURE YY BOND PROGRAM
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
June 30, 2022

8. SPECIAL INTEREST ITEMS (Continued)

Objectives: Per the District's Board of Educations' determination to not use Proposition S and Z and Measure YY funds for stadium lighting, determine if expenditures related to stadium lighting were not included in the District's Propositions S and Z and Measure YY General Obligation Bond Fund expenditures.

Procedures Performed: Crowe performed inquires with facilities personnel and inspected detailed expenditure reports for the fiscal year ended June 30, 2022. Crowe determined through our inquiries and inspection of detailed expenditure reports that the District did not charge expenditures related to stadium lighting to Propositions S, Z, and Measure YY General Obligation Bond Funds for the year ended June 30, 2022. Additionally, Crowe did not identify any stadium lighting expenditures as part of the bond expenditure testing. We inspected the stadium lighting costs coding and ensured all costs were then transferred to the County School Facilities Fund appropriately.

Conclusions: The objective was met in all significant respects.

SAN DIEGO UNIFIED SCHOOL DISTRICT
PROPOSITIONS S AND Z AND MEASURE YY BOND PROGRAM
PERFORMANCE AUDIT REPORT
FINDING AND RECOMMENDATION
June 30, 2022

No matters were noted.

SAN DIEGO UNIFIED SCHOOL DISTRICT
PROPOSITIONS S AND Z AND MEASURE YY BOND PROGRAM
PERFORMANCE AUDIT REPORT
PRIOR YEAR FINDING AND RECOMMENDATION
June 30, 2022

Findings: Two changes orders, McCarthy Building Companies, Inc. \$620,736 and GEM Industrial Electric, Inc. change order rate 12.57%, did not have proper Board approval prior to the change orders being processed although they were above the \$400,000 or 10% change order rate threshold.

Recommendation: We recommend the District management implements procedures and controls to ensure change orders that exceed the thresholds identified by Board policy are identified and properly approved.

Current Status: Implemented

District Explanation if Not Implemented: Not applicable