

Subject: RE: STUMP BOE MEMO IRT AUDIT RFP ; Date: 11/10/09 3:52:35 PM;  
To: "John Stump" <jwstump@cox.net>, gil@sandiegogifts.com, "Gordon, John"  
Cc: "Masias James" <jmasias@sandi.net>, "Kowba William" <wkowba@sandi.net>  
*This accurately represents the events and after we clean up a couple of typos then off to the BOE. Please note that Mr. Stump has spent a lot of time putting this together and we appreciate this. Thanks Stu*

Proposition S ICOC  
December 17, 2009, Exhibit 6.2.3

To: Honorable Board of Education

RE: Financial and Performance Audits of Proposition S Bond funds and projects.

In November of 2008, the voters approved a special bond measure to provide some \$2.1 Billion dollars as the **"Prop S San Diego School Repair and Safety Measure"**. The proposition was special because it could be approved by a lesser affirmative vote if the school district complied with the special requirements expressed in Article XIII of the California constitution and related sections of the Education Code.

The Prop S Ballot measure and the Education Code require the District to conduct two specific and distinct annual audits of Prop S - **Performance Audit and a Financial Audit**. The District has already engaged the professional audit firm of Nigro, Nigro, & White to conduct the general **Financial Audit**, of the District for three fiscal years. District staff is proposing to extend the engagement of Nigro, Nigro, & White (N, N, & W) for two additional years and to expand the engagement to include both the Performance Audit and Financial Audit of Proposition S, under the ballot language and unique Education Code provisions. N, N, & W would receive some \$20,000 for auditing the last six months of Fiscal year 2009, and then approximately \$20,000 for auditing each of the next two full fiscal years. Upon completion of each Performance Audit and Financial Audit the required Independent Citizen Oversight Committee would receive these audits, review the findings and prepare a public report on the District's compliance to the Ballot proposition and the law. The same audit firm need not conduct both the Performance Audit and a Financial Audit.

The Independent Citizen Oversight Committee (ICOC) has an Audit Committee which has received and considered the proposal by district staff to extend and expand the engagement of N, N, & W to conduct both the Performance Audit and the Financial Audit. The Audit Committee was presented this proposal in insufficient time to provide recommendations through the normal process of up to the full ICOC and then to the Board of Education. Rather than delay further, a slipping schedule, the Audit Committee reached a compromise position to meet the District's annual auditing schedule and the concerns raised by committee members on the content and details of the Performance Audit. The ICOC Audit Committee was not concerned and made no recommendation concerning the routine Financial Audit of the District by Nigro, Nigro, and White,

Committee members' concerns surrounded what specific performance indicators were proposed to be audited by N, N, & W, under their expanded engagement proposal. The **"Prop S San Diego School Repair and Safety Measure"** made some ninety-eight (98) pages of specific project promises, to the voters. The ICOC has a responsibility to review the District's progress in meeting these specific project promises to the voters. The N, N, & W proposal promises to conduct "... (2) a performance audit over the deposit and expenditures of the bond proceeds proceeds." [N, N, & W letter , October 8, 2009, page 1 paragraph 4], under Government Auditing Standards and Article XIII A and XVI (Section 18), as amended by Proposition 39 of the California Constitution. The N, N & W proposal lacked specific reference to the performance auditing against the actual ballot language specific project promises to the voters contained in **"Prop S San Diego School Repair and Safety Measure"**.

The Audit committee agreed that the District should recommend N, N, & W and then negotiate specific tasks and deliverables for the Performance Audit. Prior to returning to the Board of Education, with the results of these negotiations, the ICOC Audit committee and ICOC would have the opportunity to review and comment on the proposed specific tasks and deliverables to insure the completion of a responsive Performance Audit, under **Prop S San Diego School Repair and Safety Measure"** and the Education Code.

Respectably submitted

John W. Stump, Chair of the ICOC Audit Committee