



August 8, 2011

To: Audit Sub-Committee of the Independent Citizens' Oversight Committee of San Diego Unified School District

From: Christy White, CPA and Heather Daud

Re: Status of Financial and Performance Audit for Proposition S Bonds, Fiscal Year 2010-11

Audit Timelines

Performance Audit Fieldwork	July 11, 2011 - present
Financial Audit Fieldwork	October 10 – 21, 2011
Meeting to Discuss Draft of Audit Reports with District Management and ICOC Committee Representative	November 7, 2011
Receipt and Review of Final Audit Reports with ICOC	December 15, 2011

Financial Audit Scope

We will audit the proceeds from Proposition S funds and related expenditures for the fiscal year 2010-11 in accordance with *Generally Accepted Governmental Auditing Standards*. Our audit tests will cover all balance sheet, revenue, and expenditure accounts plus other financing sources and uses (such as proceeds from the issuance of debt and interfund transfer activities).

Audit Objectives and Scope of Performance Audit

The objectives and scope items listed below provided the framework for the Proposition S Bond Program performance audit engagement for the fiscal year ended June 30, 2011. CWA believes the objectives and scope items listed below are sufficient for us to render our independent auditor's opinion on performance regarding the District's Proposition 39 Bond Program.

1. Compliance with Applicable Laws and Regulations

- a. Examine bid documents and contractor selection process for compliance with applicable laws and regulations, including the California Public Contract Code.
- b. Document and review change order and claims procedures for compliance with applicable Board of Education policy and applicable state laws and regulations.
- c. Document and review management's efforts to minimize change orders and avoid claims. Verify change order rates.

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2. Bond Expenditures and Recordkeeping

- a. Compare total individual contract awards to total project expenditures.
- b. Substantiate that expenditures are described in the budget.
- c. Verify that the facilities project expenditure tracking system reconciles to District financial records.
- d. Determine whether bond projects and related expenditures are consistent with Board approved priorities.
- e. Conduct site walks to verify project expenditures. Document and review the outcome of site visits.

3. Internal Controls over Facilities Procurement

- a. Document and review management's efforts in streamlining payment procedures.
- b. Document and review use of purchase orders in procurement process.
- c. Document, review, and comment on District internal controls processes.

4. Review of Management's Efforts to Maximize Potential Funding and Reduce Program Costs

- a. Document and review management's efforts to identify, apply for, and acquire non bond funded financial and other resources.
- b. Document and review management's efforts to reduce costs in areas such as professional services, site preparation, sustainability, plan development, and joint use.
- c. Review the use of cost-effective and efficient reusable facility plans.

5. Review of the Effectiveness of Program Management

- a. Document and review management's efforts to monitor planning and execution of projects.
- b. Document and review management's quality control/quality assurance efforts.
- c. Document and review communication protocols and procedures between District departments.

6. Review of the Bond Issuance Process

7. Consider Fraud Risk Assessment and Incorporate in Audit Tests

8. Special Interest Items

- a. Document and review management's efforts at soliciting and monitoring the participation of local firms and workers.
- b. Determine District compliance with labor compliance regulations.
- c. Determine District compliance with applicable project labor agreements.
- d. Determine District compliance with Board-approved staffing plan.
- e. Document activities of the Bond Oversight Committee.
- f. Document and review management's efforts to inform and engage community stakeholders about bond-funded projects.
- g. Analysis of deferred maintenance funding plans for Proposition S paid facilities and equipment