Crowe Horwath.

Client Service Plan

July 6, 2016

San Diego Unified School District

Table of Contents

Letter to the Audit Committee and Management 1

Crowe's Client Service Team 2

Client Experience 3

Crowe's Services and Deliverables 5

Audit Timeline 6

Exhibit A – Accounting and Auditing Developments

Exhibit B – First Interim Audit Memo

Exhibit C – Performance Audit Report for the Year Ended June 30, 2015

Audit Planning – Proprietary and Confidential
© 2016 Crowe Horwath LLP

Crowe Horwath LLP
Independent Member Crowe Horwath International

San Diego Unified School District
San Diego, California

We appreciate the opportunity to discuss with you various issues related to planning our audit services, and gaining an understanding of your expectations of us as your independent public accountants.

We will discuss with you how we plan to assist you to meet your needs, share our proposed client service plan, and review other key issues related to the audit. It is our philosophy to continually improve the quality of our service. We look forward to any comments you or others may have on our service. This client service plan should be considered a working document which will be updated during our meeting. We welcome your recommendations for additions or changes so that we can best meet all of your needs. An engagement letter for our services will provide a complete description of the services to be provided with the related terms and conditions.

Thank you for the opportunity to discuss the client service plan. We look forward to assisting you.

Sincerely,

Crowe Horwath LLP

Crowe Horwath LLP

Audit Planning – Proprietary and Confidential
© 2016 Crowe Horwath LLP

Crowe's Client Service Team

Role	Name	Phone	Email	Definition of Role
Audit Partner	Matt Nethaway	916.492.5124	matt.nethaway@crowehorwath.com	Matt is the engagement partner in-charge who will oversee the quality of the overall audit experience and is responsible for signing the reports. Matt will have responsibility for the overall performance of our people and for the timely completion of our audit work.
Technical Advisory Partner	Jeff Jensen	916.492.5162	matt.nethaway@crowehorwath.com	Jeff will provide technical assistance to the engagement team. Jeff will also be a part of the quality assurance effort as a report reviewer.
Quality Control	Brian Archambeault Tony Boras	574.236.7610 630.706.2053	brian.archambeault@crowehorwath.com tony.boras@crowehorwath.com	Brian and Tony are members of our Quality Control (APP) practice. Their role is to provide the final quality control review of the draft audit report.
Audit Managers	Arthur Ngo Joe Trone	916.266.9502 916.266.9514	arthur.ngo@crowehorwath.com joseph.trone@crowehorwath.com	Arthur and Joe will jointly oversee the execution of the audit. Arthur and Joe will be responsible for direct communication with the District regarding the status of the audit progress as well as supervising the engagement senior and staff. Arthur and Joe will report directly to Matt.

Audit Planning – Proprietary and Confidential
© 2016 Crowe Horwath LLP

Client Experience

Why Do Our Clients Choose Crowe?

Clients tell us when our technical expertise, industry knowledge, and applied technology come together, exceptional service and value result. At Crowe Horwath LLP, we take pride in our relationships with our clients. Our vision is that our people come to work every day motivated to provide our clients with an exceptional experience in every interaction and to help our professionals maintain objectivity in the delivery of our services.

How Do We Do This?

We have learned from our clients that there are certain attributes important to their overall experience, and each client perceives value differently. To help us meet our clients' expectations, we conduct an engagement survey that allows our clients to evaluate our performance. Proof of this can be found in what our clients say about us, in our client engagement survey results, and through recognition we've received from client experience organizations.

In addition, if a client is faced with a challenge or issue that is unresolvable with their Crowe partner, we encourage clients to contact our dedicated client feedback manager by calling 877.430.3900, or emailing clientfeedback@crowehorwath.com. The client feedback manager works with our clients and Crowe leaders to understand the issue(s), and resolve the situation while ensuring that similar circumstances do not happen again.

Client Engagement Survey Results

Our 2015 client engagement surveys show that Crowe has achieved a 90 percent client engagement index score. According to our survey administrator, PeopleMetrics, our score is 35 points higher than the industry average of 55 percent. An engaged client is one who agrees that it really likes working with us, is likely to continue to work with us, would go out of its way to keep working with us, and will recommend us to its colleagues.

Recent Awards

For the fifth year in a row (2015), Crowe has been recognized as one of the five best-performing companies across PeopleMetrics' customer base. In addition, PeopleMetrics' customer base selected two Crowe professionals to be PeopleMetrics Brand Ambassadors.

Crowe has been recognized by the Temkin Group as a finalist for the 2014 Temkin Customer Experience Excellence Award.

Audit Planning – Proprietary and Confidential
© 2016 Crowe Horwath LLP

Crowe and its client experience professionals have been recognized by the Customer Experience Professionals Association (CXPA) as a company that is delivering great experiences to clients and as a “Customer Experience Impact Award” winner.

Crowe's exceptional client experience team received the Customer Experience Innovation Award from the Customer Experience Professionals Association (CXPA). This is the most prestigious award a company can receive from the CXPA, as it recognizes new practices that improve customer experience, result in strong business impact and advance the field of customer experience for other organizations.

Audit Planning – Proprietary and Confidential
© 2016 Crowe Horwath LLP

Crowe's Services and Deliverables

We are committed to providing you with the highest level of professional service and to exceeding your expectations. We wish to ensure that we have an understanding of the services we are to perform and the deliverables that we are to provide.

Service	Deliverable
Audit of the District's financial statements for the year ending June 30, 2015.	• Annual Audit Report • SAS 114 Required Communications Letter
Audit of the financial statements of Proposition S and Proposition Z Bond funds for the year ending June 30, 2015.	• Annual Audit Report
Performance audit of Proposition S and Proposition Z Bond funds in accordance with the California Constitution, Proposition 39 and Education Code Section 15278.	• Proposition S Performance Audit Report • Proposition Z Performance Audit Report

Audit Planning – Proprietary and Confidential
© 2016 Crowe Horwath LLP

Audit Timeline

To ensure we appropriately understand your expectations regarding the time frames for delivery and completion of our services, we wish to discuss with you the following draft timeline we have prepared.

Activity	Planned Date
First Interim Fieldwork: • Attendance, Student Body and Compliance Testing at: ○ Bay Park Elementary ○ Sunset View Elementary ○ Clay Elementary ○ Creative Performing Media Arts (Middle School) ○ Crawford High School ○ Miramar Ranch Elementary ○ Wegeforth Elementary ○ Carson Elementary ○ Linda Vista Elementary ○ Pacific Beach Elementary ○ Sandburg Elementary ○ Mission Bay High School ○ Innovation Middle School ○ Mann Middle School ○ Millennial Tech Middle School ○ Encanto Elementary ○ Jerabek Elementary ○ Loma Portal Elementary ○ University City High School ○ Golden Hill Elementary ○ Hamilton Elementary ○ Garfield High School – Continuation Education ○ iHigh Virtual Academy – Independent Study ○ Mount Everest Academy – Independent Study	Week of April 25, 2016
Audit Planning Meeting	July 6, 2016
Citizens Bond Oversight Committee Planning Meeting	June 23, 2016 (Tentative)
Interim Fieldwork • Internal Controls ○ Entity Level Controls / Financial Close and Reporting ○ Account Specific Controls ▪ Cash Receipts ▪ Cash Disbursements ▪ Payroll ▪ Reconciliation controls ▪ IT • State Compliance • Federal Compliance	Week of July 11, 2016
Year-end Testing (start date)	October 2016
Finalize Audit Report on Financial Statements	November 2016
Citizens Bond Oversight Committee Meeting	Fall/Winter 2015
Conduct Meeting with District Audit Committee	December 2016
Conduct Meeting with District Board of Education	December 2016
File Completed Audit Report with the State Controller's Office	Before December 15, 2016

Audit Planning – Proprietary and Confidential
© 2016 Crowe Horwath LLP

Exhibit A –
Accounting and Auditing Developments

Accounting and Auditing Developments

Federal Compliance Updates

UNIFORM GUIDANCE

In 2014 federal guidance was issued which establishes uniform cost principles and audit requirements for all Federal awards to non-Federal entities and administrative requirements for all Federal grants and cooperative agreements. The guidance provides the basis for a systematic and periodic collection and uniform submission by Federal agencies of information on all Federal financial assistance programs to the Office of Management and Budget (OMB). It prescribes the manner in which agencies that administer domestic assistance programs are to carry out their statutory responsibilities. Several key points of this new guidance are outlined below.

- Non-federal entities will need to implement the new administrative requirements and Cost Principles for all new federal awards made after December 26, 2014, and to additional funding to existing awards (referred to as funding increments) made after that date. Award recipients are not permitted to early implement any of the audit provisions.

- Uniform Guidance will apply to funding increments of existing awards in cases where the federal agency considers the funding increments to be an opportunity to modify the terms and conditions of the award. The Association will need to obtain guidance from each of the federal agencies who provide awards.

- Existing federal awards for the current year under audit that do not receive incremental funding with new terms and conditions will continue to be governed by the terms and conditions of the Federal award under the original OMB Circulars.

- June 30, 2016 year-end: Single audit requirements and related auditor compliance testing will require adjustment based on award recipient's adoption of these new requirements Therefore, audit compliance testing requirements may cover both the Uniform Guidance and original OMB Circulars.

Resources:

- Uniform Grant Guidance - https://www.whitehouse.gov/omb/grants_docs

Audit Planning – Proprietary and Confidential
© 2016 Crowe Horwath LLP

State Compliance Updates

CHANGES TO THE 2015-16 CALIFORNIA K-12 LEA AUDIT GUIDE

INDEPENDENT STUDY – COURSE BASED

- **What the Law Requires** – If the District reported Independent Study - Course Based ADA pursuant to Ed Code 51749.5, the District must meet the following:
    - The governing board or body of the participating school district, county office or charter school ("LEA") adopted policies at a public meeting, that comply with the requirements of Education Code section 51749.5
    - There is a signed learning agreement on file for each student participating.
    - Courses taught under the general supervision of a certificated employee who is employed by the LEA at which the pupil is enrolled, or by an LEA that has a memorandum of understanding to provide the instruction in coordination with the LEA at which the pupil is enrolled.
    - Courses are annually certified by a resolution of the governing board or body of the LEA providing the instruction, to be of the same rigor and education quality as equivalent class-room based courses, and aligned to all relevant local and state content standards.
    - The course certification shall, at the minimum, include the duration, number of equivalent daily instructional minutes for each school day that a pupil is enrolled, number of equivalent total instructional minutes and the number of course credits for each course.
    - It was the LEA's policy or practice to ensure that pupils were not assessed a fee prohibited by Education Code section 49011 (ascertain, e.g., by interviewing LEA administrative personnel).
    - It was the LEA's policy or practice to ensure no pupil was prohibited from participating in independent study solely on the basis that he or she does not have the materials, equipment or internet access that are necessary to participate in the independent study course (ascertain, e.g., by interviewing LEA administrative personnel).
    - Statewide testing results for pupils were reported and assigned to the school at which the pupil was enrolled and to any LEA within which that school's testing results were aggregated.
    - Pupils enrolled in courses were offered the minimum annual instructional minutes pursuant to Education Code sections 46200 to 46208 inclusive, or, for charter schools, Education Code section 47612.5:
    - Pupils enrolled in courses must meet the applicable age requirements, applicable residency and enrollment requirements.
    - Certificated employees must communicate with each pupil in-person, by telephone or by any other live visual or audio connection no less than twice per calendar month to assess whether each pupil is making satisfactory educational progress.
    - Written or computer-based evidence of satisfactory educational progress must be retained for each course and pupil.
    - If satisfactory educational progress was not being made, the certificated employee providing instruction must notify the pupil and, if the pupil was less than 18 years of age, the pupil's parent or legal guardian, and conduct an evaluation to determine whether it was in the bests interest of the pupil to remain in the course or whether he or she should be referred to an alternative program, which may include, but is not limited to, a regular school program.
    - For each pupil, the combined equivalent daily instructional minutes for enrolled courses authorized by all other laws and regulations must meet the minimum instructional day requirements applicable to the local education agency.

- **What the Auditors will look for** – The auditors will determine if the compliance section is applicable by verifying if the District reported Independent Study – Course Based ADA. If the compliance section is applicable, we will review documentation to determine if the District is in compliance with the state laws and regulations related to Independent Study – Course Based.

Audit Planning – Proprietary and Confidential
© 2016 Crowe Horwath LLP

IMMUNIZATIONS

- **What the Law Requires** – If the District had any schools that did not submit immunization assessment reports to the CDPH, the pupils must have a California School Immunization Record, CDPH 286 (01/14) on file (or note if prior version, PM 286(1/02) was used).
  - Pupils must have the appropriate number of doses of the measles vaccine.
  - Pupils must have the appropriate Tdap dosage prior to the admission into 7th grade.

- **What the Auditors will look for** – The auditors will determine if the District has any schools that did not submit immunization assessment reports to the California Department of Public Health (CDPH) as listed on the excel spreadsheet at http://www.shotsforschool.org/k-12/audit/?. If the compliance section is applicable, we will select a sample of students and review documentation to determine if the District is in compliance with state laws and regulations related to Immunizations.

EDUCATOR EFFECTIVENESS

- **What the Law Requires** – The District must have developed and adopted a plan delineating how the Educator Effectiveness funds will be spent and whether the plan was explained in a public meeting of the governing board of the school district before its adoption in a subsequent public meeting.

  The District must separately track the following items required to complete the final expenditure report:

  a. The number of teachers, administrators, and paraprofessionals that receive professional development.
  b. Eligible expenditures.
  c. For purposes of professional development for teachers and administrators that are aligned to the state content standards as provided by in (b)(1)(c) of Senate Bill 103, Section 8, the number of teachers and administrators for each of the content standards.

- **What the Auditors will look for** – The auditors will inquire and examine financial activity reports to determine if the District had any expenditures from Educator Effectiveness funds. If the District had expenditures from Educator Effectiveness funds, we will examine the District's board meeting minutes to determine if the expenditure plan for the program was presented to the public and adopted in a subsequent meeting. In addition, we will examine reports and schedules to determine if the District is tracking the information required to complete the final expenditure report.

© 2016 Crowe Horwath LLP

Exhibit B –
First Interim Audit Memo

Memo

Date: May 24, 2016

To: Jenny Salkeld, Chief Financial Officer
Jodie Macalos, Financial Accounting Manager
Rose DeGuzman, Financial Accounting Department

From: Matthew Nethaway, Partner
Arthur Ngo, Senior Manager

Subject: First Interim Audit Findings and Recommendations

FINDINGS AND RECOMMENDATIONS:

STATE COMPLIANCE – ATTENDANCE (10000):

Finding / Condition:

- At Miramar Elementary, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.008 ADA.
- At Golden Hills Elementary, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.008 ADA.
- At Crawford High School, one student was improperly claimed for apportionment, resulting in an overstatement of one day of attendance or 0.008 ADA.

Recommendation:

The District should implement controls to ensure absences from call logs and notes are reflected in the accounting system

DEFICIENCY – INTERNAL CONTROLS – ASSOCIATED STUDENT BODY (30000):

Hamilton Elementary School

Finding / Condition:

A dual count is not being performed when funds are turned into the office.

Recommendation:

A dual count should be performed upon depositing funds to the office.

Sandberg Elementary School

Finding / Condition:

A dual count is not being performed when funds are turned into the office.

Recommendation:

A dual count should be performed upon depositing funds to the office.

Encanto Elementary School

Finding / Condition:

- A dual count is not being performed when funds are turned into the office.
- Purchases are not formally approved before a check is prepared.

Recommendation:

- A dual count should be performed upon depositing funds to the office.
- Approval of expenditures should be formally documented by the proper individuals before an item is purchased.

I-High Independent Study

Finding / Condition:

- A dual count is not being performed when funds are turned into the office.
- Fundraiser forms are not being approved by the site Principal.

Recommendation:

- A dual count should be performed upon depositing funds to the office.
- All revenue generating activities should be approved by a site fundraising form, which is approved by the Principal.

DEFICIENCY – INTERNAL CONTROLS – ASSOCIATED STUDENT BODY (30000) - CONTINUED:

Jerabek Elementary School

Finding / Condition:

- A dual count is not being performed when funds are turned into the office.
- Purchases are not formally approved before a check is prepared.

Recommendation:

- A dual count should be performed upon depositing funds to the office.
- Approval of expenditures should be formally documented by the proper individuals before an item is purchased

Sunset View Elementary School

Finding / Condition:

- Fundraiser forms are not being approved by the site Principal.
- Purchases are not formally approved before a check is prepared.

Recommendation:

- All revenue generating activities should be approved by a site fundraising form, which is approved by the Principal.
- Approval of expenditures should be formally documented by the proper individuals before an item is purchased

Pacific Beach Elementary School

Finding / Condition:

Purchases are not approved before a check is prepared.

Recommendation:

Approval of expenditures should be formally documented by the proper individuals before an item is purchased

Clay Elementary School

Finding / Condition:

- Fundraiser forms are not being approved by the site Principal.
- Purchases are not formally approved before a check is prepared.

Recommendation:

- All revenue generating activities should be approved by a site fundraising form, which is approved by the Principal.
- Approval of expenditures should be formally documented by the proper individuals before an item is purchased

DEFICIENCY – INTERNAL CONTROLS – ASSOCIATED STUDENT BODY (30000) - CONTINUED:

Wegeforth Elementary School

Finding / Condition:

Fundraiser forms are not being approved by the site Principal.

Recommendation:

All revenue generating activities should be approved by a site fundraising form, which is approved by the Principal.

Mission Bay High School

Finding / Condition:

Fundraiser forms are not being approved by the site Principal.

Recommendation:

All revenue generating activities should be approved by a site fundraising form, which is approved by the Principal.

Exhibit C –
Performance Audit Report for the
Year Ended June 30, 2015

SAN DIEGO UNIFIED SCHOOL DISTRICT

PROPOSITION S AND Z BOND PROGRAM
PERFORMANCE AUDIT REPORT

June 30, 2015

SAN DIEGO UNIFIED SCHOOL DISTRICT
San Diego, California

PROPOSITION S AND Z BOND PROGRAM
PERFORMANCE AUDIT REPORT
June 30, 2015

CONTENTS

INDEPENDENT AUDITOR'S REPORT 1

BACKGROUND INFORMATION 2

OBJECTIVES, SCOPE, METHODOLOGY AND RESULTS OF TESTING 4

Crowe Horwath LLP
Independent Member Crowe Horwath International

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") Proposition S & Z General Obligation Bond funds for the year ended June 30, 2015.

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 conclusion 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 15 of this report which includes determining the compliance with the performance requirements for the Proposition 39 Proposition S & Z General Obligation Bonds under the applicable provisions of Section 1(b)(3)(C) of Article XIIIA 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 if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIIIA of the California Constitution. 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 15 and expended Proposition S & Z General Obligation Bond funds for the year ended June 30, 2015 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 XIIIA of the California Constitution.

Crowe Horwath LLP

Crowe Horwath LLP

Sacramento, California
November 30, 2015

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. Propositions S & Z 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 classroom instructional technology, labs and vocational education classrooms.”

The Bond Project Lists of Propositions S & Z, respectively, were merged by the District’s Board of Education at a public meeting on December 11, 2012. 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. Part One of 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. Part Two of the Bond Project List presents a listing of authorized projects at individual District school sites.

(Continued)

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. Elections 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 was sold in May 2012 generating $150 million. Election of 2008 Series F and G Proposition S bonds was sold in April 2014 generating $65.1 million. As of June 30, 2015 a total of $585.1 million of $2.1 billion has been issued.

In April of 2013, the District sold Election 2012 Series A and C of Proposition Z bonds generating $530 million in proceeds. As of June 30, 2015 a total of $530 million of $2.8 billion has been issued.

1. COMPLIANCE WITH APPLICABLE LAWS AND REGULATIONS

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

Procedures Performed: We tested 6 public works contracts, as noted below, comprising a total value of $97.1 million of construction commitments that the District entered into during the fiscal year ended June 30, 2015. We 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
- Board approval
- Compliance with DVBE% requirement

Projects	Proposition	Contract Amount	Adver-tising Require-ment- (Y/N)	Bidder's Security (Y/N)	Lowest Bidder (Y/N)	Board Approved (Y/N)	DVBE%
Henry HS- new theater & interim housing	Z	$ 38,862,000	Y	Y	Y	Y	3.0%
Bell MS-site modernization	Z	$ 20,035,559	Y	Y	Y	Y	3.0%
Kearny HS-stadium improvements project	Z	$ 10,798,200	Y	Y	Y	Y	3.0%
Mission Bay HS-stadium improvements project	Z	$ 10,207,900	Y	Y	Y	Y	3.0%
UCHS-athletic facilities, asphalt & turf fields	S	$ 16,962,000	Y	Y	Y	Y	3.0%
Dana Euclid ES-special ed remodel	S	$ 273,000	Y	Y	Y	Y	9.2%

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.

2. COMPLIANCE WITH DISTRICT POLICY FOR CHANGE ORDERS

Objective: Document and test change order procedures for compliance with applicable Board of Education policy and the Public Contract Code.

Procedures Performed: We tested 40 contract change orders on 5 projects to assess compliance with applicable Board of Education policy and applicable laws and regulations. Some of the key elements tested included:

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

(Continued)

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

Conclusions: The results of our test indicate that in all significant respects the orders were accurate as to designation and amount and the Board of Education had properly approved the change order, as required by Board of Education policy and the Public Contract Code. Furthermore, the cumulative change order percentage for tested projects was below 5%, and the total amount of change orders tested was over $523,000.

Projects	Proposition	Contract Amount	Approvals (District Under $100k & Board Over $100k)	Number of Change Orders
Hamilton ES - whole site modernization & HVAC	S & Z	$10,600,000	Yes	32
Clairemont HS – stadium ADA improvements phase 2	S	$ 6,500,000	Yes	1
Euclid ES – special ed remodel	S	$ 300,000	Yes	3
Miramar Ranch ES – K-2 modifications 2nd floor conditions	Z	$ 600,000	Yes	2
Scripps Ranch HS – exterior paint	Z	$ 400,000	Yes	2

3. 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: We tested 3 of the District's projects totaling $40.8 million in the fiscal year ended June 30, 2015. We obtained the budget detail and traced the expenditure detail per the PeopleSoft database into the PCM database.

Conclusions: The results of our test indicated in all significant respects the expenditures related to contracts were described in budget, reconciled to total project expenditures, were paid within contract amounts, and were consistent between both databases.

Objectives: Determine whether bond projects and related expenditures are consistent with Board approved priorities.

Procedures Performed: We tested 91 expenditures totaling $30.2 million or 10% of total Propositions S and Z expenditures of $303.3 million. As part of our expenditure testing, we also selected payroll expenditures for 20 employees, and their related payroll charges to Propositions S and Z during the fiscal year ended June 30, 2015. The chart below shows the payroll amounts charged to Propositions S and Z by department.

(Continued)

3. BOND EXPENDITURES AND RECORDKEEPING (Continued)

Department	Proposition S	Proposition Z	Amount Charged	% Charged
Facilities planning & constructior	$ 1,362,174	$ 6,996,321	$ 8,358,495	79.80%
Strategic sourcing department	-	827,783	827,783	7.90%
Legal services	-	331,880	331,880	3.17%
PPO supporting services	-	240,695	240,695	2.30%
Info & tech support services	-	184,640	184,640	1.76%
Educational technology	-	134,757	134,757	1.29%
Communications	11,208	113,011	124,219	1.19%
Fin plan monitor account	-	165,421	165,421	1.58%
Accounts payable	-	83,566	83,566	0.80%
School sites – custodial	-	17,048	17,048	0.16%
Special projects	-	4,998	4,998	0.05%
Total	$ 1,373,382	$ 9,100,120	$ 10,473,502	100.00%

Conclusions: The results of our test indicate that in all significant respects the expenditures were for permissible Propositions S and Z purposes, in accordance with the Propositions S and Z ballot language and Board-approved priorities. All payroll charges were for permissible Propositions S and Z purposes and the allocations of payroll expenditures to Proposition S and Z were based on approved allocation rates.

Objectives: Determine if identified Proposition S and Z projects exist.

Procedures Performed: In order to physically observe the existence of Propositions S and Z construction projects, we conducted site visits at two District sites where construction activities took place during the fiscal year ended June 30, 2015. At the visited sites, a total of $33.0 million was spent in the fiscal year, which accounts for 11% of the $303.2 million in total school site level expenditures.

School Site Walks	Major Work Observed	Proposition	Amount Charged
Patrick Henry High School	Theatre & Interim Housing	S	$ 22.8 million
UC High School	Facility Upgrade	S & Z	10.2 million

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

(Continued)

3. BOND EXPENDITURES AND RECORDKEEPING (Continued)

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

Procedures Performed: We tested 14 invoices from NV5 Est, Southern CA Soil Testing, SGPA Planning & Architecture, Harris & Associates, Westberg + White, Inc., Tucker Sadler Architects, Vector, Vanir, URS, Marca Architecture, Inc, and GKK Corporation that were 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, we 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 expenditures that were made for these contracts during the fiscal year ended June 30, 2015 were charged at the appropriate rates.

4. INTERNAL CONTROLS OVER FACILITIES PROCUREMENT

Objectives: Evaluate District internal controls over payment processing and the use of purchase orders in the procurement process for the purpose of determining if there are any deficiencies in the design of the internal control environment.

Procedures Performed: We performed inquiries of management and walkthroughs of District internal controls.

Conclusions: We did not note any deficiencies in internal control as a result of our procedures performed.

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

Objective: Document how the District identifies, applies for, and acquires non bond funded financing and other resources.

Procedures Performed: We 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.

Conclusions: We noted that management has obtained funding from several sources in addition to standard general obligation bonds, including $72.9 million in State School Facilities funds to date. The District has saved $37.3 million through collection of developer fees for qualified projects. The District has also earned interest subsidies on $75 million in Series B, D-1 and D-2 Qualified School Construction Bonds' (QSCB) sold. In addition, the program has received $90.6 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 $34 million from DOD funding for the Miller and Hancock elementary school modernization and upgrades of navy housing schools.

(Continued)

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

Objective: Document management's strategies to reduce program costs.

Procedures Performed: We 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.

Conclusions: We noted through inquiries of District management and inspection of supporting documents that during the 2014-15 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. We 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 completed fields at Language Academy and Jefferson schools.
- The San Diego Central Library project, whereby the City of San Diego would provide dedicated space of approximately 71,800 sq. ft. to the District under a 40 year initial lease term in exchange for $20 million toward construction costs of the project and $10 million in furniture, furnishings and equipment.
- Donations totaling $100K from the National Football League towards the artificial turf field at Morse High School and $500K 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 has engaged in multiple CTE projects with state matching funds. The projects included Morse Child Development Center, Morse Culinary, Morse Autobody, Point Loma Motion Picture, Scripps Ranch Sustainable Technologies Building, Hoover Academy of Information Technology, and Mira Mesa Graphic Arts and Production Studio.

The District is also focused on reducing costs through a focus in sustainability. We 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.

Objectives: Document managements use of reusable facility plans as a cost savings measure.

Procedures Performed: We performed inquiries of District management and inspected supporting documents to document the use of reusable facility plans as a cost saving measure.

(Continued)

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

Conclusions: Through our inquiries and inspection of supporting documentation we noted that reusable facility plans have been utilized for the classroom buildings erected at San Diego High School, Hoover High School, and Point Loma High School in support of an effort by District management to reduce costs related to site preparation and plan development at those sites. Reuse of the plans enabled the projects to be designed and processed through DSA more efficiently, enabling the District to maintain compliance with the funding submission deadline required by the related State facilities grants.

Objectives: Document management's sustainability plan for the i21 Program.

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

Conclusions: Through our inquiries and inspection of supporting documentation we noted the District Technology Strategic Plan is a five year plan that, among other goals, outlines the sustainability directives for the i21 program. Of key note is the budget set to support the sustainability of the program, including funding from Integrated Technology Support Services (ITSS) (approximately 85% of funding) as well as other minor sources, such as Ed Tech and Title I. The sustainability plan focuses on replacement of computer hardware every four to five years depending on grade level. The budget allocated for the five year plan increases with every year, starting with a budget of $27.3 million for year one of the Strategic Plan (fiscal year 2010-11) to $36.0 million in year five, a 32% increase in the total cost of ownership.

6. DOCUMENTATION OF PROGRAM MANAGEMENT PROCEDURES

Objectives: Document management's plan to monitor project planning and execution of projects.

Procedures Performed: We 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.

Conclusions: Through our inquiries and inspection of documentation we 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 inquiry, 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.

Objectives: Document management's plan to monitor the planning and execution of projects and test the accuracy of communicated project status to the ICOC and taxpayers.

(Continued)

6. DOCUMENTATION OF PROGRAM MANAGEMENT PROCEDURES (Continued)

Procedures Performed: We 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 we examined included the following:

- Prop S & Z Contract Awards Report
- Prop S & Z Construction Status Report
- Monthly Program Controls Status Report
- i21 Quarterly Update
- PPO Project Management Report
- Cost Savings Measure Matrix
- Professional/Consulting Services Report

In order to determine whether the aforementioned reports are consistent with one another and accurate relative to source documentation we sampled key data points (including contract name, number, vendor, amount, etc.)

Conclusions: The results of our test indicate in all significant respects that the information on the reports listed above matched items tested during our performance audit.

Objectives: Document District procedures 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: We performed inquiries of District management and inspected documentation for the District's program for QC/QA review procedures.

Conclusions: The results of our testing indicate in all significant respects that the QC/QA procedures performed at the 100% construction design (CD) stages meet 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 a Design Coordination and Review Project Comment Form to summarize comments made at each review stage in a project's life cycle and verify implementation of the comments.

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

Procedures Performed: We performed inquiries of District management and documented the communication protocols and procedures between District departments.

Conclusions: We 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 appraised of the status of Propositions S & Z. For instance, a site construction schedule is available on the Propositions S & Z website so all employees can be kept abreast of the timetables for projects occurring at their respective sites. We also noted that weekly FPC's "Status Report Meetings" include members of the Finance and PPO departments.

(Continued)

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: We examined the journal entry and supporting documentation related to the issuance of the Election of 2008, Series H, General Obligation Bonds for Proposition S, issued June 18, 2015, in addition to its official statement.

Conclusions: The results of our test indicate in all significant respects that the general obligation bonds proceeds and cost of issuance were appropriately recorded in the general ledger and agreed to supporting documentation. Furthermore, per the official statement we noted the bond consultant of the district was independently represented, and was not paid commissions for their services.

8. DOCUMENT FRAUD RISK ASSESSMENT INQUIRIES AND THE RESULTS OF THE INQUIRIES

Objectives: Document any fraud risk factors noted through inquiry of District employees and those charged with governance.

Procedures Performed: Inquired of various District employees and those charged with governance whether or not they were aware of any instances of fraud and any fraud risk factors. We inquired of the District's Internal Audit Department in regard to any concerns of complaints that had been relayed to their attention via the District's fraud hotline or any other source.

Conclusions: As a result of our inquiries, we were not made aware of any instances of fraud or misappropriation of Proposition S & Z funds. Additionally, no fraud risk factors were identified through our inquiries.

9. SPECIAL INTEREST ITEMS

Objectives: Document management's plan for soliciting and monitoring the participation of local firms and workers in District projects.

Procedures Performed: We performed inquiries of District management and inspected supporting solicitation documentation.

(Continued)

9. SPECIAL INTEREST ITEMS (Continued)

Conclusions: Through our inquiries and inspection we determined that the District maintains a listing of over 2,300 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 faxes" 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 faxes, we also noted that the District provides Project Stabilization Agreement (PSA) trainings 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

Objectives: Document the District's compliance with the Board of Education approved staffing plan.

Procedures Performed: Performed inquiries with FPC management to document the District's compliance with the Board of Education approved staffing plan.

Conclusions: As a result of inquires of FPC management we determined the District complied with the Board of Education approved FPC staffing plan budget 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.

Objectives: Document the activities of Bond Oversight Committee:

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

Conclusions: Through our inquiries and inspection of the ICOC's documentation of minutes and reports (available on the District's website) we noted that the ICOC has established three subcommittees which meet regularly to evaluate the progress of the Propositions S & Z program. In addition, ICIC established Ad Hoc committees to address specialized considerations on as needed basis. See the chart below for illustration of ICOC meeting frequency by committee for fiscal year 2014-15. As a result of its evaluations, the ICIC provides an annual report, in addition to quarterly status reports to the Board of Educating. All reports are available online on the District's web page.

(Continued)

9. 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 report, 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.

Meeting Month	ICOC	Executive/ Governance Subcommittee	Construction Subcommittee	Finance/Audit Subcommittee
July 2014	1	1	1	1
August 2014	1	1	1	1
September 2014	1	1	1	0
October 2014	1	1	1	1
November 2014	1	1	1	0
December 2014	1	1	1	0
January 2015	1	1	1	0
February 2015	1	1	1	1
March 2015	1	0	0	0
April 2015	1	1	1	0
May 2015	0	1	1	0
June 2015	1	1	1	1

Objectives: Document management's plan to inform and engage community stakeholders about bond-funded projects.

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

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

(Continued)

9. SPECIAL INTEREST ITEMS (Continued)

Objectives: Document the total value of Major Repair and Renovation (MRR) expenditures through June 30, 2015.

Procedures Performed: We performed inquiries with FPC management and examined supporting documentation regarding the status of MRR expenditures related to the Propositions S & Z expenditures through June 30, 2015. 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: Through our inquiries we noted that as of June 30, 2015, direct MRR expenditures amounted to approximately $196.6 million 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.

Objectives: Document the Career Technical Education (CTE) program implementation and controls over reimbursement of excess state match funds.

Procedures Performed: We performed inquiries with FPC management regarding the roll-out of CTE programs as part of Propositions S & Z program due to the State matching funds made available by the Office of Public School Construction, which dramatically cut costs to the program. The projects were assigned by site on the basis of established CTE curriculums, guidance provided by the District's College, Career and Technical Education Office and ultimately, action of the Board of Education.

We also inquired with District fiscal services staff regarding control over reimbursement of excess State matching funds and documented those controls.

Conclusions: We noted that the District has established procedures for accurate and timely reconciliation of all state matching funds during project close.

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

(Continued)

9. SPECIAL INTEREST ITEMS (Continued)

Procedures Performed: We performed the following procedures, mainly to ensure that the $19 million expended to date was spent for the stated purpose of the bond:

- We tested Site Discretionary Funds to ensure that amounts were reported properly, tracked and allocated to the Charter Schools. As of our testing in June 2015, $1.6 million has been spent. We tested $302,091 to ensure costs were allowable.
- We tested $4.9 million in expenditures related to O'Farrell Charter School project, which is currently the largest charter school project with total expenditures of $5.3 million.
- Total expenditures to date are $19 million. We tested a total of $5.2 million.

Conclusions: The results of our test indicate that in all significant respects that Charter School expenditures were for permissible Proposition Z purposes in accordance with the ballot language and Board-approved priorities.

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

Procedures Performed: We performed inquires of District management and inspected the communication protocol flowchart provided by the District.

Conclusion: Through our inquiries and inspection of supporting documentation we documented that the District has established communication protocols and procedures between facilities and PPO.

Objectives: Determine if expenditures related to stadium lighting were included in the District's Proposition S and Z General Obligation Bond Fund expenditures.

Procedures Performed: We performed inquires with facilities and inspected detailed expenditure reports for the fiscal year ended June 30, 2015.

Conclusions: We determined through our inquiries and inspection of detailed expenditure reports that the District did not charge expenditures related to stadium lighting to Proposition S and Z General Obligation Bond Funds for the year ended June 30, 2015.

Crowe Horwath.

AFFILIATES – Crowe Horwath LLP is an independent member of Crowe Horwath International, a Swiss verein. Each member firm of Crowe Horwath International is a separate and independent legal entity. Crowe Horwath LLP and its affiliates are not responsible or liable for any acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath International or any other member of Crowe Horwath International. Crowe Horwath International does not render any professional services and does not have an ownership or partnership interest in Crowe Horwath LLP. Crowe Horwath International and its other member firms are not responsible or liable for any acts or omissions of Crowe Horwath LLP and specifically disclaim any and all responsibility or liability for acts or omissions of Crowe Horwath LLP. 2016 Crowe Horwath LLP