

SAN DIEGO UNIFIED SCHOOL DISTRICT

**PROPOSITIONS S AND Z BOND PROGRAM
PERFORMANCE AUDIT REPORT**

June 30, 2016

Preliminary Draft

SAN DIEGO UNIFIED SCHOOL DISTRICT
San Diego, California

PROPOSITIONS S AND Z BOND PROGRAM
PERFORMANCE AUDIT REPORT
June 30, 2016

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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 General Obligation Bond funds for the year ended June 30, 2016.

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 Propositions S and Z 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 the audit procedures that are appropriate for the purpose of providing a conclusion 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 15 and expended Propositions S and Z General Obligation Bond funds for the year ended June 30, 2016 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 Horwath LLP

Sacramento, California

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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. Propositions S and 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 and 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.

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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 \$45.0 million. As of June 30, 2016 a total of \$761.7 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. As of June 30, 2016 total of \$1.16 billion of the \$2.8 billion has been issued.

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1. COMPLIANCE WITH CERTAIN 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 \$82.7 million of construction commitments that the District entered into during the fiscal year ended June 30, 2016. 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

<u>Projects</u>	<u>Proposition</u>	<u>Contract Amount</u>	<u>Advertising Requirement (Y/N)</u>	<u>Bidder's Security (Y/N)</u>	<u>Lowest Bidder (Y/N)</u>	<u>Board Approved (Y/N)</u>	<u>DVBE%</u>
Longfellow K8 – site modernization	Z	\$19,385,000	Y	Y	Y	Y	3.10%
Miller ES – site modernization	Z	\$19,385,000	Y	Y	Y	Y	6.40%
Synthetic Turf Field and Tracks (IDIQ)	Z	\$19,385,000	Y	Y	Y	Y	4.00%
Taft MS – site modernization	Z	\$19,385,000	Y	Y	Y	Y	3.00%
Grant K8 – site modernization	Z	\$19,385,000	Y	Y	Y	Y	3.00%
New Dawn/Riley – site modernization	Z	\$19,385,000	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.

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 43 contract change orders on 15 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

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

Conclusions: The results of our test indicate that in all significant respects that the change orders were accurate with respect to the designation, the amount and that 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 10%, and the total amount of change orders tested was over \$754,000.

<u>Projects</u>	<u>Proposition</u>	<u>Contract Amount</u>	<u>Approvals (District Under \$150K & Board Over \$150k)</u>	<u>Number of Change Orders</u>
Henry HS – site modernization and theater	Z	\$ 38,600,000	Yes	3
Salk ES – new school project	Z	\$ 23,900,000	Yes	2
Bell MS – site modernization	Z	\$ 21,200,000	Yes	9
University City HS – athletic facilities & parking lot	Z	\$ 17,700,000	Yes	4
Pershing MS – site modernization	Z	\$ 15,500,000	Yes	4
La Jolla HS – stadium project	Z	\$ 11,900,000	Yes	1
Grant K8 - site modernization	Z	\$ 11,400,000	Yes	2
Hamilton ES – site modernization & HVAC	Z	\$ 10,700,000	Yes	2
Mission Bay HS – stadium project	Z	\$ 10,600,000	Yes	1
Encanto ES – site modernization	Z	\$ 8,900,000	Yes	6
Clairemont HS – Academy of Business & Technology	Z	\$ 5,900,000	Yes	1
Correia MS – retaining wall	Z	\$ 5,500,000	Yes	3
San Diego HS – interim housing	Z	\$ 1,500,000	Yes	1
Montgomery MS: Restroom ADA Upgrades	S	\$ 370,000	Yes	3
Dana MS – baseball field upgrade	Z	\$ 300,000	Yes	1

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 \$29.7 million in the fiscal year ended June 30, 2016. 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 that the expenditures related to contracts were described in the budget and reconciled to total project expenditures. We noted expenditures were paid within contract amount, and amounts between both databases reconciled within \$107,000.

Objectives: Select a representative sample of expenditures charged to Proposition S and Proposition Z and review supporting documentation to ensure 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.

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3. BOND EXPENDITURES AND RECORDKEEPING (Continued)

Procedures Performed: We tested 80 expenditures totaling \$38.2 million or 17% of total Propositions S and Z expenditures of \$222.2 million. As part of our expenditure testing, we also selected payroll expenditures for 10 employees totaling \$97,725, and their related payroll charges to Propositions S and Z during the fiscal year ended June 30, 2016. The chart below shows the payroll amounts charged to Propositions S and Z by department.

<u>Department</u>	<u>Proposition Z</u>	<u>Proposition S</u>	<u>Total Charged</u>	<u>% Charged</u>
Facilities planning & const	\$ 1,813,993	\$ 9,000,225	\$ 10,814,218	82.19%
Strategic sourcing department	-	947,924	947,924	7.20%
Legal services	-	359,273	359,273	2.73%
PPO supporting services	-	287,465	287,465	2.18%
Fin Plan Monitor & Account	-	202,923	202,923	1.54%
Info & tech support services	-	152,206	152,206	1.16%
Communications	12,470	122,123	134,593	1.02%
Educational Technology	-	97,137	97,137	0.74%
Accounts payable	-	87,371	87,371	0.66%
School sites – custodial	-	43,950	43,950	0.33%
Distribution svces section	-	19,453	19,453	0.15%
Budget Dev Office Only	-	6,207	6,207	0.05%
Special Projects	-	5,533	5,533	0.05%
Total	\$ 1,826,463	\$ 11,331,790	\$ 13,158,253	100.00%

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. 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 identified Propositions S and Z projects are real and 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, 2016. At the visited sites, a total of \$24.6 million was spent in the fiscal year, which accounts for 11% of the \$222.2 million in total school site level expenditures.

<u>School Site Walks</u>	<u>Major Work Observed</u>	<u>Proposition</u>	<u>Amount Charged</u>
Crawford High School	Stadium and Athletic Facilities	Z	\$ 15.3 million
La Jolla High School	Stadium Improvements	Z	9.3 million

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

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3. BOND EXPENDITURES AND RECORDKEEPING (Continued)

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

Procedures Performed: We tested 11 invoices from URS, Harris and Associates, Vanir Construction Management and Gafcon 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, 2016 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.

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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 2015-16 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 \$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 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. 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.

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.

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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 on all levels from simple classrooms to entire buildings 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 documents, we noted the District has developed an i21 Classroom Sustainability plan to refresh devices in existing classrooms on an as needed basis due to failure beyond repair. Furthermore the Technology Advisory Group created a sub-committee to identify and investigate the status of current technology found in i21 classrooms. The committee is investigating which items in the i21 classroom need to be refreshed, replaced or removed, going forward.

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 inquiries, we 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.

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.

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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:

- Propositions S and Z Contract Awards Report
- Propositions S and 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 apprised of the status of Propositions S and Z. For instance, a site construction schedule is available on the Propositions S and 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.

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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 – Proposition S, Series I and J; Election of 2012 – Proposition Z, Series D, E, F and G, General Obligation Bonds, issued in the fiscal year ended June 30, 2016, in addition to their official statements.

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.

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 their knowledge of 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 Propositions S and Z funds. Additionally, no specific 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.

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9. SPECIAL INTEREST ITEMS (Continued)

Conclusions: Through our inquiries and inspection of District documents we determined that the District maintains a listing of over 2,000 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, 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 and Z program. In addition, ICOC 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 2015-16. 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.

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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.

<u>Meeting Month</u>	<u>ICOC</u>	<u>Executive/ Governance Subcommittee</u>	<u>Construction Subcommittee</u>	<u>Finance/Audit Subcommittee</u>
July 2015	0	0	1	1
August 2015	0	0	0	1
September 2015	1	1	1	0
October 2015	1	1	1	1
November 2015	1	1	1	0
December 2015	1	0	1	0
January 2016	1	0	0	0
February 2016	1	1	1	1
March 2016	1	0	1	0
April 2016	1	1	1	0
May 2016	1	0	1	0
June 2016	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 and Z website, managing media relations, and community outreach. Information provided in response to our request, included example content from the Propositions S and Z website and various press releases and appears to support the sufficiency of program communication.

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9. SPECIAL INTEREST ITEMS (Continued)

Objectives: Document the total value of Major Repair and Renovation (MRR) expenditures through June 30, 2016.

Procedures Performed: We performed inquiries with FPC management and examined supporting documentation regarding the status of MRR expenditures related to the Propositions S and Z expenditures through June 30, 2016. 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, 2016, direct MRR expenditures amounted to approximately \$346.3 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 and 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 students utilizing \$350 million in bond funds. 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)

SAN DIEGO UNIFIED SCHOOL DISTRICT
PROPOSITIONS S AND Z BOND PROGRAM
PERFORMANCE AUDIT REPORT
OBJECTIVES, SCOPE, METHODOLOGY AND CONCLUSIONS
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9. SPECIAL INTEREST ITEMS (Continued)

Procedures Performed: We performed the following procedures to ensure that the \$24.2 million expended in fiscal year 2015-16 was spent for the stated purpose of the bond:

- We tested \$5.8 million in expenditures related to O'Farrell Charter School project, which is currently the largest charter school project with expenditures of \$17 million in the 2015-16 Fiscal Year.
- Total expenditures to date are \$43.2 million for all charter schools.

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 Propositions 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, 2016.

Conclusions: We determined through our inquiries and inspection of detailed expenditure reports that the District did not charge expenditures related to stadium lighting to Propositions S and Z General Obligation Bond Funds for the year ended June 30, 2016.