

**SWEETWATER UNION HIGH
SCHOOL DISTRICT
PROPOSITION "O"
PERFORMANCE AUDIT
For the Fiscal Year Ended
June 30, 2013**



SWEETWATER UNION HIGH SCHOOL DISTRICT - PROPOSITION "O"

For the Fiscal Year Ended June 30, 2013

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Introduction

SWEETWATER UNION HIGH SCHOOL DISTRICT - PROPOSITION "O"

Introduction

June 30, 2013

Executive Summary

On November 7, 2006, the voters of the District approved by more than 55% Proposition "O", authorizing the issuance and sale of \$644 million of general obligation bonds for the purpose of improving the learning and safety at every Sweetwater Union High School District campus. On March 12, 2008, the District issued Series 2008A in the amount of \$180,000,000. On March 14, 2013, the District issued \$32,820,000 in General Obligation Bond Anticipation Notes. The funds from this series have been primarily focused on enhancing and upgrading facilities at ten of the District's campuses.

The fiscal year covered during this performance audit was the first full year where the District assumed full responsibility for the management of the facility program. Prior to 2012-13, the District's bond program was managed by a Construction Management firm. In January 2012, the District suspended the contract and re-organized the facilities department to increase internal capacity and begin managing the bond program in-house.

Nigro & Nigro, PC was contracted to conduct a performance audit of the District's Proposition "O" bond program for the fiscal years ending June 30, 2012 and 2013. The performance audit contained in this report is not a financial or a fraud audit. Our audit was conducted in order to accomplish the specific objectives related to the performance, compliance and transparency of the Proposition "O" bond program.

To accomplish our objectives, Nigro & Nigro conducted an in-depth review of three projects: Chula Vista Middle School, Montgomery High School, and Sweetwater High School. Nigro & Nigro reviewed a sample of bond expenditures to ensure compliance with applicable laws and regulations and to ensure bond program expenditures aligned with the ballot initiative as passed by the voters. We conducted interviews of District personnel, District Governing Board Members, and members of the Citizens' Bond Oversight Committee. Additionally, we reviewed the District's organizational structure and internal processes to assess the bond program's performance.

The most significant findings identified in this report relate to areas of non-compliance uncovered during our audit. We noted several instances of non-compliance with Education Code, Public Contract Code and contract terms and conditions during our audit. These instances are described more thoroughly in the compliance and public outreach portion of this report.

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Audit Scope and Objectives

Our audit was conducted in accordance with U.S. generally accepted government auditing standards for the limited purpose of expressing an opinion on specific objectives for the fiscal year ended June 30, 2013. The objectives of our performance audit were as follows:

- I. Performance
 - a. Review of Financial and Performance Audits to date.
 - b. Review the Management Program and Plan for the current Bond Program.
 - c. Review of Project Budgets including proper authorization and approvals including a comparison of actual project expenditures to approved budgets.
 - d. Design and construction timeline including benchmarking to industry standards or averages.
 - e. Use of best practices and technology regarding the planning and construction of school facilities.
 - f. Bidding procedures
 - g. Payment procedures and processing time.
 - h. Program and construction management structure including consultants, District staff, and fees.
 - i. Change order procedures.
 - j. Construction project delivery methods and performance analysis.
 - k. Best practices for procurement of contractors and professional services and compliance with Public Contract Code.

- II. Compliance
 - a. Review of a sound statistical sample of expenditures including detailed expenditures by project to ensure compliance with ballot language and Proposition 39.
 - b. Compliance with District policies and State laws and regulations regarding expenditures of bond funds.
 - c. Change order results, which include benchmarking to industry standards or averages.
 - d. Comply with legal requirements for prevailing wage and labor compliance.

- III. Transparency
 - a. Evaluate public outreach and communication program.
 - b. Evaluate overall transparency of bond program, including but not limited to the evaluation of the bond website information.
 - c. Review performance of Independent Citizens' Bond Oversight Committee.

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Governing Board and the
Citizens' Bond Oversight Committee
Sweetwater Union High School District
Chula Vista, California

We have examined Sweetwater Union High School District's compliance with the performance requirements for the Proposition "O" General Obligation Bond for the fiscal year ended June 30, 2013, 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 the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that the objectives listed on the previous page have been adequately addressed.

Scope of the Audit

The scope of our performance audit covered the fiscal period from July 1, 2012 to June 30, 2013. The expenditures tested included all object and project codes associated with the Proposition "O" bond projects. Expenditures incurred subsequent to June 30, 2013 were not reviewed or included within the scope of our audit or in this report.

Procedures Performed

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2013 for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Proposition "O" with regards to the approved bond projects list.

To meet our objectives, we performed the audit tests enumerated in this report and also included visiting Chula Vista Middle, Sweetwater High and Montgomery High to substantiate expenditures charged to Proposition "O" against actual work performed.

Our audit of compliance made for the purpose set forth in the preceding paragraph would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Proposition "O" General Obligation Bond proceeds, with the exception of the instances identified in this report.

This report is intended for the information of the Board of Trustees, Management, and the Citizens' Bond Oversight Committee; however, this report is a matter of public record.

Nigro+Nigro, PC

March 19, 2014
Murrieta, California

Performance

SWEETWATER UNION HIGH SCHOOL DISTRICT - PROPOSITION "O"

Performance Audit

For the Fiscal Year Ended June 30, 2013

Objective 1.A. - Review of Financial and Performance Audits to Date

Education Code Section 41020 requires each Local Education Agency to receive an annual independent audit. Article XIII-A of the California Constitution, which was amended by the California voters in November of 2000 through the passage of Proposition 39, allows tax measures for school facilities to be passed with only 55% approval, but requires a performance and financial audit to be completed annually by an independent auditor.

The District underwent a comprehensive five-year performance review of its bond program outlined in a performance audit report dated March 20, 2012. During the 2011-12 fiscal year Nigro & Nigro conducted a performance audit of Proposition "O", which identified various concerns and recommendations. Vavrinek, Trine, Day & Co. conducted the financial audit of Sweetwater Union High School District for the fiscal year ended June 30, 2013.

Procedures

We reviewed the reports listed above to identify areas that may warrant additional scrutiny. Additionally, we reviewed and followed up on the findings and recommendations noted in the previous performance audit, which is noted in each applicable section of this report. Lastly, we verified that the District had received financial and performance Proposition "O" audits in accordance with Education Code Section 41020 and Article XIII-A, subpart (b)(3) of the California Constitution.

Findings and Recommendations

The implementation of control procedures to correct findings identified in the previous performance audit have been noted throughout this report.

We recommend that the District continue to receive annual performance and financial audits of its Proposition "O" bond program in accordance with applicable law. Additionally, we recommend that the District get a legal determination as to whether the financial audit conducted pursuant to Education Code Section 41020 meets the requirements of the financial audit required by Proposition 39.

Objective 1.B. - Review of Management Program and Plan for the Current Bond Program

Over the course of the 2011-12 fiscal year, the District underwent significant changes in its management program for the current bond program. At the outset of the 2012-13 fiscal year, the District was still working to fill all required positions in the Planning and Construction Department. The current Master Plan was developed in 2005 in anticipation of the election to pass the General Obligation Bonds. As part of the management transition, the District began updating the Proposition "O" Master Plan. At the time of our audit, January 2014, the District had not yet completed updating the Proposition "O" Master Plan, but a vendor had been selected, through an RFQ process, to provide assistance.

Procedures

We evaluated the current Master Plan for the Proposition "O" bond program and consulted with District personnel on the procedures for updating the Master Plan.

SWEETWATER UNION HIGH SCHOOL DISTRICT - PROPOSITION "O"

Performance Audit

For the Fiscal Year Ended June 30, 2013

Objective 1.B. - Review of Management Program and Plan for the Current Bond Program (continued)

Findings and Recommendations

We commend the District for initiating the process of updating the bond Master Plan, which is currently scheduled to be completed and submitted for board review in October 2014. Additionally, we recommend that the District create a structured timeframe for updating the Master Plan. A reasonable timeframe for updating this plan would be every three to five years, or more frequently depending on the amount of construction in progress, facilities requirements based on projected pupil enrollment or to mirror the priorities of the District. Creating and planning to update the Master Plan will allow the District to establish new projects or reduce the scope of future projects based on the variances in District projected cost estimates versus actual project costs while adhering to the requirements of the Proposition "O" ballot language approved by the voters of the District.

If the District does not consider it necessary to get a renewed Master Plan on an active schedule, then an alternative method may be considered and determined by the governing board. We would further recommend that the District consider developing contingencies or project rankings to evaluate changes in project scope in a more timely manner to achieve operational efficiencies and minimize campus disruptions during instruction. This determination should be made by the Board and should be subject to change in the future based on need.

Objective 1.C. - Review of Project Budget Analysis

The District worked in conjunction with Seville Group Inc. (SGI), the former bond program management company, and architects to develop the budgets for all of the projects included in our sample. The District creates an original budget for each project at the time of project inception. Once a project has been formally bid or, in the case of a lease-leaseback agreement a contract has been executed, the project budget is updated to reflect the changes. As the projects progress through the stages of completion, the District will wait to re-allocate any "savings" from the original budget until the project is nearing substantial completion. This way the District can be sure to have the full project cost covered, including retention payments prior to re-allocating the funds to alternative projects. However, should significant changes in the scope of budgeted projects change, the District will re-allocate the budgeted amounts as soon as they are approved by the governing board.

At project inception, the District will budget for the entire cost of the project in TrueCourse, the District's financial system. At the beginning of each subsequent year, the District will re-budget the remaining project costs in TrueCourse. Additionally, the District maintains budget and expenditure information in Prolog, the District's project management software. The chief advantage to budgeting through Prolog for the District is its ability to budget across fiscal years.

The District prepares and presents to the District's Governing Board a report detailing the budget status for all of the District's Proposition "O" projects. This is also the manner by which the District gets Board approval for budget revisions made in the Proposition "O" bond program.

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Objective 1.C. - Review of Project Budget Analysis (continued)

Procedures

We reviewed the District's procedures as they relate to budgeting for projects in the Proposition "O" bond program. Additionally, we reviewed budget documents to analyze the District's overall project budgeting process.

Project	Total Original Budget Estimate	Approved Revisions through June 30, 2013	Revised Project Budget as of June 30, 2013	Expenditures through June 30, 2013	Completion Percentage as of June 30, 2013	Total Anticipated Cost to Completion
Chula Vista Middle School - Relocatable Renovations	\$ 500,000	\$ (85,261)	\$ 414,739	\$ 414,739	100%	\$ -
Montgomery High School - Project 2	23,000,000	-	23,000,000	318,574	5%	22,681,426
Sweetwater High School - Project 1	38,522,133	13,493,047	52,015,180	48,787,336	95%	3,227,844

Findings and Recommendations

We noted that for the projects selected, the District was more than 95% complete with two of the three site projects. The largest budgetary revision was for the delivery of Sweetwater High School – Project 1, which increased by approximately \$13.5 million. The aggregate revisions represent 35% of the original budget. The upwards revisions relate primarily to changes caused by the approval of additional state funding. We recommend that the District continue to closely monitor projects on a site-wide basis, as well as a project by project basis, and evaluate significant changes in cost budgets as soon as the information is available.

Additionally, as noted in our previous audit, we continue to recommend that the District break-out monthly project revisions by contract to provide more clarity to the Board on which contract budgets are being modified, rather than presenting all revisions to date by project.

Objective 1.D. - Design and Construction Timelines

The California Department of General Services, Division of the State Architect (DSA) is the authoritative body charged with the jurisdiction of access compliance and general California Building Code enforcement over school districts. Education Code Sections 17280 through 17317 cover the statutory requirements school districts in California must follow in regards to the design and construction or renovation to public works.

The approval of construction designs by the DSA can often take many months and usually negatively impacts the total delivery time from inception to completion for most school construction projects. However, in April 2008 the District entered into a Memorandum of Understanding (MOU) with the Division of the State Architect to expedite and streamline the review of designs for construction projects with construction cost budgets exceeding \$5 million. The agreement calls for quarterly meetings between the District's representatives and the DSA designated contacts to discuss progress, policy direction and strategies for addressing any outstanding or anticipated issues. Additionally, the MOU states that the DSA agrees to report via telephone or email if any significant deficiencies are found during plan review. The District also agreed in the MOU that, prior to DSA submittal, the District will require and certify that their design teams have incorporated results from the following activities into the submitted construction documents; (a) design team coordination and in-house QA/QC, (b) constructability review, (c) project cost estimate results, and (d) value engineering.

This MOU was incorporated into the District's policies and procedures to ensure efficient review of construction design documents during the construction of the Proposition "O" bond program.

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Objective 1.D. - Design and Construction Timelines (continued)

Procedures

We analyzed the number of days from initial DSA approval to contract award date as well as the total number of days from DSA approval to acceptance of work and notice of completion as filed with the San Diego County Recorder.

Project (Site)	DSA #	Project Description	Contractor	Delivery Method	Number of Days for DSA approval	Number of Days from DSA approval to notice of completion
SUH	04-109813	Bleacher Repair	Slater Waterproofing	DBB	17	227
SUH	04-110593	Welding Building	Grahovac Construction Co.	DBB	290	648
CVM	04-111034	Relocatable Renovation	G.A. Dominguez	DBB	-	946
				AVERAGE	<u>102</u>	<u>607</u>
MOH	04-112905	Modernization	FACJPA	Other	129	N/A*
MOH	04-112819	Lunch Shelter	FACJPA	Other	-	249
MOH	04-112681	Main Project - Gym	FACJPA	Other	92	N/A*
				AVERAGE	<u>74</u>	<u>249</u>

* Project is not yet completed, and therefore excluded from average

Findings and Recommendations

The results of our analysis show that, on average, it took approximately 607 days after initial DSA approval to complete Proposition "O" projects built under the Design-Bid-Build delivery method in our sample. Our sample did not include any lease-leaseback projects. The project that was begun under contract with FACJPA has only had one completed item which took 249 days to deliver.

On average the DSA approval time for all the projects in our sample was 88 days. However, it is important to note that two of the projects were approved on the same day they were submitted through an over the counter review by the DSA. Excluding these same-day approvals, the average number of days for DSA approval was 132 days. Both of these metrics are significantly less than the average days to approval that were noted in the projects sampled in the previous performance audit.

Additionally, the scope and nature of the projects in our sample varied greatly, which influences construction and approval times. We recommend that the District continue to work collaboratively with the DSA to ensure efficient delivery of Proposition "O" projects. We further recommend that the Citizens' Bond Oversight Committee and District personnel continue to evaluate design and construction timelines on an ongoing basis to identify any variances. Lastly, we recommend that the District continue to evaluate, on a project-by-project basis, the best delivery method based on price, perspective, timelines, District personnel capacity, and other qualitative and quantitative measures.

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Objective 1.E. - Use of Best Practices and Technology Regarding the Planning & Construction of School Facilities

The District utilizes project management software, Prolog, to monitor the progress of Proposition "O" project budgets, timelines, as well as planning and construction documents during all project phases. The District financial system, TrueCourse, is completely isolated from the Prolog system. This requires the District to duplicate the data entry for contractor payments and billings in both systems.

The major advantage of using Prolog for project management by the District is the functionality of the program and ability to budget across fiscal years with minimal manual manipulation. Additionally, most contractors are familiar with the Prolog system, which helps the District achieve various operational efficiencies in document sharing, planning and communication throughout the planning and construction phases.

In January 2013, the Board approved a Memorandum of Understanding with the San Diego County Office of Education for an Enterprise Resource Planning (ERP) System. This system will incorporate various modules including finance, and will eventually replace the District's TrueCourse financial system.

Procedures

We reviewed financial information from the District's financial system, TrueCourse, as well as reports generated through the Prolog project management system. We interviewed District staff on the policies and procedures of both systems. Additionally, we compared the financial and budgetary information from both systems as of June 30, 2013.

Findings and Recommendations

We recommend that once the District has implemented the new ERP system that the potential for the financial system to operate in conjunction with ProLog be investigated to reduce the time spent duplicating accounting and financial entries into the systems. This will also help reduce the potential for errors and increase bond program efficiency to assist management in its ability to analyze project progress in a more timely manner. Until that time, we recommend that the District continue to closely monitor the input of financial data into both systems.

During our comparison of financial and budgetary data, we noted that although discrepancies still existed between the two systems (TrueCourse and ProLog), the District had begun reporting the variances between the two systems. We recommend that the District continue this practice and perform a full reconciliation between the two systems, identifying all variances, no less than annually.

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Objective 1.F. – Bidding Procedures

Projects must go out to bid if the cost exceeds \$15,000. The District has detailed procedures outlining the bidding process. The bidding procedures are described below.

Preparing for the Bid:

1. The Project Manager, Facility Specialist, and Purchasing Department meet to establish dates for advertising, the job walk, questions deadline, pre-qualification deadline, bid opening date, and Board of Trustee approval date.
2. The Facility Specialist completes the Request for Bid form and obtains approvals from the Project Manager, Director of Planning and Construction, and Purchasing Manager.
3. The Facility Specialist sends the Request for Bid form to the Design Professional who will insert the appropriate data into the bid package
4. The Facility Specialist reviews the bid package to ensure that all information listed in the table of contents or index is included in the bid documents.
5. The Facility Specialist uploads the bid package into Demand Star (the Purchasing Department bidding website).
6. The Facility Specialist inserts the bid into the advertisement template. The Facility Specialist then places the advertisement and notifies the pre-qualified bidders.

Bid Receipt and Opening:

1. All bids are received and opened by Purchasing Department staff. The Project Manager and Facility Specialist attend the bid opening.
2. The Facility Specialist tabulates the bids.
3. The Project Manager notifies the Director of Planning and Construction and Chief Facilities Executive of the apparent low bidder.
4. Construction contracts must be awarded to the lowest responsive and responsible bidder. The term responsive refers to whether the submitted bid is in compliance with all the requirements of the bidding documents. The District has the discretion to waive immaterial inaccuracies in the bid submission (e.g. the bidder failed to acknowledge all addenda, but evidence in the rest of the bid indicates that all addenda were received). The term responsible refers to whether the contractor submitting the bid is demonstrably capable of fulfilling the terms and conditions of the contract and performing the work. Making the determination that a contractor is not responsible requires a public hearing.
5. During bid review, any discrepancies in the bid documents are noted only on copies of the bid(s). No marks or comments may be made on the original bid(s) as received.
6. The Facility Specialist verifies the completeness of the bid submittal (are all the required documents in the package and have all the required blanks been filled in?)
7. The Facility Specialist verifies that the licensing of the apparent low bidder meets the requirements of the bid by accessing the California Contractors State License Board, <http://www.cslb.ca.gov/>. Any contractor or subcontractor not holding a valid license needs to be investigated to ensure that the license has in fact expired or the contractor/subcontractor was debarred. No debarred contractor or subcontractor can be awarded a public works contract.
8. The Facility Specialist reviews all submitted bonds to verify original signatures are present and verifies the insurance carrier is admitted in California.
9. The Project Manager reviews the apparent low bidder and notifies the Director of Planning and Construction and Purchasing Manager if there is any indication that the bidder is non-responsible.

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Objective 1.F. – Bidding Procedures (continued)

Bid Receipt and Opening (continued):

10. If the bid is within budget, the Project Manager obtains approval from the Director of Planning and Construction to proceed with awarding the bid. If the bid is higher than the approved budget or project cost estimate, the PM meets with the DPC to select one of the following actions:
 - a. Reject all bids, and re-advertise same bid package.
 - b. Reject all bids, and redesign.
 - c. If the low bid is more than ten percent higher than the approved cost estimate the Design Professional needs to redesign the project at no cost to the District (this is a standard clause in architectural contracts but may not be in all design contracts).
 - d. If the low bid is not more than ten percent higher than the approved cost estimate and the decision is made to redesign, then additional fees needs to be negotiated for the Design Professional.
 - e. Accept low bid and increase the project budget.
11. If the decision is made to reject all bids, the Purchasing Manager issues a letter to all bidders informing them of the rejection and the Facility Specialist processes a board agenda item to reject all bids.

Awarding the Bid:

Awarding a contract to the apparent low bidder includes the following:

1. The Facility Specialist prepares a board agenda item for approving the bid. If the construction contract needs to start before board approval can occur, then the contract may be ratified with the approval of the Chief Facilities Executive.
2. The Purchasing Department may notify all bidders of the status of the bid and bid results to all bidders.
3. The Project Manager and Facility Specialist prepares and issue Notice of Intent to Award (NOI).
4. The Project Manager and Facility Specialist receive and review all contract documentation (agreement, bonds, insurance, fingerprinting, certifications)
5. The Facility Specialist reviews insurance and verifies the insurance carrier is admitted in California.
6. The Facility Specialist prepares the purchase requisition.

As an alternative to the traditional bidding methods, Public Contract Code Section 20118 authorizes the governing board of any school district, if there is an existing contract between a public corporation or agency and vendor for the lease of purchase of personal property, the lease or purchase of the personal property directly from the vendor by contract, lease, requisition, or purchase order and make payment to the vendor under the same terms that are available to the public corporation or agency under the contract.

In order to circumvent the bidding process required by Public Contract Code, persons may perform the act of "bid splitting". This is a process where a larger procurement is divided into a number of smaller procurements to avoid the controls and oversight that apply to larger procurements. If identified, this practice is in direct violation of Public Contract Code and indicates a breakdown in the system of internal controls.

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Objective 1.F. – Bidding Procedures (continued)

Procedures

After reviewing the District's bidding procedures, we reviewed the bidding documents for all of the seven contracts selected for testing. We verified that the bid was advertised by examining a copy of the advertisement. We also reviewed a letter of confirmation from the agency that ran the advertisement, stating which days it was published. We ensured that the lowest responsive and responsible bidder was selected by reviewing a bid tabulation sheet showing all of the contractors and their corresponding bids. Additionally, we reviewed Proposition "O" expenditures that were near the \$15,000 bid threshold to determine if there was any indication of bid-splitting occurring. Lastly, we reviewed contracts where the District utilized a piggy-back bid to gain operating efficiencies. We reviewed any contracts associated with the Montgomery High, Sweetwater High and Chula Vista Middle where piggy back bids had been utilized. We reviewed these contracts to ensure the governing board had determined them to be in the best interest of the District and that the same terms and conditions were extended to Sweetwater Union High School District as the other public agency.

Findings and Recommendations

All of the contracts tested were properly advertised. However, we were unable to verify that one contract for asbestos abatement had been awarded to the lowest bidder, as the District was not able to provide a listing of contractors who responded. The contract was awarded on 10/29/2008 to Universal Abatement Services, Inc., the final billing of this contract totaled \$47,555.

We did not find any indication of bid-splitting during our review of Proposition "O" expenditures near the bidding threshold.

We noted only one contract where a piggy back bid had been utilized. The District properly utilized the piggy back bid in accordance with Public Contract Code Section 20118.

We recommend that the District continue to closely follow the procedures they have in place for the bidding process and ensure documentation is maintained on file for audit.

Objective 1.G. - Payment Procedures and Processing Time

The District has extensive internal procedures on the processing of payments to contractors. The payment process is as follows:

1. Within ten calendar days after the date of the notice to proceed, the Contractor will furnish a schedule of values (SOV) which will be used as the basis for payment requests. The SOV will identify costs for each itemized activity and a breakdown of anticipated monthly earnings for payments in accordance with the contract.
2. The Project Manager and Design Professional will review and approve the SOV unless the distribution of costs is unreasonable or unbalanced in relationship to the whole project.
3. The Contractor may submit payment requests monthly that show the percentage of work for each line item in the SOV. The Project Manager, Design Professional and Inspector of Record will review the percentage of work completed compared to the approved SOV. The percentage complete must be justified by verified quantities of materials and labor.
4. If the payment request is acceptable, then the Design Professional, Inspector of Record and Project Manager will sign the payment request and forward to the Facility Specialist.

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Objective 1.G. - Payment Procedures and Processing Time (continued)

5. The Facility Specialist will review the invoice for mathematical accuracy, verify that the amounts match the contract, and verify that change orders have been approved if the invoice includes billing for that work.
6. If the Facility Specialist determines that the information contained in the payment is either incomplete or inaccurate, it is the responsibility of the Project Manager to coordinate any necessary revisions with the contractor and to request a revised copy of the payment request for processing.
7. The Facility Specialist will generate the approval page for the payment request from the project management system.
8. After the Project Manager signs the approval page, the Facility Specialist will then obtain approval from the Director of Planning and Construction (the Director of Planning and Construction signs both the approval page and payment request) and submits to accounting for payment.

Procedures

We reviewed 40 expenditures that were processed throughout the 2012-13 fiscal year. Expenditures were reviewed to ensure that the approval of contract/purchase orders was in place prior to approval of payment. Additionally, we analyzed the average number of days from the date of the invoice to check date to determine the District's average processing time for Proposition "O" payments.

Findings and Recommendations

Of the expenditures selected for testing, five were missing one signature on the payment request. Two of these were missing the Project Manager's signature, and one was missing the inspector's signature. In addition, one of the expenditures tested was missing the Project Manager's signature on the Invoice Approval Form. Lastly, one expenditure had a requisition dated October 19, 2012 and an invoice dated May, 4, 2012, indicating that the expenditure did not receive preapproval.

We recommend that the District ensure that all required and necessary signatures be obtained prior to the processing of payment for invoices. This will help ensure that all payments are authorized and have been reviewed by the necessary individuals. We also recommend that expenditures utilizing purchase orders have the purchase order approved prior to the expense being incurred.

While reviewing supporting documentation for expenditures, it was noted that the approval page for payment requests had not been updated since SGI was serving as the District's construction management company. Therefore, the form includes three signature lines for SGI employees that are no longer applicable to the District. We recommend that the form be updated to only include signature lines for the required signers.

During our review of expenditures and related payments, we noted that the average processing time for the payments we selected was 36 days. However, we also noted that three invoices were dated after approvals were obtained, indicating that invoices had been post-dated. When excluded, the average processing time for payments increases to 39.38 days. These averages are consistent with the average noted in the performance audit for the fiscal year ended June 30, 2012. We recommend that the District continue to ensure payments are processed in a more timely manner to ensure that no additional costs are being incurred. Additionally, we recommend that the District conduct a needs assessment to determine if an additional administrative employee could assist in reducing payment processing time.

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Objective 1.H. - Program and Construction Management and Structure

During the year under audit, the District transitioned to an "in-house" team of District employees. They appear to function as a cohesive unit. We reviewed the manner in which work progresses throughout the organization in regard to Proposition "O". We found that the District has created a model which is heavily dependent on the high level employees who require a unique combination of industry knowledge and years of experience.

Job descriptions, in regards to the bond program, under the current organizational structure are as follows:

Chief Facilities Executive: Responsible for the oversight of all aspects of the District's facilities management including planning, design, acquisition, and construction of new facilities; coordination of District facility use and asset management; development of short and long-range master plans. This position is also responsible for Maintenance and Operations as well as Transportation. The intent of this position is to ensure the efficient, safe and cost-effective use of staff and other resources in the bond program.

Director of Planning and Construction: Responsible for the planning, implementation and directing the planning and construction operations of the District; development of short and long-range master plans; ensuring the coordination of planning and construction activities with schools and other District departments; serving as the District representative in planning and developing facilities and new construction.

Program Manager: Responsible for researching, developing and implementing program specific information and processes; ensuring effective and efficient program functioning; and assessing program effectiveness and compliance with all relevant laws and regulations

Planning Project Manager: Responsible for managing, planning and organizing capital facility projects; serving as the planning and construction department representative in planning and developing facilities and new construction; ensuring that jobs are completed efficiently and within regulatory guidelines, budget and project deadlines. This individual may act as the Division of State Architect Inspector on projects.

Facilities Specialist: Responsible for performing a variety of specialized accounting and administrative support duties related to planning and development operations and activities; prepares and edits related Board items; develops and maintains spreadsheets; and processes bills, invoices and other facility related documents.

Procedures

We reviewed the program as a whole and current organizational structure of the Proposition "O" bond program. Additionally, we interviewed District employees and obtained job descriptions for all personnel in the current program and construction management structure.

Findings and Recommendations

We conducted numerous interviews as part of our audit to determine the benefits over the structural changes that were made as well as evaluated the aptitude of the various employees. We found that these high level employees are an excellent fit for the new structure. Communication is able to flow throughout the chain of command with employees augmenting their own knowledge through shared interactions.

However, we recommend that the District, on a continuous basis, conduct an analysis of the utilization of project managers based on current and future project projections to determine whether or not the District has the optimal utilization of department personnel. This analysis should include both quantitative and qualitative measures.

SWEETWATER UNION HIGH SCHOOL DISTRICT - PROPOSITION "O"

Performance Audit

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Objective 1.I. - Change Order Procedures

During various phases in the construction process, changes arise that cause adjustments to the contracts leading to change order requests and approvals. The purpose of a change order is to communicate and record changes in the contract amount and/or time. The District has extensive procedures in place related to change order requests and approvals. Below are the steps outlined for change orders:

Change Order Request Procedures:

1. Requests for information are issued by the Contractor to the Design Professional in order to request clarifications of the approved construction documents. Requests for information shall be processed through the project management system. The Design Professional shall respond to requests for information through the project management system within 14 days.
2. Changes resulting from approved responses to requests for information that have a financial or schedule impact will be converted to a change order request by the Contractor.
3. The change order request will include documentation justifying the change in contract cost or contractual completion date. The change order request will be submitted to the Design Professional and Project Manager through the project management system.
4. The Design Professional will review the change order request and either approve, reject or request additional information to justify the contractor's request. All change order requests will be negotiated by the Project Manager and the Contractor.
5. After the Contractor and Project Manager agree to the cost and time impacts, they will generate a proposed change order in the project management system.
6. The project management system will route the change order request to the appropriate parties.

Change Order Approval Procedures:

1. Construction contract change orders that exceed \$200,000 must have prior approval by the Board of Trustees. The Board of Trustees has delegated approval of change orders below that threshold to the Superintendent, Chief Financial Officer, Chief Facilities Executive and Director of Planning and Construction as follows:
 - a. Superintendent- up to \$200,000
 - b. Chief Facilities Executive- up to \$150,000
 - c. Chief Financial Officer- up to \$150,000
 - d. Director of Planning and Construction- up to \$150,000
2. Amendments that exceed \$1,000 must be ratified by the Board.
3. Once the proposed change order has been created, the Project Manager and Facilities Specialist will:
 - a. Obtain approval from the Design Professional
 - b. Obtain approval from the Director of Planning and Construction
 - c. Process the contract amendment for Board of Trustee ratification (or approval)
 - d. Create the Purchase Order Adjustment
 - e. Request a budget adjustment if necessary
 - f. Update the Program Control System

Procedures

We reviewed the District's policy regarding change orders. After review of the policies and procedures in place, we reviewed all change orders for all contracts selected for testing. A total of seven contracts were selected for testing. Each of the seven contracts selected for further review currently had change orders applied to the original contract. The Board may authorize the contractor to proceed with performance of the change or alteration, without the formality of securing bids, if the cost so agreed upon does not exceed the greater of the following (1) the amount specified in Public Contract Code Section 20111 or 20114, whichever is applicable to the original contract or (2) 10% of the original contract price.

SWEETWATER UNION HIGH SCHOOL DISTRICT - PROPOSITION "O"

Performance Audit

June 30, 2013

Objective 1.I. - Change Order Procedures (continued)

Findings and Recommendations

We noted an average change order rate of 3.65%, which is less than the average change order rate of 7.39% noted in the performance audit for the year ended June 30, 2012.

All change orders for the contracts selected for testing had the related change order documents on file. Ratification by the Board for all change orders was reviewed to ensure that all change orders had been approved by the Board. The District complied with the documentation requirements for the alterations of all of the contracts reviewed.

Objective 1.J. - Construction Project Delivery Methods and Performance Analysis

There are numerous project delivery methods available for school construction, the most common types of delivery methods are Design-Bid-Build, Lease-Leaseback, Multi-Prime, and Design-Build.

Design-Bid-Build (DBB): Segregates the design and construction phases of project delivery by awarding contracts to an architect and a separate general contractor. Public Contract Code sections 20111, 20651 and 22002 require a competitive bidding process for all construction, reconstruction, erection, alteration, renovation, demolition and repair work involving publicly owned facilities which exceeds \$15,000. DBB is typically the most inexpensive delivery method; however, one drawback to DBB is change orders, which can significantly alter the final delivery price of a project.

Lease-Leaseback (LLB): The District simultaneously executes a site-lease of property and a facility-lease with a developer-contractor. These agreements give the developer-contractor the right to develop the project and lease the improvements and site back to the District. The lease terms require that the District own the improvements upon expiration of the lease. Education Code Section 17406 states that the governing Board of a school District need not competitively bid the lease-leaseback agreement. The most significant advantage to the LLB delivery method is the establishment of a guaranteed maximum price at the time an agreement is reached.

Multi-Prime (MP): Similar to the Design-Bid-Build delivery method, with the exception that the project is bid by individual trade, rather than a general contractor. As with Design-Bid-Build, the contracts which exceed the \$15,000 bid limit must be competitively bid. The MP delivery method requires a higher level of District personnel involvement since the District is acting as the general contractor on the job.

Design-Build (DB): The design and construction phases of project delivery are procured from a single entity through the award of a single contract. School districts using a design-build contractor require a clear understanding of the roles and responsibilities of each participant in the design-build process. The benefits of a design-build contract project delivery system include accelerated completion of the projects, cost containment, reduction of construction complexity, and reduced exposure to risk for the school district. The cost-effective benefits to the school districts are achieved by shifting the liability and risk for cost containment and project completion to the design-build entity.

During the year, the District entered into a contract to deliver Montgomery High School – Project 2 through the School Facilities Joint Powers Authority (FACJPA). The terms of this contract specified that FACJPA, as the developer, would deliver Montgomery High School – Project 2 with a guaranteed maximum price of \$23,000,000 by awarding a Design-Build contract to one of seven “pre-qualified” teams. However, the contract was not negotiated as a Lease-Leaseback agreement since a site lease was never executed.

SWEETWATER UNION HIGH SCHOOL DISTRICT - PROPOSITION "O"

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Objective 1.J. - Construction Project Delivery Methods and Performance Analysis (continued)

Procedures

We reviewed the project delivery methods for all projects at Chula Vista Middle School, Montgomery High School and Sweetwater High School that were still open or completed during the 2012-13 fiscal year.

Project (Site)	Project Description	Contractor	Delivery Method	Contract Award Date	Completed Date	Total Cost
SUH	Welding Building	Grahovac Construction Co.	DBB	1/7/2011	5/21/2012*	\$ 1,946,804
CVM	Relocatable Renovation	G.A. Dominguez	DBB	8/9/2012	8/9/2012	414,739
						<u>\$ 2,361,543</u>
MOH	Gymnasium	FACJPA	LLB	9/25/2012	N/A	<u>\$ 23,000,000</u>

*This project is substantially completed, however, it has not been occupied due to owner changes and errors made by the original contractor. The District has also reached the maximum change order percentage of 10% for this project.

Findings and Recommendations

In our sample of three projects, only two contracts were completed or substantially completed during the 2012-13 fiscal year. Many of the other contracts included under these projects were completed prior to the start of the 2012-13 fiscal year or were incomplete as of June 30, 2013.

We noted that the District did not enter into a valid lease-leaseback agreement with FACJPA for the delivery of the Montgomery High School gymnasium. The agreement with FACJPA does not contain an executed site agreement. Although it appears as though an adequate vetting of qualified design-build teams was completed by FACJPA, we did not review this bidding process since FACJPA is considered to be the developer for this project. We recommend that the District modify the current agreement with FACJPA to contain all required elements for a valid lease-leaseback and ensure that all future agreements comply with current law.

District personnel should continue evaluating the best delivery method on a project by project basis. This will allow the District to run an efficient bond program and strike a balance of high-quality and cost-effective projects, while continuing to meet deadlines and avoiding cost overruns.

Objective 1.K. - Procurement of Contractors and Professional Services

In order to qualify for state funding from the State Allocation Board (SAB) under the School Facility Program (SFP), districts are required to certify that a competitive qualifications-based selection process was used for the selection of professional design and other construction services including architects, civil and structural engineers, and construction managers. District policy requires that all professional services be sought through a competitive request for qualifications (RFQ) process. This enables the District to evaluate the qualitative and quantitative aspects of professional services.

Procedures

We reviewed the District's policy and procedures for procuring contractors and professional services.

Findings and Recommendations

We recommend that the District continue to follow its policy and procedures for the procurement of contractors and professional services to ensure the District remains eligible for any potential funding from the State Allocation Board.

Compliance

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Objective 2.A-B. - Expenditures

Passage of Proposition 39 amended article XIII A of the California Constitution to allow for the levy of ad valorem taxes on real property in excess of the one percent limit to pay debt service on bonds issued for school construction with the approval of 55% of the votes cast rather than the previously required two-thirds of voter approval. Proposition 39 also requires that ballot measures must:

1. List the specific school facilities projects to be funded, and must certify that the Governing Board has evaluated safety, class size reduction and information technology in developing the list.
2. Require that the Governing Board conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.
3. Require that the Governing Board conduct an annual independent financial audit of the bond proceeds until all of the proceeds have been expended.

Procedures

We reviewed 40 payments for completeness, authorization, allowability under the Proposition "O" ballot language and approved project listing, in addition to ensuring compliance with each applicable contract. These payments selected accounted for approximately \$16.2 million or a total of 69% of the total 2012-13 Proposition "O" expenditures.

Findings and Recommendations

We did not find any payments for activities that did not comply with the approved ballot language in our sample.

We recommend that the District Governing Board continue to investigate the appropriateness of approving the District to operate under Uniform Construction Cost Accounting (UCCA) guidelines and regulations. The main advantage to operating under the UCCA regulations is an increase in the bid threshold for construction projects from \$15,000 to \$175,000 (adjusted for inflation each year), which could significantly reduce the total project delivery time and streamline the award process for the District's smaller construction projects.

Objective 2.C. - Change Orders

Public Contract Code Section 20118.4 governs change orders as they relate to construction and modernization projects at school districts in California. Public Contract Code Section 20118.4 states the following:

If any change or alteration of a contract governed by the provisions of Article 3 (commencing with Section 39643) of Chapter 4 of Part 23 of the Education Code is ordered by the governing Board of the District, the change or alteration shall be specified in writing and the cost agreed upon between the governing Board and the contractor. The Board may authorize the contractor to proceed with performance of the change or alteration without the formality of securing bids, if the cost so agreed upon does not exceed the greater of:

(a) The amount specified in Section 20111 or 20114, whichever is applicable to the original contract; or

(b) Ten percent of the original contract price.

District policies and procedures related to change orders state that the Project Manager is responsible for monitoring change orders to ensure that the total change order does not exceed the maximum 10% allowed.

SWEETWATER UNION HIGH SCHOOL DISTRICT - PROPOSITION "O"

Compliance Audit

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Objective 2.C - Change Orders (continued)

Procedures

We reviewed all active contracts at each of the three school sites selected (Montgomery High, Sweetwater High, and Chula Vista Middle), to test for compliance with Public Contract Code Section 20118.4. Our sample included a total of seven contracts. The total approved change order amount of each contract was reviewed to ensure that the 10% threshold was not exceeded.

Findings and Recommendations

We did not note any contracts with change orders exceeding 10% of the original contract cost. We recommend that the Project Managers continue to monitor change orders to ensure that they do not exceed the allowed percentage.

Objective 2.D - Prevailing Wage and Labor Compliance

California Department of Labor Code, Part 7, Chapter 1, Article 2 1773 states that, "The body awarding any contract for public work, or otherwise undertaking any public work, shall obtain the general prevailing rate of per diem wages and the general prevailing rate for holiday and overtime work in the locality in which the public work is to be performed for each craft, classification, or type of worker needed to execute the contract from the Director of Industrial Relations... In determining the rates, the Director of Industrial Relations shall ascertain and consider the applicable wage rates established by collective bargaining agreements and the rates that may have been predetermined for federal public works, within the locality and in the nearest labor market area... If the director determines that the rate of prevailing wage for any craft, classification, or type of worker is the rate established by a collective bargaining agreement, the director may adopt that rate by reference as provided for in the collective bargaining agreement and that determination shall be effective for the life of the agreement or until the director determines that another rate should be adopted."

The District procedure to ensure compliance with this requirement is to insert a provision in each contract requiring that contractors affirm that they use and pay prevailing wages to all individuals performing work under the contract.

Procedures

We reviewed and confirmed that the District's contracts included a provision requiring the contract to affirm the use and payment of prevailing wages to individuals performing any services related to the contract.

Findings and Recommendations

We found that all of the seven contracts selected for testing included a section specifically addressing prevailing wages and the payment of prevailing wages of all related workers. We recommend that the District continue to ensure that any new contracts acknowledge the payment of prevailing wages, and that the payment of these wages continues to be done throughout the life of the contract.

Transparency

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Transparency

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Objective 3.A. - Public Outreach and Communication Program

Engaging the public and continuing positive lines of communications is a challenge for even a small district. In the case of Sweetwater Union High, the problem is compounded by the sheer size of the District's boundaries. The challenge is to engage the entire community in the successes which only serve a small portion of District residents.

Since the District ended its relationship with Marston+Marston Inc., an outside public relations firm, the responsibilities for public outreach and communication were given to the Grants and Communications department within the District. They are the primary contact for promotion of projects, events, social media accounts and provide oversight/technical assistance with the Proposition "O" website.

The Grants and Communications department works closely with the Planning department to coordinate ribbon cuttings, ground breaking ceremonies, phase progress updates through events such as its "topping off" ceremony, and provides information for media requests.

As an example, the "topping off" ceremony was publicized amongst the community and held at Montgomery Middle School. The project is slated for a grand opening which occurred at the outset of the 2013-14 school year. These types of events involve coordination with school sites, writing a script for the event, coordinating speakers and emcees, getting refreshments for the event and sending out media advisories, in addition to speaking with any media who attend the events. Other significant events held this year include the ribbon cutting ceremony at Southwest High School and the groundbreaking for the Phase 2 project at Montgomery High School.

The task of managing the bond program website is overseen by the Grants and Communications department, but is maintained by both the Planning and Grant & Communications departments. The Planning department was given the ability to self-edit portions of the website which has positively impacted how often the content on the website is updated. There are currently no specified timelines for making updates to the website, although we were informed that updates are made approximately every two weeks. Planning has access to the Proposition "O" website directly, which allows them the opportunity to post information as needed. The District's main webmaster is in the Grants and Communication office and can also make changes and assist when technical expertise is required for the changes. The two departments are working closely together, with the Communication department requesting 24 hour notice for minor website changes, such as uploads or content additions. For website redesigns or special links, they ask for 2-3 days notice.

Procedures

We reviewed the District's public outreach and communication program to determine its effectiveness.

Findings and Recommendations

It will continue to be important for the District to rally behind its bond program and inform the public of how the bond authorization of \$644 million is being spent. A key challenge is that building and facility upgrades are not always appealing to the media or general public. Instead, it is the individual school communities that are most grateful for their projects. Those outside of that community find it difficult to connect or garner interest in the accomplishments of the bond program as a whole.

A continued effort should be made to highlight the past achievements and to further increase the transparency of the program in the community as a whole. Both the Grants and Communication and Planning departments should continue to keep information about the accomplishment of Proposition "O" flowing throughout the community and continue to be active in promoting the works of Proposition "O" through traditional outlets as well as through social media.

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Transparency

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Objective 3.B. - Bond Program Transparency

Internet Website

The bond program internet website, as consistent with Education Code Section 15280(b), requires that certain documents relating to the Oversight Committee be made available on an internet website maintained by the Board. Information pertaining or relating to the Oversight Committee shall appear on a District maintained and supported website.

BuildingPropO.SweetwaterSchools.org

The website is a very useful platform for the District's facilities program and can be an inexpensive and effective tool at getting information out to the public. The website contains a detailed listing of projects, with each getting its own page which includes 3D animations to help the average user paint a picture of what the final project will look like. Also, on the individual project pages are pictures showing the progress of work including architectural renderings, ground breaking and construction. The task of updating and ensuring the website's content remains current falls to the District's Grants and Communications department.

As part of District's use of social media to promote Proposition "O" projects, the District has an RSS feed, Twitter, Facebook and a link to YouTube content. However, the District Facebook page, RSS feed and Twitter account do not appear to be monitored or updated on a consistent basis. In today's social media driven society it is exciting to see the District embracing these opportunities to inundate the community with information.

Website Comparisons

When evaluating the content of the District's improved BuildingPropO.SweetwaterSchools.org website we compared the offerings to those of other South Bay districts with Proposition 39 bonds. We reviewed the layout, content, ease of use, and abundance of pertinent information. The comparisons made go beyond the required information and examine whether the content and user experience provided is on par with the efforts of other local school districts.

Findings and Recommendations

As of January, 2014, we noted that the District has incorporated many elements that were noted in the 2011-12 performance audit. The District demonstrates a clear effort in maintaining and increasing the use, maintenance and the effectiveness of the Proposition "O" website.

The District should continue to strive for increased levels of fiscal transparency. The key is to determine how best the information can and should be shared with the taxpayers and public at-large. The goal should be to shine a light on the true costs of the construction, so that taxpayers and their elected representatives can be held accountable.

Objective 3.C. - Review of Citizens' Bond Oversight Committee

Education Code Section 15282(a) requires that the composition of the Oversight Committee consist of seven members representing various organizations, as follows:

- one member who is active in a business organization representing the business community located within the District
- one member who is active in a senior citizen's organization
- one member who is active in a bona fide taxpayer association
- one member who is the parent or guardian of a child enrolled in the District
- one member shall be both a parent or guardian of a child enrolled in the District and be active in a parent-teacher organization such as the Parent Teacher Association or school site council

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Transparency

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Objective 3.C. - Review of Citizens' Bond Oversight Committee (continued)

However, District Board Policy requires that the Oversight Committee consist of nine members, and at no time consist of less than seven members. In addition to the requirements of Education Code Section 15282(a), the Board policy also requires that a majority of the members possess the skills and/or experience one or more of the following areas:

- i. large scale construction operations
- ii. municipal/public finance matters
- iii. multiple years' experience with agency/entity budgeting (which may include public agency or public entity budgeting)
- iv. project management
- v. other qualified professionals

The committee is required to inform the public, at least annually in a written report, concerning the expenditure of Proposition "O" Bond proceeds. In carrying out this purpose the Oversight Committee shall:

- Actively review and report on the proper expenditures of Proposition "O" bond proceeds
- Advise the public as to whether the District is in compliance with the requirements of Article XIII A, Section 1(b)(3) of the California Constitution, which provides that:
 - Bond proceeds may be expended only for the construction, reconstruction, rehabilitation, or replacement of school facilities, including furnishing and equipping of school facilities as approved by the voters and as identified in the school facilities project list prepared for the Proposition "O".
 - No bond proceeds are used for any teacher or administrative salaries or other school operating expenses.
 - Annual independent performance audits must be performed by an independent consultant selected by the District.
 - Annual independent financial audits must be performed by an independent consultant selected by the District.

The Committee is responsible for reviewing the District's general obligation bond program, which is authorized for \$644 million as approved by the voters on November 6, 2006 and was established within the required timeframe after the certification of the election results for Proposition "O".

Committee Perspective

The Citizens' Bond Oversight Committee believes that the committee is dedicated to being a voice of the taxpayers and represents the best interests of the community and ultimately the District. In the past they have expressed that "their job is not easy and at times they must overcome adversity," and they still appear to stand by that. They have done their due diligence to comply with the recommendations of professional organizations such as the California League of Bond Oversight Committees. With the intent of the committee to be that it ensures that the expenditures of bond measures are in strict conformity with the law; that taxpayers directly participate in the oversight of bond expenditures; and that members of the oversight committee alert the public to any waste or improper expenditure of school construction bond money, we believe that the committee is completing this mission. We would encourage the committee to continue in its role of being a sounding Board for the public and stay committed to its oversight responsibilities.

Procedures

We reviewed the composition of the Citizens' Bond Oversight Committee as of June 30, 2013 and additionally reviewed the committee's current composition as of January 2014. Our audit included meeting with committee members at our pre-audit meeting held on January 27, 2014 and conducting additional interviews with District staff members throughout our audit process. Additionally, on February 3, 2014, we spoke with the Committee Chairperson and two additional members to gather information on how they believe they are performing with District leadership and the community.

SWEETWATER UNION HIGH SCHOOL DISTRICT - PROPOSITION "O"

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Objective 3.C. - Review of Citizens' Bond Oversight Committee (continued)

Procedures (continued)

For all active members as of June 30, 2013, we requested to review the member application and proof or form of documentation that the member was part of one of the required organizations (if applicable). We also requested the conflict of interest statements for all board members to verify whether or not there were potential conflicts of interests noted on the Form 700.

Findings and Recommendations

As of June 30, 2013, the Oversight Committee had the absolute minimum of seven members, with the category of a business representative vacant. Based on the composition of the oversight committee as of January 27, 2014, the committee had the nine members and the vacancy for a member that was part of a business organization had been filled. We recommend that the District and Citizens' Bond Oversight Committee members continue to actively promote any open seats that become available on the committee, to avoid having vacancies throughout the year. Additionally, the District needs to develop mechanisms so that when a committee position becomes available, the information is communicated to the right audience. The goal needs to be to get the information on the opening out to the required membership contingent.

We noted, as of June 30, 2013, that two of the seven members did not have applications on file with the District, and the four members that were representing the various organizations did not have any documentation on file with the District proving their membership in their respective organization.

The following table summarizes the composition of the Citizens' Bond Oversight Committee as of June 30, 2013:

<u>Member</u>	<u>Title</u>	<u>Representation</u>	<u>Term Ends</u>	<u>Application on File?</u>	<u>Verification of Representation on File?</u>
Nick Marinovich	Chairperson	At-large Community Member	6/30/2014	Yes	N/A
David Butler	Vice Chairperson	At-large Community Member	6/30/2015	No	N/A
Bernardo Vazquez	Member	Parent/Guardian of Child in District	7/20/2013	No	No
Edgar Guerrero	Member	Parent/Guardian of Child in District - Active in Parent Teacher Organization	6/30/2016	Yes	No
Terrance McKearney	Member	Taxpayer Organization Member	6/30/2015	Yes	No
Dr. John Grubb	Member	Active in Senior Citizens' Organization	6/30/2018	Yes	No
Kevin O'Neil	Member	At-large Community Member	6/30/2014	Yes	N/A
Vacant	N/A	Business Representative	N/A	N/A	N/A

We did confirm, however, that subsequent to June 30, 2013, the District had implemented procedures to have all applicants submit a letter from their representative organization to the District so that participation in the organization may be confirmed.