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August 20, 2012

Sweetwater Union High School District  
Pearl Quinones, Board President  
1130 Fifth Avenue  
Chula Vista, CA 91911

Dear President Quinones:

Thank you for the opportunity to present the Citizen's Bond Oversight Committee (CBOC) analysis and recommendations regarding the District's July 23, 2012 Response to the Proposition "O" Performance Audit for the period Fall 2006 to Summer 2011. The letter is organized as follows: 1) Summary and Conclusions 2) Background 3) Role of the Bond Oversight Committee 4) Recommendations and Discussion. The letter and its recommendations were unanimously endorsed by the CBOC at its meeting on August 16, 2012.

### **Summary and Conclusions**

The Sweetwater Union High School District needs to improve the Transparency, Trust, and Thoroughness associated with its Proposition "O" Bond Program. Until these three "T's" improve, the Board will be forced into a defense posture by the public.

The CBOC takes its job seriously. We want to work with the District and stand here willing to implement positive change. It is our job as an Oversight Committee to bring attention to deficiencies and areas for improvement. In certain cases we may take proactive action to confirm, deny, and then act upon information that "something is just not right".

The following responses and recommendations contained in this letter are intended to set in motion a process that should go a long way in restoring Trust and Confidence. The third leg of the "T's", Thoroughness goes along with its close cousin effective communication. Many of the issues regarding the

close cousin effective communication. Many of the issues regarding the Proposition "O" Program are brought on by poor or no communication between the District and the Public. We at the CBOC seem to spend an inordinate amount of time trying to get information rather than performing our real task.....analyzing that information.

Hiring a financial consultant for the CBOC, conducting a forensic audit, requiring new Initiative vetting against a long term district strategic plan, working with the CBOC to revise your internal policies as necessary, and making the Proposition "O" Web user friendly site are foundational to the implementation of the three "T's".

## **Background**

The following is a summary of the critical milestones and historical perspective relating to our Committee's Response:

November 7, 2007: Proposition 39 The "Smaller Classes, Safer schools and Financial Accountability Act" was approved by the Voters almost six years ago. Proposition "O" is governed by this Act and requires a Performance Audit. Specifically Section 3 (e) of the Act states: "To ensure that the proceeds from the sale of school facilities bonds are used for specified school facilities projects only, and not for teacher and administrator salaries and other school operating expenses, by requiring an annual, independent (emphasis added) performance audit to ensure that the funds have been expended on specific projects only."

October 17, 2011: Board of Trustees Approves Contract with Eric Hall and Associates. At the Board meeting (K-1), a contract was approved with Eric Hall and Associates to provide performance auditing services. The total contract was for \$60,000. Three proposals were received in a Request for Qualifications process.

March 20, 2012 : Board Accepts Performance Audit for year ended June 30, 2011. The Audit was submitted and accepted at the Board meeting. Originally the District engaged the firm of Christy White Accountancy Corporation to conduct the annual independent financial and performance audit of the Measure "O" bond program and report its findings to the board of trustees and to the Independent Citizens' Bond Oversight Committee. Subsequently, the Board of Trustees required a more extensive performance audit. As a result there are two audits. Eric Hall and Associates was retained to conduct the performance audit, and Christy White Accountancy Corporation completed the financial audit. The reports represented the third annual financial and performance audit of the Sweetwater Union High School District's Proposition 39 bond program.

July 23, 2012: Board Approves district responses to Proposition "O" Performance Audit findings and recommendations and receives comments from CBOC Chair.

The Board accepted the District Responses to the Performance Audit. At the Board meeting the CBOC Chair responded to the District Audit Response both on the specific agenda item as well as in the monthly Chair Report.

The following is an excerpt from the Chair Report relating to the Audit:

"There is frustration regarding the lack of a prompt and proactive response to the "Eric Hall and Associates Proposition O Performance Audit Fall 2006 to Summer 2011. This report was published on March 20, 2012. The District response was not released until Saturday July 20, 2012, a total of 92 days. Earlier, the Committee did hear presentations on the report from Eric Hall and Associates. Very little input was sought from the Committee in developing a response to the Audit, which covered the very issues that are under our purview pursuant to the California Education Code. The Committee's expertise and time could have been utilized to develop some consensus on moving forward, rather than reacting to a report submitted by staff. Such a District strategy of non-inclusion is inconsistent with a recommendation on Page 58 of the Hall Report which states 'The CBOC should play a critical role in increasing the community's confidence in the Proposition "O" program."

The CBOC should play a critical role in increasing the community's confidence in the Proposition "O" Program. The comments above still apply and are included by reference in this letter.

### **Role of the Bond Oversight Committee**

The recommendations of this CBOC report are drawn from the underlying purpose and intent of Passage of Proposition 39 and subsequent implementing legislation (AB 1908-School Bonds and AB 2659-Education). This legislation passed prior to the Proposition and thus was contingent on voter approval. The CBOC feels that it is important that the Board be periodically reminded that it was the Legislative intent and the Law that there be an **independent** Oversight Committee representing the public (emphasis added).

Section 2 (g) of the Act states "We need to ensure accountability so that funds are spent prudently and only as directed by citizens of the community." In addition, Section 3 (a) of the Act states: "This measure is intended to accomplish its purposes by amending the California Constitution and the California Education Code: To ensure that before they vote, voters will be given a list of specific projects their bond money will be used for;(d) To require an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the proceeds have been expended for the specified school facilities projects; and (e) To ensure that the proceeds from the sale of school facilities bonds are