

**BEVERLY HILLS UNIFIED SCHOOL DISTRICT
Measure E Bond Program**

PERFORMANCE AUDIT REPORT

**For the Fiscal Year Ending
June 30, 2011**



Table of Contents

Independent Auditors' Report on Performance	1
Executive Summary	3
Background Information	4
Objectives and Scope of the Audit	5
Audit Methodology and Results of Testing	6
Schedule of Audit Findings and Management's Responses	12
Summary Schedule of Prior Audit Findings	15



INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board Members and
Measure E Citizens' Oversight Committee (COC)
Beverly Hills Unified School District
Beverly Hills, California

We have conducted a performance audit of the Measure E Bond Program of Beverly Hills Unified School District's (the District) compliance with California Proposition 39, as incorporated in Article 13A of the California Constitution and Education Code Section 15264 et seq., during the fiscal year that ended on June 30, 2011. 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 performance audit.

We conducted this performance audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to performance audits contained in *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 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.

The attached performance audit report as referenced in the table of contents presents the objectives, scope, and methodology of the audit. The performance audit report also includes the results of our performance audit, including our findings, conclusions, and recommendations. Management's responses to the findings of our performance audit are indicated in the accompanying schedule of audit findings and management's responses. We did not audit management's responses and, accordingly, we express no opinion on them.

We have audited the financial statements of the Measure E Bond Program for the fiscal year ended June 30, 2011, and have issued our report thereon dated November 25, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

SAN DIEGO

RANCHO CUCAMONGA

2727 Camino Del Rio South • Suite 219 • San Diego, CA 92108 | 8686 Haven Avenue • Suite 250 • Rancho Cucamonga, CA 91730
tel. 619.270.8222 • www.cwacpa.com • fax. 619.260.9085

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In our opinion, the Measure E Bond Program complied, in all material respects, with the aforementioned requirements during the fiscal year that ended on June 30, 2011, except as noted in the accompanying schedule of audit findings and management's responses. This report is intended solely for the information and use of the District's Governing Board, the Measure E COC, management, others within the entity, and the taxpayers of Beverly Hills Unified School District and is not intended to be and should not be used by anyone other than these specified parties.

Christ White Accountancy Corporation

San Diego, California

November 25, 2011

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

Beverly Hills Unified School District (the District) has implemented controls over the expenditure of Measure E school construction bond proceeds, to comply with Proposition 39 requirements as well as the requirements of the Measure E ballot measure. The performance audit evaluated Measure E Bond Program internal controls and Measure E expenditures, and as noted in the accompanying schedule of audit findings and management's responses, certain exceptions were noted regarding internal controls over expenditures.

The District's plans for prudent use of Measure E Bond Program funds properly considers critical school needs, including seismic safety requirements, school and student safety issues, computer technology, and aging, outdated or deteriorating school buildings. The scope of the Measure E Bond Program was defined in the formulation of the Measure E ballot language that was approved by District voters on November 4, 2008. The Priority School Project Lists of the final Measure E ballot language reflects the Governing Board's evaluation of student safety, class size, and information technology needs of the District.

This report is the third annual performance audit report of the Measure E Bond Program, as Measure E was approved by the District's voters during the fiscal year ended June 30, 2009.

Summary of Key Good Practices

- Business office and County-level internal controls have been augmented subsequent to our interim recommendations to better ensure that necessary approvals are obtained, and proper supporting documentation exists for construction-related expenditures.
- Utilization of District staff and independent contractors to coordinate construction management and project management efforts. Personnel assigned to manage the Measure E Bond Program appear to have the requisite expertise and experience to successfully manage the program.
- A Citizens' Oversight Committee (COC) actively reviewing and reporting on the proper expenditure of taxpayers' money for school construction, as required by Education Code Section 15278(b) the District's Measure E Bond Program.

Summary of Key Opportunities for Measure E Bond Program Improvement

The District has lifted its construction moratorium and has commenced certain K-8 school design and construction projects in the current year. As such, the following improvement suggestions are made:

- The District will need to continue to monitor its level of staffing for the Measure E Bond Program as the District moves into the construction phase, periodically assessing the mix between District employees and contractors. Areas of staffing need will include the areas of accounting, purchasing, and budgeting support; as well as program and construction management.
- The District should closely monitor amounts paid for construction-related litigation charged to the Measure E bond fund, to maximize the funds available for facilities construction projects. Continued evaluation of the cost/benefit of legal actions and the impact on the construction program is recommended.

BACKGROUND INFORMATION

BACKGROUND INFORMATION

The Measure E ballot measure was approved by District voters in November 2008 to provide \$334 million in improvements to Beverly Hills Unified School District facilities. Measure E is a Proposition 39 bond, requiring 55% favorable vote for passage and requirements per Article 13A of the California Constitution, as paraphrased:

- Proceeds from the sale of bonds 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 be developed for the specific school facilities projects to be funded, and certification 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 all of the bond proceeds have been expended for the school facilities projects. The performance audit is done to ensure that the funds have been expended only on the specific projects listed or matters directly related to those projects.

Per the Measure E ballot language, Measure E will enable the District to "...provide safe and modernized school facilities, make necessary structural seismic safety repairs, upgrade, repair, and reconstruct aging classrooms, infrastructure, multiuse gyms, libraries, science, technology & labs; roofing, plumbing, heating, ventilation and electrical systems; renovate Beverly Hills Unified School District schools to better protect students/staff from authorized entry, security risks and natural disasters."

The Bond Project List section of the Measure E ballot language is derived from the District's 2008 Draft Facilities Master Plan for the specific projects that the District proposes to finance with the proceeds from the Measure E bonds. Listed projects are completed as needed at a particular school site according to the preliminary conceptual project listings (per pages 16 and 17 of the 2008 Draft Facilities Master Plan). The preliminary conceptual project listings were formulated by the District's Facilities Planning Committee and approved by the Board in August 2008. The District intends to update and finalize its Facilities Master Plan in 2012.

Election of 2008 Series 2009 bonds were sold in January 2009, generating \$72.0 million in bond proceeds for Measure E programs. The District plans to issue future series of Measure E bonds based on project financial needs, while preserving the applicable property tax limitation. The maximum limits are established in Education Code Section 15270 as \$60 per one hundred thousand of taxable property for a unified school district. The ballot measure estimated the maximum tax rate at \$49.71 and the current tax rate is \$49.51 per one hundred thousand of taxable property.

Christy White Accountancy Corporation was engaged by the District to provide the required annual Measure E Bond Program financial and performance audits for the fiscal year ended June 30, 2011.

OBJECTIVES AND SCOPE OF THE AUDIT

OBJECTIVES AND SCOPE OF THE AUDIT

Christy White Accountancy Corporation (CWA) met with District management and the Measure E Citizens' Oversight Committee (COC) to outline key objectives and audit scope prior to beginning the financial and performance audit fieldwork. The objectives and scope items listed below provided the framework for the Measure E Bond Program performance audit engagement for the fiscal year ended June 30, 2011. CWA believes the objectives and scope items listed below are sufficient for us to render our Auditors' opinion on performance regarding the District's Measure E Bond Program.

1. Bond Requirements and Controls

- a. Determine compliance with Bond requirements and controls established to assure efficiency and effectiveness of the construction program.
- b. Specific items addressed include evaluation of the District's Facilities Master Plan, COC composition and activities, annual performance and financial audits, and compliance with applicable state laws.

2. Bond Expenditures

- a. Validate expenditures against Bond projects listed in the Measure E ballot language, permissible purposes, and contract terms and conditions.
- b. Specific items addressed include evaluation of the Bond Project List in the Measure E ballot language, compliance with the Public Contract Code, and project budget and expenditure reporting to the COC.

3. Bond Management Practices

- a. Determine the current status of legally mandated management practices, internal controls and best business practices, for managing bond construction programs.
- b. Specific items addressed include scope, schedule, and budget controls; vendor selection and procurement procedures; and payment procedures.

4. Other Specific Procedures

- a. Other specific procedures performed include:
 - i. Inspection of Measure E ballot language and bond official statements
 - ii. Facilities planning documentation, such as the 2008 Draft Facilities Master Plan
 - iii. Documentation of internal controls, policies, and procedures
 - iv. Review of bond management plan, staffing plan, and status of bond projects
 - v. Inspection of vendor selection documentation
 - vi. Inspection of contracts, including the construction management/program management contract
 - vii. On a sample basis, inspection of payment applications and invoices
 - viii. Inspection of relevant financial records and transactions, including charges for District employees and consultants working on the Measure E Bond Program
 - ix. Inspection of Governing Board and COC meeting minutes and reports
 - x. Interviewing District personnel and stakeholders
 - xi. Performing site walks

**AUDIT METHODOLOGY AND
RESULTS OF TESTING**

AUDIT METHODOLOGY AND RESULTS OF TESTING

Below is a summary of the audit methodology and results for the performance audit we performed for the fiscal year ended June 30, 2011.

1. Bond Requirements and Controls

We found in our testing that bond requirements were met and controls were operating effectively to ensure the efficiency and effectiveness of the construction program. The District coordinates with its legal and financial advisors to ensure that Measure E bond issuances do not exceed the property assessed valuation limitation in the District's area. The first series of Measure E bonds, in the amount of \$72.0 million, was issued in January 2009. The District needs to remain within the applicable assessed valuation limitation set by Education Code Section 15270 at \$60 per one hundred thousand of taxable property (the current actual tax rate is \$49.51 per one hundred thousand of taxable property).

The Measure E Citizens' Oversight Committee (COC) was established by the District in February 2009, and beginning with the COC's first meeting in April 2009 the COC has actively reviewed and reported on the proper expenditure of taxpayers' money for school construction, as required by Education Code Section 15278(b) the District's Measure E Bond Program. We verified that the expenditure data being reported to the COC is consistent with the data in the District's general ledger system.

We found that the District properly considered safety, class size reduction, and information technology needs in its adoption of the 2008 Draft Facilities Master Plan, whose key objectives were presented to and approved by the Governing Board, and which served as the precursor to the Governing Board's review and approval of the Measure E ballot language. The Measure E ballot language in the Bond Project List section of the ballot certifies the Governing Board's compliance with this requirement per the California Constitution Article 13A, Section 1(b)(3)(B).

The Governing Board of the District approves facilities project priorities, subject to constraints set forth in the Measure E ballot language as well as the funding constraints presented by the local property tax limitation. The Board-approved project listing is located at pages 16 and 17 of the 2008 Draft Facilities Master Plan.

The first series of the Measure E bonds were issued in January 2009, and were properly deposited in the Measure E Bond Building Fund of the District. The Measure E bond issuance transaction for Series A and B bonds was audited in the fiscal year ended June 30, 2009.

The Governing Board and management have properly procured the required annual financial and performance audits for the Measure E Bond Program, including the financial and performance audits for the fiscal years ended June 30, 2011 and 2012, respectively.

2. Bond Expenditures

CWA tested ninety-one (91) out of a total of 371 Measure E expenditures, representing \$3.9 million (68.1%) of Measure E expenditures made for the 2010-11 fiscal year. The expenditures tested were selected haphazardly from a listing of Measure E expenditures provided by the District for the fiscal year ended June 30, 2011. As part of our expenditure testing, we also selected for testing the payroll expenditures for District employees involved in Measure E during the fiscal year ended June 30, 2011, to ascertain how employees' wages and benefits were being charged to District funds.

We found in all cases that the 2010-11 expenditures tested were for permissible Measure E purposes, in accordance with the Measure E ballot language. As of the date of our year-end audit fieldwork in November 2011, \$2,699,942 in legal expenses had been paid from Measure E funds, with significant portions of this amount spent on the Strategic Concepts litigation, discovery and assessment of the Los Angeles County Metropolitan Transportation Authority (MTA) proposed subway expansion under Beverly Hills High School, and other legal fees related to the construction program. The District received and shared with the auditors an opinion from its bond counsel dated September 2009 that the Strategic Concepts legal fees are permissible expenditures for the Measure E Bond Program, primarily because they meet the requirements for administrative costs directly related to the bond program as defined in the California Attorney General's November 2004 Opinion #04-110. The District also received and shared with the auditors an opinion from its bond counsel dated March 2011 that the MTA legal fees are permissible expenditures for the Measure E Bond Program, primarily because they are incurred to resist the development of a large subterranean subway tunnel in the interest of maintaining Measure E construction plans for Beverly Hills High School and saving funds which would be needed for elaborate design and structural support alterations.

In 2010-11, salaries and benefits for the Chief Facilities Officer and charges for Measure E administrative support and facilities consultant were allocated to the Measure E Bond Building Fund. Administrative support costs were charged at a rate of 90% to the Measure E Bond Building Fund and 10% to the General Fund, and the facilities consultant costs were charged at a rate of 50% to the Measure E Bond Building Fund and 50% to the General Fund.

3. Bond Management Practices

We made inquiries of management, members of the Governing Board and COC, and inspected and obtained project scheduling and budgetary documents in our evaluation of bond management practices. Under the Measure E ballot language, and in accordance with their responsibilities, the Governing Board and management of the District plan to prioritize the Measure E bond projects commensurate with the finalization of the Facilities Master Plan.

Regular reporting on construction progress and future construction plans is made by the facilities department to the Governing Board, management, and COC. Project budget and expenditure reports are provided to the COC, as prepared by the District's facilities department.

3. Bond Management Practices (continued)

We selected the July/August 2010 expenditure report to the COC for testing on a sample basis, and agreed expenditure amounts reported to the District's general ledger system without exception. We noted that the facilities department is evaluating making a transition to specialized facilities planning software to facilitate Measure E Bond Program planning and reporting functions. The current program expenditure reporting is based on a manual spreadsheet process, whereby general ledger data are periodically keyed in to the spreadsheet. Specialized facilities planning software may better automate this process.

The District's facilities department currently has a staff of one Chief Facilities Officer, a Facilities Consultant, a Director of Facilities Construction and a Facilities Administrative Assistant. Evaluation will be made regarding the hiring or relying on contract labor for additional accounting, budgeting, and purchasing staff to support the Measure E Bond Program. As construction ramps up, with the recent lifting of the Measure E construction moratorium, the District will be advised to periodically assess the mix between employees and contractors to deliver support services such as program and construction management, budgeting, accounting, and purchasing. In 2010-11, the staffing level appeared appropriate for the workload.

4. Other Specific Procedures

Ballot Language and Facilities Plans

As part of our performance audit and financial audit procedures, we inspected voter material including the Measure E ballot language, and bond documents such as the Election of 2008 bond official statements. We reviewed the District's 2008 Draft Facilities Master Plan, as it was presented to the Governing Board in 2008 prior to the formation and passage of Measure E. We verified in inspecting these documents that bond proceeds had been spent on permissible Measure E facilities purposes and those related projects based on ballot language, legal opinions, and background information received from staff, and that the Governing Board had sufficiently planned for the Measure E Bond Program. We observed that the 2008 Draft Facilities Master Plan provides a roadmap for implementation of the Measure E program, and that the District plans to finalize the Master Plan in 2012.

Internal Control Understanding

We made inquiries of District employees working in the fiscal services department and the facilities department in order to determine the design and implementation of internal controls related to the Measure E bond program. Internal controls over procurement, construction expenditures, and compliance with applicable laws and regulations, and project budgeting were examined. Detail testing of expenditures (vendor payments as well as payroll expenditures) and contracts procurement was performed to verify the operating effectiveness of the internal controls. We found that internal controls over the compliance requirements applicable to the Measure E Bond Program were operating effectively during the fiscal year ended June 30, 2011, except as noted in our performance audit findings. Business office and County-level controls are in place to ensure that proper approvals are obtained, and proper supporting documentation exists for construction-related expenditures.

4. Other Specific Procedures (continued)

Construction Site Walk

In order to physically observe the existence of Measure E construction projects, we conducted a site walk of Beverly Vista Elementary School, where construction took place during interim audit fieldwork in March 2011. At Beverly Vista Elementary School, we observed that work had been performed on the telecom equipment and boiler equipment. Work had been performed in March 2011 to install three NEC telecom machines in the basement of the school, including cabling and a new network rack. Work had also been performed to install three boilers on the roof of the school which included new copper piping for potable water and black pipe for water circulating through the HVAC system.

We found as a result of our site walk and expenditure testing described below that Measure E expenditures made during the fiscal year ended June 30, 2011, through the date of our year-end audit testing in November 2011, resulted in the physical improvement of District facilities or were otherwise directly related to the Measure E bond program, and that the Measure E monies spent were permissible in accordance with the Measure E ballot language and the requirements of California Constitution Article 13A.

Expenditure Testing

Our expenditure testing for the 2010-11 fiscal year indicated that expenditure internal controls could be strengthened in the areas of purchase order execution: 26 of 91 expenditures tested had a purchase order dated after invoice date, 5 of 91 expenditures tested were miscoded to the location of the district office rather than the applicable site, and 1 of 91 expenditures tested had no purchase order. See Finding #2011-1. We recommend that all vendor payments are based on a purchase order (in addition to an approved contract, if applicable), properly executed prior to the expenditure. Additionally, all site-based expenditures should be coded to the applicable site.

During the 2010-11 fiscal year, we performed testing on professional services rates, selecting six billings made up of hourly rates, to analyze against the related contract. We determined that one billing did not contain the necessary detail to enable sufficient review of rates charged (see Finding #2011-1). Additionally, one other billing indicated services performed which did not reconcile with the amount billed (see Finding #2011-2).

Contract Testing

CWA selected two (2) Measure E construction contracts representing 100% of construction contracts entered into during the 2010-11 fiscal year to determine compliance with District policy and the provisions of the California Public Contract Code. We determined in our testing whether proper bidding and approval procedures were followed for the contracts selected. The results of our procedures indicated that the contracts tested followed proper bidding procedures and were awarded in all cases to the lowest responsible bidder with cumulative change order rates of 1.55% and 5.32% respectively.

4. Other Specific Procedures (continued)

We verified that the District's construction and program manager, Bernards Bros., Inc., was selected by the Board in August 2010 following a competitive selection process. The total contract amount with Bernards Bros., Inc. for the Measure E Bond Program is based on hourly billings not to exceed \$13.9 million, with a \$0.9 million cap on reimbursable expenditures. Bernards Bros., Inc. will provide services to the District's Measure E Bond Program in the areas of: program budgeting and planning; cost estimating; project management; design review; facilitation of competitive bidding process; coordination of contracting process; coordination of site work; monitoring labor compliance; monitoring contractor payment applications; and inspecting construction work performed.

Legal Expenditures

The Measure E bond program has incurred significant legal fees to defend the district in construction related cases involving Measure E funds. In the 2010-11 fiscal year, \$2.7 million or 47.2% of total expenditures were spent in legal fees. The fees were deemed allowable by bond counsel, as discussed on page 8 under Bond Expenditures. However, we do have an audit finding #2011-3 for the district to continue to closely monitor legal amounts paid to ensure that maximum funds are available for facilities construction projects while, at the same time, legitimately defending the program.

In addition, subsequent to June 30, 2011, there was a \$5 million cash and \$1.65 million equipment credit settlement agreement reached by the district that was related to an energy savings construction contract the District paid for in prior years. We understand the District is determining to what extent there is a nexus between Measure E's past and future expenditures. The upcoming 2011-12 bond performance audit will cover assessing this allocation decision and our recommendation on allocation considerations is included in Finding #2011-3.

4. Other Specific Procedures (continued)

Compliance with IRS Laws and Regulations

Since the Measure E construction moratorium was lifted in August 2010, the construction program can now move forward. The 2-year spending exemption for IRS arbitrage purposes expired for the Series 2009 bonds in January 2011. To maintain the Measure E bonds' tax-exempt status, the District will need to remain alert for potential arbitrage liability and monitor the need to file periodic arbitrage tax returns on IRS Form 8038-T, remitting to the IRS any required arbitrage payment or penalty amount.

The accompanying Schedule of Audit Findings and Management's Responses contains our audit findings from the other specific procedures performed. Specifically, #2011-1 Performance Audit Finding addresses expenditure internal controls; #2011-2 Performance Audit Finding pertains to expenditure itemized detail and #2011-2 Performance Audit Finding relates to the incurrence of legal expenditures.

**SCHEDULE OF AUDIT FINDINGS
AND MANAGEMENT'S RESPONSES**

SCHEDULE OF AUDIT FINDINGS AND MANAGEMENT'S RESPONSES

Following is a summary of the audit findings and management's responses to the audit findings and recommendations for the performance audit performed for the fiscal year ended June 30, 2011.

#2011-1 Performance Audit Finding: Expenditure Internal Controls

We identified the following areas for improving the District's internal controls over Measure E Bond Program expenditures:

- 26 of 91 expenditures tested in fiscal year 2010-11 had a purchase order dated following the invoice date which indicates a potential for lack of advance approval. However, we found all were board approved and most had contracts in place prior to the date of service.
- 5 of 91 expenditures tested were miscoded to a district office charge code when they should have been coded to a site. The expenditures were allowable Measure E costs, the location code for the work performed was incorrect.
- 1 of 91 expenditures tested in fiscal year 2010-11 had no purchase order in place.
- 1 of 6 professional services contracts tested for \$12,150 lacked sufficient billing detail to enable analysis of professional services rates charged to the district.

Recommendation: We recommend that purchase orders be created prior to Measure E expenditures to document authorization for expenditures and to properly encumber funds. All professional services invoices should include sufficient detail to enable district reviewers to reconcile any billing rates charged to the related contract. Additionally, we recommend that the District code site-focused expenditures, such as construction management expenditures to the applicable sites, when possible, to improve the accountability of expenditures to specific projects.

We found all four instances of the above noted deficiencies in internal controls over expenditures as a result of our testing during interim (in March, 2011) which encapsulated selected expenditures from July, 2010 through mid-March, 2011. We conducted follow-up procedures with a sample of 25 expenditures pulled from the final four months of the 2010-11 fiscal year (March, 2011 through June, 2011) following our interim testing to determine the implementation status of our recommendations from interim. The expanded sample included invoices related to construction and professional services activities. In this expanded sample, we noted zero exceptions, indicating that recommendations from interim have been successfully implemented. To reflect the mid-year internal control progress, we indicate that the status of Finding #2010-1 in the schedule of prior year findings status is "implemented during March, 2011."

Management's Response: In March, the district established a defined accounting system per project to adhere to the Standardized Account Code Structure and to define the object classifications even further by type of expense. With our improved system we developed a detailed budget, which is used to create a check and balance between financial and projected project expenditures. Purchase orders were created to track the total cost of the board approved contracts as part of this process.

SCHEDULE OF AUDIT FINDINGS AND MANAGEMENT'S RESPONSES, CONTINUED

#2011-2 Performance Audit Finding: Expenditure Itemized Detail

We identified that 1 of 91 expenditures contained itemized detail of services performed which could not be reconciled with the amount billed which could have resulted in an overpayment. The discrepancy was corrected subsequent to our audit and we examined five additional invoices from the vendor to assess the extent of the concern, noting no additional exceptions. Our concern is that bills should be scrutinized more closely prior to payment to avoid overpayments.

Recommendation: We recommend that the District improve its review process to better ensure the accuracy and reasonableness of all funds expended out of the bond program.

Management's Response: The District's internal review of invoices has allowed for correct payment based on verbal discussions. To make sure that all adjustments match the actual invoice, the district will require a revised invoice and pay from the new one. In addition, consultants will provide more daily detail and then back it up with a summary coversheet.

SCHEDULE OF AUDIT FINDINGS AND MANAGEMENT'S RESPONSES, CONTINUED

#2011-3 Performance Audit Recommendation – Legal Expenditures

The Measure E bond program has incurred significant legal fees to defend the district in construction related cases involving Measure E funds. In 2010-11 fiscal year \$2.7 million or 47.2% of total Measure E expenditures were spent in legal fees. While the fees were deemed allowable by district bond counsel, we recommend the district continue to closely monitor amounts paid to ensure that maximum funds are available for facilities construction projects while, at the same time, legitimately defending the program. Continued evaluation of the cost/benefit of legal actions and the impact on the construction program is recommended.

Recoupment of any settlement amounts should be attributed back to Measure E to the extent a nexus between Measure E expenditures past and future exists.

Management's Response: The Board of Education very carefully weighs facility needs, existing defects, and potential impact to district facilities by consultants, contractors, and other agencies in their service to the district. The impact to site/building improvements projected for Measure E funding have a direct correlation to past and future issues and the Board of Education continues to protect existing facilities.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

<u>Finding Number</u>	<u>Description</u>	<u>Current Status</u>
#2010-1 Performance Audit Finding	<u>COC Activities</u> We identified areas for improvement in the area of Measure E COC activities including the need for more timely posting of committee minutes and the addition of a representative from a bona fide taxpayers' association to the ranks of the COC.	Implemented.
#2010-2 Performance Audit Finding	<u>Expenditure Internal Controls</u> We identified internal control deficiencies and areas for improvement regarding expenditures of Measure E funds including purchase orders dated after the applicable invoice date, expenditures with no purchase order in place, significant amounts of construction change orders and questionable payments to vendor Strategic Concepts.	Implemented during March 2011. See #2011-1 Performance Audit Finding.
#2010-3 Performance Audit Finding	<u>Interfund Borrowing of Measure E Bond Proceeds</u> District interfund borrowing of Measure E bond funds was not in compliance with Education Code Section 42603.	Implemented.