



FINAL REPORT

Beverly Hills Unified School District
MEASURE E CONSTRUCTION BOND FUND PERFORMANCE AUDIT
REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

March 29, 2019

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March 29, 2019

Board of Education
Beverly Hills Unified School District
255 South Lasky Drive
Beverly Hills, CA 90212

Subject: 2008 Measure E Construction Bond Performance Audit Report for the Fiscal Year (FY) Ended June 30, 2018

Dear Board Members:

This report presents the results of our performance audit of the Beverly Hills Unified School District's (BHUSD or the District) 2008 Measure E Construction Bond (or Bond Program) as required by District objectives and California Proposition 39, the "Smaller Classes, Safer Schools and Financial Accountability Act" (Proposition 39), California Constitution (State Constitution) Article XIII A, and California Education Code (Education Code) Section 15272. These California State (State) requirements specify that the proceeds from the sale of school facilities bonds are expended only on the specific projects listed in the proposition authorizing the sale of bonds (Listed Projects).

Both the State Constitution and Education Code require an annual independent performance audit to verify bond proceeds are used on Listed Projects. Finally, Senate Bill 1473, "School facilities bond proceeds: performance audits" (SB 1473), approved by the Governor on September 23, 2010, amended California Education Code to add Section 15286, which requires the annual performance audits to be conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States.

Executive Summary

We conducted this Bond Program performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and audit results based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and audit results based on our audit objectives. The performance audit objectives, scope, methodology, audit results, and a summary of the views of responsible District officials are included in the report body.

Moss Adams has conducted audits of this program for the past three years, and a number of performance improvement recommendations were noted and addressed as shown on the attached spreadsheet. Over that time, bond program management has changed from Totum Consulting to Team Concept Development Services (TCDS), and many of the audit observations in the past have been addressed or partially addressed. Of the 20 observations from the prior year, eight have been closed,

the District has taken steps to address an additional 11, and one is an ongoing observation regarding legal fees discussed below. In addition, we have identified five observations for improvement opportunities.

Performance audit procedures covered the period from July 1, 2017 through June 30, 2018. Based on the performance audit procedures performed and the results obtained, we have met our audit objectives. We conclude that for the fiscal year (FY) ended June 30, 2018, bond proceeds were used only for Listed Projects under the 2008 Measure E, which authorized the sale of the Bond, with the potential exception of legal fees related to the Los Angeles County Metropolitan Transportation Authority (MTA) and Federal Transit Administration (FTA) regarding MTA's plan to construct part of the Los Angeles subway expansion beneath Beverly Hills High School (see Observation No. 3 in the report body).

Based on our assessment, we identified a number of good management practices as described below:

- The District utilizes other revenue sources to maximize the impact of Measure E funds.
- Citizen Oversight Committee (COC) agendas and meeting minutes were posted on the District website.
- Board presentations of budgets and schedules for Measure E projects were posted on the District website.
- The Measure E Bond Program website was updated periodically by the District to provide key project information.
- The District made significant strides updating the policy and procedures manual for its construction activities, which was approved in October 9, 2018.
- In response to the findings in FY 2017, the District created an outstanding invoice log to monitor and document reasons that any payments exceeded the contractual agreement for payment terms.
- The District utilizes a project management software for Measure E projects that captures project documentation in one place.
- The District has created and filled two new positions (after the audit period), Director of Purchasing, and Executive Director of Construction and Facilities.
- The District has established a Facilities Subcommittee composed of two Board of Education members, the District Superintendent of Schools, and the Bond Manager, which reviews aspects of the bond program on a weekly basis.

Additionally, we evaluated the effectiveness and efficiency of internal controls to provide an analysis of the School Construction Program to provide those charged with District governance and oversight information to improve program performance and operations. The majority of the opportunities for improvement are related to the District not having formalized and Board approved policies and procedures through June 30, 2018. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018. We identified the following internal control improvement opportunities

related to compliance with Bond Program requirements, as well as the effectiveness and efficiency of operations:

Expenditure Management and Controls

- The District has taken steps to address the Recommendation provided in the prior year's report; however, 23 of 61 (38 percent) sampled expenditures did not meet the contractual agreements for payment terms. For example, time stamps or other means of documentation were not available for three of the sampled invoices to validate when the District received the invoice. Without a date of receipt within invoice documentation, we were unable to validate compliance with District policies and procedures and/or contractual obligations, since it was unclear when the District received the invoice (see Observation 4A in the report body).
- The District has made improvements in its payment procedures; however, they lacked adequate documentation in eight instances to validate compliance with District policies for payment approvals. Eight samples did not include complete approvals, three of the eight samples lacked a second approval signature and dates, and five of the eight samples lacked the approval date for the second approval (see Observation 4B in the report body).
- Certain labor charges totaling \$158,034.25 were allocated between the Bond Program and other District activities without direct cost identification to the Bond Program. The basis for allocation was identified as an estimated 50 percent allocation for the security guard in the amount of \$26,535.34 and a 50 percent allocation for IT personnel in the amount of \$131,498.91. Timesheets or other means of directly identifying labor costs to the Bond Program for these security guard and IT expenditures were not evident (see Observation 5 in the report body).

Program Management

- Policies and procedures were not consolidated and formalized through June 30, 2018, and the process for updating the manuals was not documented. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018 (see Observation 6 in the report body).
- The District did not have well-defined policies and procedures surrounding in-house and consultant staffing for the Bond Program. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018 (see Observation 7 in the report body).
- The District did not maintain a consolidated warranty and preventive maintenance log for all assets incorporated into school site construction, and the District was unable to provide complete and accurate reporting for items under warranty. Based on inquiry with the District, an Executive Director of Construction and Facilities was hired in March 2019 with responsibility for coordinating efforts to resolve this objective (see Observation 12 in the report body).



Budgetary Management and Change Order Reporting

- Monthly program reporting to key stakeholders did not include change order, schedule, or budget to forecast information as recommended by the Government Finance Officers Association (GFOA) and the San Diego Taxpayers Association (SDCTA) (see Observation 8 in the report body).

Procurement Procedures and Controls

- The District did not provide competitive solicitation documentation for two professional service contractors (see Observation 9A in the report body).
- The District did not provide documentation that Contractor selection was based on the definition of “best value” as defined by the Education Code and consistent with best practices (see Observation 9B in the report body).
- The District did not have Board-approved budgets for all of its professional service providers prior to their approval by the Board (see Observation 9C in the report body).
- The District did not provide documentation to demonstrate it maintained adequate oversight of the procurement process in one instance. Based on inquiry with the District, TCDS presented its recommendation to the Facilities Subcommittee, which was then approved by appropriate District personnel; however, documentation was not provided to validate this (see Observation 9D in the report body).
- The District did not provide documentation that it advertised the RFQ for the Beverly Hills High School Modernization in Los Angeles County trade paper publications in addition to Beverly Hills Newspaper as required by Education Code. The District provided documentation demonstrating that an advertisement for the preconstruction and lease-leaseback construction services for the Beverly Hills High School Modernization of Buildings B1 and B2 ran for two weeks in the Beverly Hills Weekly newspaper, in addition to a posting on the District’s website. The District did not provide supporting documentation that the RFQ was advertised in a trade paper of general circulation in Los Angeles County (see Observation 9E in the report body).
- The District's policies and procedures for change order work do not address California PCC limitations. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018, which appeared to address change order limitations (see Observation 9F in the report body).
- The District has written policies and procedures that conflict with Board resolution authority. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018, which appeared to resolve this conflict (see Observation 9G in the report body).
- Formal policies and procedures and monitoring controls to prevent and detect procurement fraud were not available. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, which appeared to include fraud prevention and detection policies, and it was approved by the Board on October 9, 2018 (see Observation 10 in the report body).

Claims Avoidance Procedures and Controls

The District has a claims avoidance policy; however, it does not have regular reporting or documentation available to identify actions taken to identify or limit claim exposure. Based on inquiry, the District established a Citizens Construction Advisory Committee (CCAC), whose responsibilities include the review of PCO/Issues Log, RFI, schedules, cash flow, Schedules of Values, and Claims. However, no documentation was available from these meetings to evidence reporting and proactive actions taken to mitigate the risk of claims (see Observation No. 11 in the report body).

We provided improvement recommendations related to our observations for Expenditure Management and Controls, Program Management, Budgetary Management and Change Order Reporting, Procurement Controls and Contract Administration, Claim Avoidance Procedures and Controls, Cost Benefit and Value Engineering Analyses, and Maintenance of District Asset Funded and Warranty Conditions Compliance.

Additionally, we noted the following opportunities for the District to consider additional actions:

- Conduct a construction audit on the Beverly Hills High School Modernization of Buildings B1 and B2 projects to ensure compliant and not excessive charges.
- Review master planning management and controls on the new Measure BH issuance.
- Review material specification log and controls. We identified an additional opportunity for the District to improve procurement procedures and controls. On the Beverly Hills High School Turf Replacement project, specifications were stringent and could potentially impact the competitive bidding process. For example, upon review of the project specifications, only one firm was able to supply the required materials for the turf. As a best practice, the District should consider a comprehensive minimum standards manual that details material types, standard equipment and systems, manufacturer specification numbers, and minimum standards for new construction and modernization mandated by the District for projects undertaken. The standard specifications document should avoid including narrow scoped requirements to prevent excessive pricing to the District.

Management remains responsible for the proper implementation and operation of an adequate system of internal control. Due to the inherent limitations of any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

We would like to express our appreciation to you and all members of your staff for your cooperation throughout this performance audit.

Sincerely,

Moss Adams LLP

Moss Adams, LLP
Seattle, WA

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I. BACKGROUND INFORMATION

A. BEVERLY HILLS UNIFIED SCHOOL DISTRICT APPROVED BOND FUNDS

In 2008, Beverly Hills County voters approved Bond Measure E for \$334 million to provide improvements to Beverly Hills Unified School District (the District, BHUSD) facilities. The Measure E School Construction Bond funds were intended 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, roofing, plumbing, heating, ventilation, and electrical systems; and renovate District schools to better protect student and staff from unauthorized entry, security risks, and natural disasters. The Bond Program is in its ninth year of implementation.

Bond Program accounting records for fiscal year (FY) 2018 showed Measure E Bond Program expenditures of \$27,203,284 in the current year.

B. CALIFORNIA STATE REQUIREMENTS

A Construction Bond Program performance audit is required for BHUSD 2008 Measure E Construction Bonds by Proposition 39, State Constitution Article XIII A, and Education Code Section 15272. These State requirements specify that the proceeds from the sale of school facilities bonds can be expended only on Listed Projects. Both the State Constitution and Education Code require an annual independent performance audit to verify Bond proceeds were used on Listed Projects. Finally, SB 1473, approved by the Governor on September 23, 2010, amended the California Education Code to add Section 15286, which requires an annual performance audit to be conducted in accordance with GAGAS issued by the Comptroller General of the United States.

Proposition 39 was passed by California voters on November 7, 2000. Proposition 39 amended provisions to the California Constitution and the California Education Code. The purpose and intent of the initiative was “to implement class size reduction, to ensure that our children learn in a secure and safe environment, and to ensure that school districts are accountable for prudent and responsible spending for school facilities.” It provided for the following amendments to the California Constitution and California Education Code:

1. “To provide an exception to the limitation on ad valorem property taxes and the two-third vote requirements to allow school districts, community college districts, and county offices of education to equip our schools for the 21st Century, to provide our children with smaller classes, and to ensure our children’s safety by repairing, building, furnishing and equipping school facilities;
2. To require school district boards, community college boards, and county offices of education to evaluate safety, class size reduction and information technology needs in developing a list of specific projects to present to the voters;
3. To ensure that before they vote, voters will be given a list of specific projects their bond money will be used for;
4. 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



5. 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 performance audit to ensure that the funds have been expended on specific projects only.”



II. OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of the performance audit included verification of BHUSD compliance with Proposition 39, which required that bond proceeds only be used for school facilities projects that were listed with the Bond. The District created the 2008 Measure E Bond funds under Proposition 39 and, as such, is required to expend these fund proceeds only on Listed Projects, and not for school operating expenses. The Measure E Bond Program expended \$27,203,284 in FY 2018.

We conducted this Construction Bond Program performance audit in accordance with GAGAS. As required by GAGAS, we planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and audit results based on our audit objectives. The evidence obtained provided a reasonable basis for our findings and audit results based on our audit objectives. Because GAGAS performance audit procedures require reasonable assurance, and these audit procedures did not require detailed examination of all transactions and activities, there is a risk that compliance errors, fraud, or illegal acts may exist that were not detected by us. Based on the performance audit procedures performed and the results obtained, we have met our audit objective.

Performance audit procedures covered the period July 1, 2017 through June 30, 2018.

Management remains responsible for the proper implementation and operation of an adequate internal control system. Due to the inherent limitations of any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

This performance audit did not constitute an audit of financial statements in accordance with Government Auditing Standards. Moss Adams was not engaged to and did not render an opinion on District internal controls.

The full list of performance audit objectives (as specified by the District and agreed upon for this performance audit) and methodology applied included the following:

1. Conduct a Performance Audit

We conducted the audit in accordance with GAGAS for Performance Audits as codified by the Government Auditing Standards, December 2011 Revision issued by the Comptroller General of the United States.

2. Attend Entrance and Exit Meetings

We attended entrance meetings with both the District and COC members. At the completion of the audit, we attended or will attend up to three exit meetings to review our report, observations, and any improvement recommendations. Those meetings include: 1) exit meeting with District Management, 2) meeting with District Audit Committee and full Board of Education as determined by the District, and 3) COC meeting.



3. Compliance with Ballot Language

We reviewed the Bond Program's financial records and expenditures for FY 2018 to verify that funds were used for approved Bond Program purposes as set forth in the ballot language, Bond documents, Board-approved Listed Projects, and Proposition 39 requirements. We reviewed the Bond Program's financial records and expenditures by obtaining the Comprehensive Annual Financial Report and comparing the balances to the District's detailed accounting records. We analyzed control processes, tested the Bond Program expenditure cycle, and sampled supporting documentation to validate internal controls. Testing procedures included the use of Audit Command Language (ACL) to select a statistical, monetary unit sample to provide confidence that expenditure transactions from the Bond Program were compliant with program and legal requirements. We tested 61 expenditures totaling \$16,149,333, or 59% of total expenditures. These transactions included payments to contractors and vendors, and journal entries of inter-fund transfers. Our testing procedures were performed to verify:

- Expenditures were for Listed Projects
- Payment applications and invoices were approved
- Expenditures were in compliance with approved contract and contract types, purchase orders, or other procurement documentation
- Expenditures were recorded in the proper period, accurate, and complete on the District's books and records

We interviewed District and Bond Program personnel and analyzed key documentation to assess the design of controls over Bond expenditures, including review, authorization, and oversight of the District's Listed Projects, contracts executed, accounting for Bond proceeds issued, and payments made and recorded for FY 2017/18. The documents we analyzed to assess Bond Program risk and controls design included:

- Proposition 39 Bond language and Project Lists
- The District's construction planning documentation
- Board of Education meeting agendas and minutes
- Applicable Construction Program contract documentation
- Accounting for Bond Program proceeds and supporting documentation for expenditures taken from the District's books and records
- Review of Project Expenditures (FY 2017/18) and Voter Approved Ballot Language

We analyzed the associated sampled expenditure contracts for a more in-depth review of the project expenditures. Selected contracts were reviewed to gain an understanding of payment processes, cycle time, allowable charges, and reimbursable costs. Supporting documentation for District labor charged was analyzed for complete identification of staff activities incurred and accurate allocation of cost between the Bond Program and other District activities.

4. Expenditure and Payment Procedures

We verified District compliance with its policies and procedures related to Proposition 39 expenditures and payments for the period. We documented the use of Bond Program funds and segregation of these funds for Bond Program purposes, reconciled amounts received with amounts expended, and verified that these funds have been expended for Bond Program purposes. Payment approval and



cost accounting controls design and operation were verified, including receipt of lien releases, segregation of duties, and controls to verify receipt of goods and services. Review for payment compliance with contract terms was conducted. We performed a search for duplicated payments and missed discounts. We gathered and tested data to determine compliance and measure the effectiveness of payment controls. Processes to review and approve contractor charges were analyzed to prevent excessive charges and overpayments, and payment applications were reviewed to assess the adequacy of supporting documentation.

5. Salaries of District Employees for the Bond Program

We reviewed the salaries of District employees charged to the Bond Program. We compared the labor charges to Proposition 39 objectives and confirmed their allowability per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General.

6. Compliance with State Laws, District Policies, and Other Regulations

We analyzed District compliance with State laws and regulations regarding school district facilities programs. We performed a risk assessment to identify laws and regulations that the District may be subject to. We then selected certain laws and regulations that are considered at the highest risk for further review to assess District compliance. This analysis did not constitute a legal opinion or a complete analysis for compliance with all applicable state laws and regulations. We assessed compliance with the pertinent District policies and regulations governing the District's facilities program. We validated District policies and regulations regarding the facilities program's processes and controls. We designed the performance audit to provide reasonable assurance that Bond expenditure controls and practices were consistent with District policies and Proposition 39 objectives to ensure that funds were spent on projects indicated in the ballot initiative.

7. District and Professional Service Staffing Plan for the Bond Program

We reviewed the District's Staffing Plan and policies and procedures for an approach to in-house staffing and consultant staffing that includes key metrics, such as positions staffed, number of personnel, number of planned projects, and dollar value of planned projects utilized by the District to help determine organizational structure alignment with Bond Program needs. We analyzed the organizational structure alignment between the program management team and contractors by validating and evaluating processes for project reporting, communication, problem resolution, decision support, change order authorization, scope of control, and segregation of duties.

8. Design and Construction Costs Budget Management

We compared design and construction budget management practices to Government Finance Officers Association (GFOA) and San Diego County Taxpayers Association (SDCTA) standards to measure the effectiveness of controls and transparency of bond-funded projects. We reviewed the reporting of adopted budget, budget-to-actual, and budget-to-projected expenditures and revenue as a means to track Bond Program progress and financial standing (e.g., narratives, graphs, charts, etc.). We analyzed the design of budgetary management controls for documentation and explanation of deviations from the original budget by key construction component for user reference. We also reviewed the reconciliation of actual projects for which bond funds were expended to projects approved by the Board of Education and to projects on the approved facilities master plan.



9. Bidding and Procurement Procedures

We verified that District bidding and awarding of bond-funded construction projects complies with the requirements of the California school construction state requirements, Public Contracting Code, and State and other relevant laws and regulations. Procurement controls were evaluated for application of competitive, compliant, and fair contracting practices. We conducted interviews and reviewed relevant policies, bids, and contractor selection files. We selected a sample of contracts and assessed the implementation of controls needed to achieve competitive contracting practices that are consistent with school construction program requirements and best practices. Change order documentation was reviewed for compliance with the District's policies and procedures, Public Contract Code, California school construction state requirements, and other regulations. Controls and activities to manage change orders were evaluated. Specific consideration was given to change order cause, responsibility, and pricing. We reviewed policies and procedures to verify whether documentation existed prior to approval of change orders and verify that required approvals were applied. Selected change orders were tested for duplicated work scope and compliance with Proposition 39 requirements.

10. Procurement Fraud Prevention and Detection Controls

We validated that District controls are in place to prevent and detect procurement fraud. The following procedures were performed:

- Reviewed the implementation of ethics policies, reporting protocols, staffing screening requirements, consequences, and training and escalation procedures to prevent and detect fraud.
- Reviewed segregation of duties controls designed and implemented to prevent unauthorized obligations and payments.
- Reviewed the completeness of monitoring controls implemented to identify, report, and address significant procurement anomalies. Verified that methods applied to verify key reports used for key construction program management decisions are current, accurate, and complete.

11. Claim Avoidance Procedures

We reviewed the implementation of procedures designed to prevent claims filed against the District related to construction projects for the period.

12. Maintenance and Warranty of Measure E Assets

We reviewed District processes and procedures for maintenance of District assets funded with Measure E, including compliance with warranty conditions of those assets. We reviewed District practices for maintenance of a list for all assets incorporated into school site construction and complete and accurate information regarding items under warranty. We reviewed the District implementation of controls surrounding the required maintenance of its assets in accordance with warranty terms, application of a formal system of logging this information for inventory purposes, and use of warranties where possible.

13. Review of Prior Year Audit

We evaluated whether the District has taken appropriate corrective actions to address findings and recommendations from previous engagements that are significant within the context of the audit objectives.



14. Job-Site Visits

We visited selected sites and determined the authenticity of the projects in progress and/or project completion.

15. Recommendations Recap

We provided the District a recap of all the recommendations in an Excel spreadsheet for the District's review at the completion of the audit.

Interviews

We interviewed key personnel responsible for administering the Bond Program, including senior management and staff from the District and Bond Program Management Team responsible for overseeing the work associated with the Bond Program. We also interviewed members of the COC. The individuals interviewed are listed in Appendix A of this report.



III. AUDIT RESULTS

A. OBJECTIVE NO. 1 – CONDUCT A PERFORMANCE AUDIT

Observation 1

We conducted the audit in accordance with GAGAS for Performance Audits as codified by the Government Auditing Standards, December 2011 Revision issued by the Comptroller General of the United States.

B. OBJECTIVE NO. 2 – ATTEND ENTRANCE AND EXIT MEETINGS

Observation 2

We attended entrance meetings with both the District and COC members. At the completion of the audit, we will attend up to three exit meetings to review our report, observations, and any improvement recommendations. Those meetings will include: 1) exit meeting with District Management, 2) meeting with District Audit Committee and full Board of Education as determined by the District (scheduled April 2019), and 3) COC meeting (anticipated April 2019).

C. OBJECTIVE NO. 3 – COMPLIANCE WITH BALLOT LANGUAGE

Observation 3

We identified Los Angeles County Metropolitan Transportation Authority (MTA) and Federal Transit Administration (FTA) legal fees charged to the Bond program where it is unclear whether the scope of work performed was allowable per ballot language. For expenditures sampled in FY 2017/18, the District incurred \$803,940.93 in legal fees related to the Los Angeles County Metropolitan Transportation Authority (MTA) and Federal Transit Administration (FTA) regarding MTA's plan to construct part of the Los Angeles subway expansion beneath Beverly Hills High School. The following charges were reviewed:

Vendor	Invoice Number	Invoice Date	Amount
Kasowitz, Benson, Torres & Friedman LLP	1708262	10/31/2017	\$659,702.17
Atkinson, Andelson, Loya, Rudd & Romo	526655	7/31/2017	\$86,617.75
Atkinson, Andelson, Loya, Rudd & Romo	540530	2/28/2018	\$57,621.01
Total			\$803,940.93

The District obtained legal opinions that authorized the use of Bond proceeds to fund opposition to the location of the MTA Subway Extension and associated costs at Beverly Hills High School. California Constitution and California Education Code provided the following amendment defining our criteria: "To ensure that the proceeds from the sale of school facilities bonds are used for specified school facilities projects only." We did not specifically see legal fees for this purpose addressed in the



projects list within the voter approved bond measure; however, the expenditures reviewed appeared to be related to the authorized purpose based on the legal opinions obtained by the District.

Improvement Recommendation: The District should continue to require itemization of legal expenditures related to the MTA Subway Extension and ensure that the District's position is defensible.

D. OBJECTIVE NO. 4 – EXPENDITURE AND PAYMENT PROCEDURES

Observation 4A

The District has taken steps to address the Compliance with State Laws, District Policies, and Other Regulations Recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 4a); however, 23 of 61 (38 percent) sampled expenditure did not meet the contractual agreements for payment terms. In response to the findings in FY 2017, the District created an invoice log to track each invoice from receipt to payment and document explanations for invoices or pay applications that were not paid within 30 or 45 days, respectively. However, the explanations were not always reported, but justification appeared to available on a case by case basis upon request. According to BHUSD Construction & Facilities Department Policies & Procedures Manual, Section 9 Payment Procedures, "The District will strive to pay invoices within 30 days of receiving an invoice." In addition, "An approved Monthly Pay Application shall be paid by the District within 45 days after receipt..." Additionally, according to the BHUSD Construction & Facilities Department Policies & Procedures Manual, Section A. General Invoices, "As Invoices are received for payment, they are date stamped, and routed for management review and approval within three days." For example, time stamps or other means of documentation were not available for three of the sampled invoices to validate when the District received the invoice. Without a date of receipt within invoice documentation, we were unable to validate compliance with District policies and procedures and/or contractual obligations, since it was unclear when the District received the invoice. In such instances, the invoice date was compared against the check date to determine promptness of payment. Based on this analysis, we noted 23 of 61 (38 percent) sampled expenditures had a payment date occurring past their respective contractual or policy requirement (see Appendix B for further information).

Improvement Recommendation: The District should continue to time and date stamp all invoices when received and evaluate the invoice payment processing procedures to ensure compliance with District policies and procedures and contractual obligations.

Observation 4B

The District has made improvements in its payment procedures; however, it lacked adequate documentation in eight instances to validate compliance with District policies for payment approvals. According to BHUSD Construction & Facilities Department Policies & Procedures Manual, Section 9 Payment Procedures, "invoices are... counter-signed and dated by two members of the bond management team..." Eight samples did not include complete approvals, three of the eight samples lacked a second approval signature and dates and five of the eight samples lacked the approval date for the second approval (see Appendix C for further information). Complete (signed and dated)



approvals were available on other sampled documentation; therefore, it appeared this procedure was inconsistently performed.

Improvement Recommendation: The District should sign and date all invoice approvals and evaluate the invoice approval process to ensure compliance with District policies and procedures and best practices.

E. OBJECTIVE NO. 5 – SALARIES OF DISTRICT EMPLOYEES FOR THE BOND PROGRAM

Observation 5

Certain labor charges totaling \$158,034.25 were allocated between the Bond Program and other District activities without direct cost identification to the Bond Program. We evaluated and reviewed the funds used for salaries of administrators only to the extent they performed administrative oversight work on construction projects as allowable per Opinion 04-110 issued on November 9, 2004, by the State of California Attorney General. **The District has taken steps to address this Observation. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being created.** It was adopted subsequent to our audit period by the Board of Education on October 9, 2018. Per the Construction and Facilities Policies and Procedures Manual, a time tracking system was implemented subsequent to our audit period. The basis for allocation was identified as an estimated 50 percent allocation for the security guard in the amount of \$26,535.34 and a 50 percent allocation for IT personnel in the amount of \$131,498.91. Timesheets or other means of directly identifying labor costs to the Bond Program for these security guard and IT expenditures were not evident. Opinion No. 04-110 from the State of California's Office of the Attorney General states that "a school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure." That is, expenditures for general IT and security operating expenses should not be charged to Measure E and should be only charged to the extent they perform administrative oversight work on the construction projects. Without timesheets or other means of directly identifying the purpose of the labor costs, we cannot clearly determine the allowable portion to Measure E.

Improvement Recommendation: The District should implement processes and controls to support and validate the applicability and accuracy of labor charged to the Bond Program. Specifically, a time tracking system should be implemented for those employees not fully dedicated to the Bond Program, so all costs incurred are identifiable and have a beneficial relationship to the Bond Program and cost objectives. This time tracking should also be implemented for IT, security, and other personnel to clearly identify when their costs should be included in Measure E expenditures and when they should be included in General Expense.



F. OBJECTIVE NO. 6 – COMPLIANCE WITH STATE LAWS, DISTRICT POLICIES, AND OTHER REGULATIONS

Observation 6

Policies and procedures were not consolidated and formalized through June 30, 2018, and the process for updating manuals was not documented. **The District has taken steps to address the Compliance with State Laws, District Policies, and Other Regulations Recommendation provided in the prior year’s report (Moss Adams 2017 Report Objective No. 6) through June 30, 2018. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018.** Other areas regarding compliance with state laws and other regulations can be found in the observations appropriate for the state laws or regulations being tested.

Improvement Recommendation: Continue the process of updating the Construction and Facilities Policies and Procedures Manual as it was adopted. The GFOA recommends in “Documenting Accounting Policies and Procedures,” that the documentation of accounting policies and procedures should be evaluated annually and updated periodically, no less than once every three years. Any changes in policies and procedures should be updated in the documentation promptly as they occur and a specific employee should be assigned the duty of overseeing this process. The resulting documentation can also serve as a useful training tool for staff.

G. OBJECTIVE NO. 7 – DISTRICT AND PROFESSIONAL SERVICES STAFFING PLAN FOR THE BOND PROGRAM

Observation 7

The District did not have well-defined policies and procedures surrounding in-house and consultant staffing for the Bond Program. **The District has taken steps to address District’s Professional Service Staffing Plan for the Bond Program Recommendation provided in the prior year’s report (Moss Adams 2016 Report Objective No. 7 and Moss Adams 2017 Report Objective 7). The District was in the process of creating a Policies and Procedures Manual that defined roles and responsibilities and has hired a new Bond Project Management Firm as of July 17, 2017.** However, there was no staffing plan provided for review for FY 2018. Based on inquiry with Bond Program Management, they are understaffed and need staffing for the purpose of moving classrooms in FY 2019, but we found no documented evidence of analysis surrounding staffing needs based on project needs of the Bond Program. There were no base staffing requirements on Bond Program project needs including key metrics such as the number of personnel, number of planned projects, and dollar value of planned projects. These metrics could be analyzed to help determine if the Bond Program organizational structure is aligned with its needs.

Improvement Recommendation: The District should develop and implement a Staffing Plan for both the District and consultants to correlate Bond Program projects to Bond Program staffing needs. The new Construction Management team’s organization chart, or equivalent reporting, should be updated based on current Bond Program activity by project so District Management can validate adequate staffing levels and identify staffing needs (see Recommendation No. 9C). The District should also consider having more District representation and less consultant representation.



H. OBJECTIVE NO. 8 – DESIGN AND CONSTRUCTION COSTS BUDGET MANAGEMENT

Observation 8

Monthly program reporting to key stakeholders did not include change order, schedule, or budget to forecast information as recommended by the GFOA and the SDCTA. **The District has taken steps to address the Design and Construction Cost Budget Management Recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 8 and Moss Adams 2016 Report Objective No. 8).** Design and construction budget management practices were compared to GFOA and SDCTA best practices to measure the effectiveness of controls surrounding bond-funded projects. The District presented a Measure E Program Overview and Revenue Summary to the COC on May 15, 2018. This report included the following information:

- Measure E G.O. Bond Authorization amount
- Measure E Committee Revenue, Investment Earnings, Expenditures to date and balance to date amounts
- Project Summary Information including project name with budget estimates, project commitments, expenditures, and balance amounts
- Fiscal year Measure E Project Expenditures

However, the reporting does not provide adequate information surrounding the original budgets, current forecasts, project schedule information, and cash flows at the program and project level for the issued bond proceeds. Per the SDCTA's Oversight Committee Best Practices, at minimum, the following should be reported to the COC:

- List of projects accompanied by measurements of their status in terms of budgets and timelines
- Any alterations to project budgets or timelines with adequate explanations for these changes
- Comparison of current status of projects in terms of budgets and timelines to the original budget and timeline estimates of the project

Current budgets and commitments were reported; however, reporting lacked adequate change order, schedule, and budget to forecast alternation information. Based on inquiry with the District, only four change orders occurred during the current fiscal year, and the supporting documentation was provided to the Board of Education and was available upon request. However, the guidance from SDCTA does not limit change order reporting based on fiscal year and this information should be included within the regularly reporting to key stakeholders. Change order reporting should include change responsibilities such as owner-initiated, scope changes, design errors, contract errors, and unforeseen conditions. Without this level of information, responsibility for change orders and associated cost will not be evident to key decision makers. Absent further information, project reporting is not in line with best practices and lacks information to adequately report to key stakeholders.

Improvement Recommendation: Both the SDCTA and GFOA recommends budget-to-actual comparisons of revenues, expenditures, cash flow, and fund balances be periodically reported. Board of Education-approved master plan budgets and current forecasts at the program and project level should be available with consideration of the amounts available. Detailed budget-level information for



current bond issuances allows the District to monitor budgetary performance against committed contract values and can serve as an early warning indicator for potential problems. This information provides decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. Both the SDCTA and GFOA comment that this information is essential input for demonstrating accountability and transparency. Additionally, cash flow reporting should include revenues, cash, and expenditures by timeframe to document that sufficient funding is available to meet financial requirements for Measure E. This documentation will also serve as a useful tool for District management and stakeholders to understand the timing of project schedules.

Change order reporting should include information such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals, and totals for easy end-user reference. Change order documentation should be available at the project and program level with both detailed and summary level information available. Summary and detailed change reporting is necessary to understand change order cause, responsibility, pricing, and compliance and to identify potential duplicated work scopes and/or redundancies caused by unclear scope objectives and/or expectations within the master plan.

I. OBJECTIVE NO. 9 – BIDDING AND PROCUREMENT PROCEDURES

Observation 9A

The District did not provide competitive solicitation documentation for two professional service contractors. **The District has taken steps to address the Bidding and Procurement Procedures Recommendation provided in the prior year’s report (Moss Adams 2017 Report Objective No. 9a) by creating and implementing new policies and procedures; however, the process was not complete through June 30, 2018.** According to the District’s Construction & Facilities Department Policies & Procedures Manual, Section 7 Procurement, Section 4.a Professional Services over \$175,000, it says, “For the District, best practices dictate that professional services...which will result in an agreement for more than \$175,000, shall be procured through a competitive process unless the BOE [Board of Education] authorizes procurement of the services without a competitive process.” Any agreement over \$175,000 requires a formal competitive solicitation process or Board of Education authorization, including a Request for Qualification (RFQ), advertisement, a minimum of three Statements of Qualifications for consideration, and the documentation of the selection evaluation. However, the District did not utilize a competitive solicitation process for the following two vendors pursuant to the Board of Education’s authority to engage professional services without a competitive process:

Vendor Name	Project Name	Original Contract Date	Original Contract Amount	Items not provided based on Board authorization
Procore Technologies, Inc.	Project Management Software	1/4/2018	\$230,000	RFP/RFQ, Bid Advertisement, Bids, Bid Summary, or Notice of Award was provided.
Team Concept Development Services Inc.	Bond Management Services	7/17/2017	Not Provided	RFP/RFQ, Bid Advertisement, Bids, Bid Summary, or Notice of Award was provided.



Improvement Recommendation: As a best practice, the District should select professional service firms through a competitive solicitation process. Additionally, as specified in Objective 10, and as a best practice, the District should maintain a consolidated bid and procurement activity report that will allow District Senior Management to identify, prevent, or detect non-compliance with District policies and procedures, state laws, and regulations. Supporting documentation to this consolidated report should be readily available in a central location, either physically or electronically. A checklist or equivalent mechanism, with appropriate sign-offs on procurement requirements, can serve as a good tool for all relevant parties (Accounting, as well as Planning and Construction and Procurement) to validate compliance with policy and procedure requirements.

Observation 9B

The District did not provide documentation that a Contractor selection was based on the definition of “best value” as defined by the Education Code and consistent with best practices. Per Education Code 17406 (a) (2) (1) “An instrument created pursuant to paragraph (1) shall be awarded based on a competitive solicitation process to the proposer providing the best value to the school district...” Education Code 17400 (b)(1), defined best value as “a competitive procurement process whereby the selected proposer is selected on the basis of objective criteria for evaluating the qualifications of proposers with the resulting selection representing the best combination of price and qualifications.” While the District has the flexibility to determine what qualifications it seeks from proposers, it should include a combination of price and qualifications. The criteria used to select the Beverly Hills High School Modernization of Buildings B1 and B2 projects was performed without the price component as demonstrated by the evaluation categories used to determine “best value” in this case:

Evaluation Categories
Mandatory Requirements
Firm Personnel, Capacity, and Methodology
Relevant Experience and Past Performance
Preconstruction Services
Labor Compliance/Skilled and Training Workforce
Safety
Exceptions to Preconstruction/LLO Agreements
Interview (if used)
Maximum Total Score

Neither the Preconstruction Services nor the Construction Services agreements with ProWest Constructors were awarded based on the Education Code 17406 requirements for “best value” competitive selection because the evaluation was based on criteria that excluded the pricing component.

Improvement Recommendation: The District should ensure procurement practices are compliant and update procurement policies and procedures surrounding preconstruction and construction lease-lease back contracts in agreement with Education Code 17406 and best practices. Consistent



with the Education code and best practices, best value criteria should include both price and qualifications for the scope of services needed.

Observation 9C

The District did not have Board-approved budgets for all of its professional service providers prior to their approval by the Board. As a best practice, and noted in the District’s Policies and Procedures Manual, “best practices dictate that professional services...which will result in an agreement for more than \$175,000, shall be procured through a competitive process unless the BOE authorizes procurement of the services without a competitive process.” While the District’s professional services can be procured through a qualification-based selection process, the RFQ process was not used within the selection process by the District in two instances.

Vendor Name	Project/Service Description	Contract Type (Construction/Personal Property/Professional Services/Special Services)	Original Contract/PO Amount
Atkinson, Andelson, Loya, Ruud & Romo	Other - Legal Services	Professional Services	T&M (Hourly Rate)
Team Concept Development Services Inc.	Other - District-Wide Bond/Construction Management	Professional Services	T&M (Hourly Rate) and Project Management Fee (see below for further information)

For example, the only cost or budget elements for TCDS were its hourly billable rates by employee type and a fee on total program as specified in Exhibit D and Article 7.1.1 of the contract.

Article 7.1.1 – Compensation and Payment of the contract states that compensation for the TCDS shall be “A fee (the “Project Management Fee”) consisting of 2.5% (two and one-half percent) of the total Construction Costs for the Projects in the Program. Construction Costs means all costs less the compensation of BM, Design Professionals and other consultants, general conditions, the cost of land, rights-of-way, inspections, surveys, tests and other costs which are the responsibility of Owner.” While hourly rates and fee were established through the contract, no fiscal year or total budget was defined, established, or approved by the Board for the total amount of this contract.

Improvement Recommendation: As a best practice, the District should define budgets for all of their professional service providers to ensure adequate oversight and control over the expenditures of the Bond Program. Program reporting should be updated accordingly to promote accountability and transparency (see Recommendation No. 8). Furthermore, the District should consider requiring an annual staffing plan for vendors such as these to be utilized as the basis for annual budgets (See Recommendation No. 3).



Observation 9D

The District did not provide documentation to demonstrate it maintained adequate District oversight of the procurement process in one instance. The Board of Education delegated many of its responsibilities and oversight of the facilities program and Bond Program to the Superintendent and TCDS. However, only TCDS performed the evaluation for the Beverly Hills High School Modernization of Buildings B1 and B2 without representation from the District. Based on inquiry with the District, TCDS presented its recommendation to the Facilities Subcommittee, which was then approved by appropriate District personnel; however, documentation was not provided to validate this. Per Education Code Article 4 Powers and Duties, Section 35161, “The governing board of any school district may execute any powers delegated by law to it or to the district of which it is the governing board, and shall discharge any duty imposed by law upon it or upon the district of which it is the governing board, and may delegate to an officer or employee of the district any of those powers or duties. The governing board, however, retains ultimate responsibility over the performance of those powers or duties so delegated.” While the District has the option of utilizing consultants in their respective areas of expertise, the District did not provide evidence of adequate documentation of oversight of the procurement process at Beverly Hills High School Modernization Buildings B1 and B2.

Improvement Recommendation: As a best practice, the District should actively participate in the preliminary stages of the procurement process, such as having a District officer or employee on the evaluation committee, as well as providing the final approval. Additionally, any powers or responsibilities the District chooses to delegate should be to an officer or employee of the District and not to a consultant, unless with adequate District oversight and monitoring controls.

Observation 9E

The District did not provide documentation that it advertised the RFQ for the Beverly Hills High School Modernization in Los Angeles County trade paper publications in addition to Beverly Hills Newspaper as required by Education Code. The District provided documentation demonstrating that an advertisement for the preconstruction and lease-leaseback construction services for the Beverly Hills High School Modernization of Buildings B1 and B2 ran for two weeks (October 5, 2017 and October 12, 2017) in the *Beverly Hills Weekly* newspaper, in addition to a posting on the District's website. Per Education Code 17406 (2)(B), “The school district shall give notice of the request for sealed proposals in the manner of notice provided in Section 20112 of the Public Contract Code and in a trade paper of general circulation published in the county where the project is located, with the latest notice published at least 10 days before the date for receipt of the proposals.” The District did not provide supporting documentation that the RFQ was advertised in a trade paper of general circulation in Los Angeles County. Based on inquiry, the District specified that advertisements within the Beverly Hills weekly newspaper are picked up in County publications as well. However, documentation to validate this was not available.

Improvement Recommendation: The District should ensure advertisement is performed for each RFQ consistent with best practices and Per Education Code 17406 (2)(B).



Observation 9F

The District's policies and procedures for change order work do not address California PCC limitations. **The District has taken steps to address the Bidding and Procurement Procedures Recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 9h). As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018,** which appeared to address change order limitations. California Public Contract Code Section 20118.4 specifies limitations to changes of work without the formality of securing bids. The District's Measure E Bond Program Policy and Procedures (Revision 2, dated 5/11/15) does not address or establish control procedures for change orders in excess of the limitation established by PCC. Absent a Board-approved policy, we were unable to validate that the change order was compliant with Board expectations.

Improvement Recommendation: As a best practice, the District should establish policies and procedures to address PCC Section 20118.4 change order limitations.

Observation 9G

The District has written policies and procedures that conflict with Board resolution authority. **The District has taken steps to address the Bidding and Procurement Procedures Recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 9i). As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018,** which appeared to resolve this conflict. Per Measure E Bond Program Policy and Procedures (Revision 2, dated 5/11/15), Section 1.10 Delegation of Authority, "the Superintendent and the Chief Administrative Officer have been delegated authority to approve amended contracts based on change in scope and/or change orders (not to exceed 10% of contract) up to the amount not to exceed \$15,000 with ratification approval by the Board of Education to follow at the next regular board meeting. (Source: Resolution 2012-2013-016, Exhibit J)." However, Board Resolution No. 2015-2016-040 dated May 20, 2016 states the Superintendent has the authority to negotiate, execute, and deliver construction change orders and amendments to consultant agreements under 3.5 percent of the original contract price.

Improvement Recommendation: As a best practice, the District should update policy and procedures to be consistent with current authorities and intended controls.

J. OBJECTIVE NO. 10 – PROCUREMENT FRAUD PREVENTION AND DETECTION CONTROLS

Observation 10

Formal policies and procedures and monitoring controls to prevent and detect procurement fraud were being documented and implemented during our audit period. **The District has taken steps to address the Procurement Fraud Prevention and Detection Recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 10). As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018,** which appeared to



include fraud prevention and detection policies. The manual contains a Statement of Ethical Values, description of procurement fraud, and provisions for maintaining a Consolidated Procurement Activity Report. Since this was subsequent to our audit period, a thorough evaluation was not performed; however, the District should verify the plan contains:

- Reporting protocols, training, and escalation procedures specific to prevent and detect fraud.
- Segregation of duties controls designed and implemented to prevent unauthorized obligations and payments (See Observation 4B for additional information).
- Monitoring controls and reporting to identify and address significant procurement anomalies.

The GFOA's article, "Encouraging and Facilitating the Reporting of Fraud and Questionable Accounting and Auditing Practices," states, as a best practice, that every government establish policies and procedures to encourage and facilitate the reporting of fraud or abuse and questionable accounting practices. Since the formalized procurement fraud policies and procedures including the reporting protocols, training, escalation procedures, and monitoring controls, were being documented and implemented at the end of our audit period, it is unclear whether the District has adequate controls in place to identify, prevent, and detect procurement fraud.

Improvement Recommendation: The District should continue with the documentation and implementation of policies and procedures regarding procurement fraud to assist in identifying, preventing, and detecting procurement fraud. The policies should include reporting protocols, training requirements, and escalation procedures specific to procurement fraud. This resulting documentation can also serve as a useful training tool for staff. As a best practice, the District should maintain a consolidated bid and procurement activity report that will help District senior management identify, prevent, or detect fraud and/or non-compliance with District policies and procedures, state laws, and regulations. Supporting documentation for this consolidated report should be readily available in a central location, either physically or electronically. Additionally, per the GFOA, potential instances of fraud or abuse and questionable accounting practices come to the attention of responsible parties thanks to employees or citizens who become aware of such practices. The GFOA provides the following relevant recommendations:

- Formally approve and widely distribute and publicize an ethics policy that can serve as a practical basis for identifying potential instances of fraud or abuse and questionable accounting practices.
- Establish practical mechanisms (e.g., a hotline) to permit the confidential, anonymous reporting of concerns about fraud or abuse and questionable accounting practices to the appropriate responsible parties.
- Make internal auditors (or their equivalent) responsible for the mechanisms used to report instances of potential fraud or abuse and questionable accounting practices. Emphasize that they should take whatever steps are necessary to satisfy themselves that a given complaint is without merit before disposing of it. Further, they also should document the disposition of each complaint received so it can be reviewed by the audit committee.
- Have the audit committee, as part of its evaluation of the government's internal control framework, examine the documentation of how complaints were handled to satisfy itself that the mechanisms for reporting instances of potential fraud or abuse, and questionable accounting or auditing practices are in place and working satisfactorily.



K. OBJECTIVE NO. 11 – CLAIM AVOIDANCE PROCEDURES

Observation 11

The District has a claims avoidance policy; however, it does not have regular reporting or documentation available to identify actions taken to identify or limit claim exposure. **The District has taken steps to address the Claims Avoidance and Control Procedures recommendation provided in the prior year’s report (Moss Adams 2017 Report Objective No. 11); however, formal proactive claims avoidance reporting was not available for us to validate whether our recommendation was implemented.** We evaluated and reviewed the procedures used to limit the number of claims filed against the District related to construction projects for the period. The District was in the process of updating the policies and procedures surrounding the claims avoidance at the end of our audit period. Interviews with TCDS, the bond management firm, and review of the updated procedures revealed they are using an approach involving proactive management, anticipation of issues and budgeting, and requiring the use of Procore construction management software to manage the potential issues. TCDS also requires the Architect and Inspector of Record to be on site multiple days per week as well as holding Facility Subcommittee meetings on a weekly basis to help ensure all potential change issues are dealt with in a timely manner and not permitted to escalate. Based on inquiry, the District established a Citizens Construction Advisory Committee (CCAC) whose responsibilities include the review of PCO/Issues Log, RFI, schedules, cash flow, Schedules of Values, and Claims. However, documentation was not available from these meetings to evidence reporting and proactive actions taken to mitigate the risk of claims. Construction-related claims have many causes and often arise as a result of unresolved change orders, differing site conditions, or disruptions, delays, acceleration, and other time-related issues that require timely monitoring, planning, and effective actions in place to avoid claims.

Improvement Recommendation: The Construction and Facilities Department should utilize an accounting report with narrative sections to address in detail potential differences with the contractor, such as responsibility for performing specific work on a periodic basis. Particular care should be taken to record and preserve all possible data and/or evidence with respect to any matter that may become a basis for a contractor claim. As there may be many root causes for claims, the claims avoidance policy should include a detailed process that the District follows to identify the areas of exposure that may lead to a claim and steps to be taken to prevent claims such as document control requirements, identification of appropriate communication channels, and proactive cost, schedule, and quality control procedures to avoid claims where possible.

L. OBJECTIVE NO. 12 – MAINTENANCE AND WARRANTY OF MEASURE E ASSETS

Observation 12

The District did not maintain a consolidated warranty and preventive maintenance log for all assets incorporated into school site construction, and the District was unable to provide complete and accurate reporting for items under warranty. The District had limited controls, or documentation, surrounding the required maintenance of its assets and no formal system of logging this information for inventory purposes for the period under review. Criteria had not been established to determine which assets have warranty conditions and which do not, impacting the District’s ability to evidence



consistent satisfaction of warranty requirements. **The District has taken steps to address Maintenance and Warranty of Measure E Assets Recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 12). As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018.**

During the site walk, the Executive Bond Program Manager explained that implementation of multimedia systems able to consistently photograph a site is underway to assist future issues. This system will also be able to capture the training sessions and operations manuals for installed equipment that assists with maintenance in the future. Based on inquiry with the District, the system is now being utilized and Executive Director of Construction and Facilities was hired in March 2019 with responsibility for coordinating efforts to resolve this objective

Improvement Recommendation: As a best practice, the District should ensure compliance with all warranty conditions to sustain a level of protection against breach of warranty and proper maintenance of District facilities in accordance with warranty conditions. A consolidated summary project closeout report with warranty and preventive maintenance log details, which includes major assets, applicable items under warranty, dates of installation, required periodic maintenance, and actual maintenance conducted should be maintained for all school sites and reported to stakeholders on a regular basis.

M. OBJECTIVE NO. 13 – REVIEW OF PRIOR YEAR AUDIT AND OPEN AUDIT LOG

Observation 13

We reviewed the prior year's performance findings and recommendations within the Measure E FY 2017-18 audit. We interviewed District and Bond Program personnel and reviewed relevant documentation to determine the status of improvement opportunities identified in previous audits. Through inquiry and review of documents, we confirmed that of the 20 observations from the prior year, eight have been closed, the District has taken steps to address and additional 11, and the final one is an ongoing observation regarding legal fees discussed below. In addition, we have identified an additional five observations for improvement opportunities. Based on the Measure E FY 2017-18 audit, five additional improvement opportunities were identified. Management responses from the Chief Administrative Officer and District Facility Staff are reported below for each open recommendation.



Source	Category	Observation	Recommendation	BHUSD Responses		Status of Resolution
				Management Response	Planned Resolution Date	
Objective 3 (Objective 3c from Moss Adams 2017 Report)	Compliance with the Ballot Language	We identified Los Angeles County Metropolitan Transportation Authority (MTA) and Federal Transit Administration (FTA) legal fees charged to the Bond program where it is unclear whether the scope of work performed was allowable per ballot language.	The District should continue to require itemization of legal expenditures related to the MTA Subway Extension and ensure that the District's position is defensible.	N/A	FY 18/19	Open – Ongoing
Objective 3a (Observation No 3a from Moss Adams 2017 Report)	Compliance with the Ballot Language	The allowability of the Chief Facilities Officer's contract buyout appeared to be a potential exception.	The District should consult with its legal counsel to determine if costs incurred for severance pay are allowable under the terms of Opinion 04-110 and the Bond measure language. Results of this consultation should be reported to the appropriate personnel (i.e., relevant District management, the Board, and CBOC) to ensure transparency and remediation, as necessary.	Closed – No instances observed in the current period under review.	Closed	Closed
Observation 4A (Observation 4a from Moss Adams 2017 Report and <i>Objective No. 4b from Moss Adams 2016 Report</i>)	Expenditure and Payment Procedures	The District has taken steps to address the Recommendation provided in the prior year's report; however, 23 of 61 (38 percent) sampled expenditures did not meet the contractual agreements for payment terms. For example, time stamps or other means of documentation were not available for three of the sampled invoices to validate when the District received the invoice. Without a date of receipt within invoice documentation, we were unable to validate compliance with District policies and procedures and/or contractual obligations, since it was unclear when the District received the invoice.	The District should continue to time/date stamp all invoices when received and evaluate the invoice payment processing procedures to ensure compliance with District policies and procedures and contractual obligations.	Most of the invoices that were not paid within 30 days or pay applications not paid within 45 days are evidence of a robust approval process that asks for clarification and/or additional backup. In other cases, the invoice is the first one submitted by the vendor for which a purchase order must be created. The District hired a Director of Purchasing in January, 2019, who will review Business Office procedures and timelines.	FY 18/19	Open – The District has taken steps to address this Observation.
Observation 4B	Expenditure and Payment Procedures	The District has made improvements in its payment procedures; however, they lacked adequate documentation in eight instances to validate compliance with District policies for payment approvals. Eight samples did not include complete approvals, three of the eight samples lacked a second approval signature and dates, and five of the eight samples lacked the	The District should completely sign and date all invoice approvals and evaluate the invoice approval process to ensure compliance with District policies and procedures.	Agree	FY 18/19	Open – New observation and recommendation



Source	Category	Observation	Recommendation	BHUSD Responses		Status of Resolution
				Management Response	Planned Resolution Date	
		approval date for the second approval				
Objective 4b (Observation 4b from Moss Adams 2017 Report)	Expenditure and Payment Procedures	The District approved a construction pay application without sign-off from the architect.	The District should review and update the controls surrounding payment application invoice processing to ensure all appropriate sign-offs are obtained to validate work performed, prior to payment processing.	Closed – No instances observed in the current period under review.	Closed	Closed
Observation 5 (Observation No 3b from Moss Adams 2017 Report and Objective No. 5 from Moss Adams 2016 Report)	Salaries of District Employee for the Bond Program	Certain labor charges totaling \$158,034.25 were allocated between the Bond Program and other District activities without direct cost identification to the Bond Program. The basis for allocation was identified as an estimated 50 percent allocation for the security guard in the amount of \$26,535.34 and a 50 percent allocation for IT personnel in the amount of \$131,498.91. Timesheets or other means of directly identifying labor costs to the Bond Program for these security guard and IT expenditures were not evident.	The District should implement processes and controls to support and validate the applicability and accuracy of labor charged to the Bond Program. Specifically, a time tracking system should be implemented for those employees not fully dedicated to the Bond Program, so all costs incurred are identifiable and have a beneficial relationship to the Bond Program and cost objectives. This time tracking should also be implemented for IT personnel to clearly identify when their costs should be included in Measure E expenditures and when they should be included in General Expense.	The District will continue to require timesheets for personnel not 100% allocated to the Bond Program.	FY 18/19	Open – The District has taken steps to address this Observation.
Objective 6 (Objective No. 6 from Moss Adams 2016 Report)	Compliance with State Laws, District Policies, and Other Regulations	Policies and procedures were not consolidated and formalized through June 30, 2018, and the process for updating manuals was not documented. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018.	Continue the process of updating the Construction and Facilities Policies and Procedures Manual as it was adopted. The GFOA recommends, within their article “Documenting Accounting Policies and Procedures” that the documentation of accounting policies and procedures should be evaluated annually and updated periodically, no less than once every three years. Any changes in policies and procedures should be updated in the documentation promptly as they occur and a specific employee should be assigned the duty of overseeing this process. The resulting documentation can also serve as a useful training tool for staff.	Policies and Procedures have been consolidated with the adoption of the Policies and Procedures Manual October 9, 2018.	FY 18/19	Open – The District has taken steps to address this Observation.
Objective 7 (Objective No. 7 from Moss Adams 2016 Report)	District and Professional Services Staffing Plan for the Bond Program	The District did not have well-defined policies and procedures surrounding in-house and consultant staffing for the Bond Program. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed and it	The District should develop and implement a Staffing Plan for both the District and consultants to correlate Bond Program projects to Bond Program staffing needs. The new Construction Management team’s organization chart, or equivalent reporting, should be updated based on current Bond Program activity by project so District Management can validate adequate staffing levels and identify staffing needs (see Recommendation No. 9C). The	The District will consider this recommendation.	FY 18/19	Open – The District has taken steps to address this Observation.



Source	Category	Observation	Recommendation	BHUSD Responses		Status of Resolution
				Management Response	Planned Resolution Date	
		was subsequently approved by the Board on October 9, 2018.	District should also consider having more District representation and less consultant representation.			
Objective 8 (Objective No. 8 from Moss Adams 2017 and Moss Adams 2016 Report)	Design and Construction Costs Budget Management	Monthly program reporting to key stakeholders did not include change order, schedule, or budget to forecast information as recommended by the Government Finance Officers Association (GFOA) and the San Diego Taxpayers Association (SDCTA).	<p>Both the SDCTA and GFOA recommends budget-to-actual comparisons of revenues, expenditures, cash flow, and fund balances be periodically reported. BOE-approved master plan budgets and current forecasts at the program and project level should be available with consideration of the amounts available. Detailed budget-level information for current bond issuances allows the District to monitor budgetary performance against committed contract values and can serve as an early warning indicator for potential problems. This information provides decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. Both the SDCTA and GFOA comments that this information is essential input for demonstrating accountability and transparency. Additionally, cash flow reporting should include revenues, cash, and expenditures by timeframe to document that sufficient funding is available to meet financial requirements for Measure E. This documentation will also serve as a useful tool for District management and stakeholders to understand the timing of project schedules.</p> <p>Change order reporting should include information such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals, and totals for easy end-user reference. Change order documentation should be available at the project and program level with both detailed and summary level information available. Summary and detailed change reporting is necessary to understand change order cause, responsibility, pricing, and compliance and to identify potential duplicated work scopes and/or redundancies caused by unclear scope objectives and/or expectations within the master plan.</p>	The District continues to work with the Citizens Oversight Committee to provide the Committee with the tools it needs for oversight of the Bond Program pursuant to Committee Bylaws. Detailed change order information is provided to the Board of Education and is available to the public in the Board agenda.	FY 18/19	Open – The District has taken steps to address this Observation.
Objective 9A (Objective No. 9a from Moss Adams 2017 and Moss Adams 2016 Report)	Bidding and Procurement Procedures	The District did not provide competitive solicitation documentation for two professional service contractors.	As a best practice, the District should select professional service firms through competitive solicitation process. Additionally, as specified in Objective 10, as a best practice, the District should maintain a consolidated bid and procurement activity report that will allow District Senior Management to identify, prevent, or detect noncompliance with District policies and procedures, state laws, and regulations. Supporting	Resolved with the adoption of the Policies and Procedures manual October 9, 2018.	FY 18/19	Open – The District has taken steps to address this Observation.



Source	Category	Observation	Recommendation	BHUSD Responses		Status of Resolution
				Management Response	Planned Resolution Date	
			documentation for this consolidated report should be readily available in a central location, either physically or electronically. A checklist or equivalent mechanism, with appropriate sign-offs on procurement requirements, can serve as a good tool for all relevant parties (Accounting, as well as Planning, Construction, and Procurement) to validate compliance with policy and procedure requirements.			
Objective 9B	Bidding and Procurement Procedures	The District did not provide documentation that a Contractor selection was based on the definition of "best value" as defined by the Education Code.	The District should ensure procurement practices are compliant and update procurement policies and procedures surrounding preconstruction and construction lease-lease back contracts in agreement with Education Code 17406 and best practices. Consistent with the Education code and best practices, best value criteria should include both price and qualifications for the scope of services needed.	The District made the decision to select the contractor whose team was most competent to negotiate contingency amounts for potential change orders and unforeseen conditions on a deteriorating historic structure with unusual site conditions. The District oversees every aspect of the construction through open book accounting and controlling all documentation related to the project.	FY 18/19	Open – New observation and recommendation
Objective 9C	Bidding and Procurement Procedures	The District does not have Board approved budgets for all of its professional service providers.	As a best practice, the District should define budgets for all of their professional service providers to ensure adequate oversight and control over the expenditures of the Bond Program. Program reporting should be updated accordingly to promote accountability and transparency (see Recommendation No. 8). Furthermore, the District should consider requiring an annual staffing plan for vendors such as these to be utilized as the basis for annual budgets (See Recommendation No. 3).	The District will consider this recommendation.	FY 18/19	Open – New observation and recommendation
Objective 9D	Bidding and Procurement Procedures	The District did not provide documentation to demonstrate it maintained oversight of the procurement process in one instance. Based on inquiry with the District, TCDS presented its recommendation to the Facilities Subcommittee, which was then approved by appropriate District personnel; however, documentation was not provided to validate this.	As a best practice, the District should actively participate in the preliminary stages of the procurement process, such as having a District officer or employee on the evaluation committee, as well as providing the final approval. Additionally, any powers or responsibilities the District chooses to delegate, should be to an officer or employee of the District and not to a consultant, unless with adequate District oversight and monitoring controls.	The District created and filled two new positions in 2018-19, Director of Purchasing and Executive Director of Construction and Facilities. Either one or both of these employees will be involved in the procurement process.	FY 18/19	Open – New observation and recommendation
Objective 9E	Bidding and Procurement Procedures	The District did not provide documentation that it advertised the RFQ for the Beverly Hills High School Modernization in Los Angeles County trade paper	The District should ensure advertisement is performed for each RFQ consistent with best practices and Per Education Code 17406 (2)(B).	Agree	FY 18/19	Open – New observation and recommendation



Source	Category	Observation	Recommendation	BHUSD Responses		Status of Resolution
				Management Response	Planned Resolution Date	
		publications in addition to Beverly Hills Newspaper as required by Education Code. The District provided documentation demonstrating that an advertisement for the preconstruction and lease-leaseback construction services for the Beverly Hills High School Modernization of Buildings B1 and B2 ran for two weeks in the Beverly Hills Weekly newspaper, in addition to a posting on the District's website. The District did not provide supporting documentation that the RFQ was advertised in a trade paper of general circulation in Los Angeles County.				
Objective 9F (Objective 9h from Moss Adams 2017 Report)	Bidding and Procurement Procedures	The District's policies and procedures for change order work do not address California PCC limitations. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the on October 9, 2018, which appeared to address change order limitations.	As a best practice, the District should establish policies and procedures to address PCC Section 20118.4 change order limitations.	Change order limitations are addressed in the Policies and Procedures Manual on October 9, 2018.	FY 18/19	Open – The District has taken steps to address this Observation.
Objective 9G (Objective 9i from Moss Adams 2017 Report)	Bidding and Procurement Procedures	The District has written policies and procedures that conflict with Board resolution authority. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board of Education on October 9, 2018, which appeared to resolve this conflict.	As a best practice, the District should update policy and procedures to be consistent with current authorities and intended controls.	This conflict was resolved with the adoption of the Policies and Procedures Manual on October 9, 2018.	FY 18/19	Open – The District has taken steps to address this Observation.
Objective 9b (Objective No. 9b from Moss Adams 2017 Report)	Bidding and Procurement Procedures	The District was unable to validate a bid summary with adequate proposal documentation for one IT public works project.	The District should ensure that adequate documentation, as evidence of a competitive solicitation and procurement process is maintained to comply with District policies and procedures and/or PCC, CUPCCAA, and other laws and regulations. Detailed processes and procedures for IT public works procurement should be added to the comprehensive Bond Program policies and	Closed – No instances observed in the current period under review.	Closed	Closed



Source	Category	Observation	Recommendation	BHUSD Responses		Status of Resolution
				Management Response	Planned Resolution Date	
			procedures manual for transparency and accountability and approved by the Board.			
Objective 9c (Objective No. 9c from Moss Adams 2017 Report)	Bidding and Procurement Procedures	The District entered into multiple vendor agreements utilizing JPA through the use of CMAS and "piggyback" contracts without approved policy and procedures identifying acceptable procurement processes.	As a best practice, the District should establish and obtain Board approval for policies and procedures regarding procurement utilizing "piggyback" contracts (JPA) including the retention of all documentation utilized in compliance with PCC Section 20118. District policies and procedures should consider minimum documentation requirements for Board approval and dollar limitations for such contracts to better protect the District from risk due to solidified contract terms or changes in market environment.	Closed – No instances observed in the current period under review.	Closed	Closed
Objective 9d (Objective No. 9d from Moss Adams 2017 Report)	Bidding and Procurement Procedures	The District did not select the lowest responsible bidder for a formally bid public works project. The District advertised for installation of a new artificial turf field at Beverly Vista School.	The District should comply with District policies and procedures for contract administration to ensure competitive pricing for the Bond Program.	Closed – No instances observed in the current period under review.	Closed	Closed
Objective 9e (Objective No. 9e from Moss Adams 2017 Report)	Bidding and Procurement Procedures	The District was unable to substantiate compliance with the Informal Bidding Requirements Policy for procurement of Public Work projects between \$45,000 and \$175,000 in contract value.	The District should comply with District Informal Bidding Requirements Policies to ensure competitive pricing for the Bond Program. Additionally, as specified in Objective 10, as a best practice, the District should maintain a consolidated bid and procurement activity report that will allow District Senior Management to identify, prevent, or detect noncompliance with District policies and procedures, state laws, and regulations. Supporting documentation to this consolidated report should be readily available in a central location, either physically or electronically. A checklist or equivalent mechanism, with appropriate sign-offs on procurement requirements, can serve as a good tool for all relevant parties (Accounting, as well as Planning, Construction, and Procurement) to validate compliance with policy and procedure requirements.	Closed – No instances observed in the current period under review.	Closed	Closed
Objective 9f (Objective 9f from Moss Adams 2017 Report)	Bidding and Procurement Procedures	The District was unable to demonstrate prior Board approval for a \$33,228 amendment with professional service provider Knowland Construction resulting in noncompliance with policies and procedures.	The District should implement processes and controls needed to comply with established Board approval change order policies and procedures for both public works and professional service agreements.	Closed – No instances observed in the current period under review.	Closed	Closed



Source	Category	Observation	Recommendation	BHUSD Responses		Status of Resolution
				Management Response	Planned Resolution Date	
Objective 9g (Objective 9g from Moss Adams 2017 Report)	Bidding and Procurement Procedures	The District contracted with two separate contractors for the same scope of work.	The District should implement procedures and controls to prevent duplicate procurement scopes of work.	Closed – No instances observed in the current period under review.	Closed	Closed
Observation 10 (Observation 10 from Moss Adams 2017 Report and Objective No. 10 from Moss Adams 2016 Report)	Procurement Fraud Prevention and Detection Controls	Formal policies and procedures and monitoring controls to prevent and detect procurement fraud were being documented and implemented during our audit period. As of the end of our audit period, the Construction and Facilities Policies and Procedures Manual was in the process of being developed, and it was approved by the Board on October 9, 2018 which appeared to include fraud prevention and detection policies,	<p>The District should continue with the documentation and implementation of policies and procedures regarding procurement fraud to assist in identifying, preventing, and detecting procurement fraud. The policies should include reporting protocols, training requirements, and escalation procedures specific to procurement fraud. This resulting documentation can also serve as a useful training tool for staff. As a best practice, the District should maintain a consolidated bid and procurement activity report that will help District senior management identify, prevent, or detect fraud and/or noncompliance with District policies and procedures, state laws, and regulations. Supporting documentation for this consolidated report should be readily available in a central location, either physically or electronically. Additionally, per the GFOA, potential instances of fraud or abuse and questionable accounting practices come to the attention of responsible parties thanks to employees or citizens who become aware of such practices. The GFOA provides the following relevant recommendations:</p> <ul style="list-style-type: none"> Formally approve and widely distribute and publicize an ethics policy that can serve as a practical basis for identifying potential instances of fraud or abuse and questionable accounting practices. Establish practical mechanisms (e.g., a hotline) to permit the confidential, anonymous reporting of concerns about fraud or abuse and questionable accounting practices to the appropriate responsible parties. Make internal auditors (or their equivalent) responsible for the mechanisms used to report instances of potential fraud or abuse and questionable accounting practices. Emphasize that they should take whatever steps are necessary to satisfy themselves that a given complaint is without merit before disposing of it. Further, they also should document the disposition of each complaint received so it can be reviewed by the audit committee. Have the audit committee, as part of its evaluation of the government's internal control 	The District will consider these recommendations.	FY 18/19	Open – The District has taken steps to address this Observation.



Source	Category	Observation	Recommendation	BHUSD Responses		Status of Resolution
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			framework, examine the documentation of how complaints were handled to satisfy itself that the mechanisms for reporting instances of potential fraud or abuse, and questionable accounting or auditing practices are in place and working satisfactorily.			
Objective 11 (Objective No. 11 from Moss Adams 2016 Report)	Claim Avoidance Procedures	The District has a claims avoidance policy; however, it does not have regular reporting or documentation available to identify actions taken to identify or limit claim exposure. Based on inquiry, the District established a Citizens Construction Advisory Committee (CCAC) whose responsibilities include the review of PCO/Issues Log, RFI, schedules, cash flow, Schedules of Values, and Claims. However, no documentation was available from these meetings to evidence reporting and proactive actions taken to mitigate the risk of claims.	The Construction and Facilities Department should utilize an accounting report with narrative sections to address in detail potential differences with the contractor, such as responsibility for performing specific work on a periodic basis. Particular care should be taken to record and preserve all possible data and/or evidence with respect to any matter that may become a basis for a contractor claim. As there may be many root causes for claims, the claims avoidance policy should include a detailed process that the District follows to identify the areas of exposure that may lead to a claim and steps to be taken to prevent claims such as document control requirements, identification of appropriate communication channels, and proactive cost, schedule, and quality control procedures to avoid claims where possible.	The District will consider these recommendations.	FY 18/19	Open – The District has taken steps to address this Observation.
Objective 12 (Objective No. 12 from Moss Adams 2016 Report)	Maintenance and Warranty of Measure E Assets	The District did not maintain a consolidated warranty and preventive maintenance log for all assets incorporated into school site construction and, the District was unable to provide complete and accurate reporting for items under warranty. Based on inquiry with the District, an Executive Director of Construction and Facilities was hired in March 2019 with responsibility for coordinating efforts to resolve this objective.	As a best practice, the District should ensure compliance with all warranty conditions to sustain a level of protection against breach of warranty and proper maintenance of District facilities in accordance with warranty conditions. A consolidated summary project closeout report with warranty and preventive maintenance log details, which includes major assets, applicable items under warranty, dates of installation, required periodic maintenance, and actual maintenance conducted should be maintained for all school sites and reported to stakeholders on a regular basis.	The District hired an Executive Director of Construction and Facilities in March 2019 who will have the responsibility to coordinate efforts to resolve this observation.	FY 18/19	Open – The District has taken steps to address this Observation



N. OBJECTIVE NO. 14 – JOB-SITE VISITS

Observation 14 (No Exception)

We visited the Beverly Hills High School Building 1 and Building 2 selected site to determine the authenticity of projects in progress and/or project completion on January 16, 2019, and reviewed the field methods used to validate the completion and billable amounts for the payment application. This project is a GMAX project and the payment applications are initially reviewed in meetings with the Contractor and the Inspector of Record, who is on site multiple days per week. The Assistant Project Manager also typically attends these meetings. The payment application is updated based on this meeting, and another meeting is held with the Contractor, Assistant Project Manager, the Chief Operating Officer of TCDS and the payment application is updated once again based on the results of this meeting. At the conclusion of this meeting, the final values to appear in the payment application are agreed upon.

O. OBJECTIVE NO. 15 – RECOMMENDATIONS RECAP

Observation 15

We will provide the District with a recap of all recommendations in an Excel spreadsheet for the District's review at the completion of the audit.



IV. REPORTING VIEWS OF RESPONSIBLE OFFICIALS

The District provided responses in matrix format and can be found in Observation 13.



APPENDIX A – INTERVIEWS PERFORMED

The following key BHUSD personnel were interviewed:

- Assistant Superintendent for Business Services
- Director of Fiscal Services
- Facilities Administrative Assistant
- Citizen Oversight Committee Members
- Team Concept Development Services (Consultants)
 - Sr. Executive Bond Program Manager
 - Executive Bond Program Manager
 - Program Accountant



APPENDIX B – OBSERVATION 4A

The District has taken steps to address the Recommendation provided in the prior year’s report; however, 23 of 61 (38 percent) sampled expenditures did not meet the contractual agreements for payment terms. For example, time stamps or other means of documentation were not available for three of the sampled invoices to validate when the District received the invoice. Without a date of receipt within invoice documentation, we were unable to validate compliance with District policies and procedures and/or contractual obligations, since it was unclear when the District received the invoice. The following table shows the samples that were paid more than 30 days after receiving an invoice.

Journal ID	Transaction Reference	Vendor Name	Journal Date	Amount (\$)	Invoice Date	Received Stamp Date	Check Date	Days Between Invoice/ Stamp Date and Check Date
JE080AV		Rentals, Leases and Repairs	6/30/2018	\$45,786.24	1/4/2018	3/23/2018	7/19/2018	118
APA1530251	15011U	DLR GROUP, INC.	5/30/2018	\$320,490.00	3/12/2018	3/22/2018	6/14/2018	84
APA0919697	14143U	CDW GOVERNMENT INC	12/27/2017	\$ 25,603.29	10/31/2017	11/6/2017	1/19/2018	74
APA1227318	4820U-21	DLR GROUP, INC.	5/29/2018	\$60,520.80	3/12/2018	3/22/2018	5/31/2018	70
APA0919697	13562U-1	APPLE COMPUTERS, INC.	12/27/2017	\$372,788.50	6/15/2017	11/1/2017	1/4/2018	64
APA0834057	11780U-1	KING RELOCATION SERVICES	9/14/2017	\$1,750.00	7/17/2017	7/26/2017	9/21/2017	57
APA1424142	15011U1	DLR GROUP, INC.	6/6/2018	\$1,209,085.83	4/13/2018	4/17/2018	6/12/2018	56
APA0842481	13234U-1	CDW GOVERNMENT INC	9/26/2017	\$438,944.70	7/28/2017	8/8/2017	10/2/2017	55



Journal ID	Transaction Reference	Vendor Name	Journal Date	Amount (\$)	Invoice Date	Received Stamp Date	Check Date	Days Between Invoice/ Stamp Date and Check Date
APA0829359	4820U-2	DLR GROUP, INC.	9/13/2017	\$193,290.00	7/11/2017	7/26/2017	9/18/2017	54
APA0855971	36638-3	ATKINSON, ANDELSON, LOYA, RUUD & ROMO	9/28/2017	\$99,750.14	7/31/2017	8/21/2017	10/12/2017	52
JE130AV		SEW-UP INSURANCE	6/30/2018	\$187,535.00	7/3/2018	No Stamp	8/3/2018	31
APA1094735	10937U-9	2H CONSTRUCTION, INC.	5/17/2018	\$212,271.08	3/29/2018	4/3/2018	5/21/2018	48
APA0845651	13674U-2	PROWEST CONSTRUCTORS	9/26/2017	\$129,700.76	7/31/2017	8/17/2017	10/3/2017	47
APA0953845	4820U-14	DLR GROUP, INC.	2/7/2018	\$69,790.00	12/13/2017	12/28/2017	2/13/2018	47
APA0884729	15013U	WLC ARCHITECTS	11/3/2017	\$21,000.00	9/18/2017	9/25/2017	11/9/2017	45
APA0879969	7310U-1	DLR GROUP, INC.	10/27/2017	\$18,782.47	9/11/2017	9/27/2017	11/6/2017	40
APA1054689	14804U	QUALITY FENCE CO., INC.	4/24/2018	41,990.00	3/30/2018	4/2/2018	5/10/2018	38
APA1013281	14626U	DELL MARKETING L.P.	4/23/2018	\$81,308.23	3/16/2018	3/19/2018	4/25/2018	37
APA0917505	13766U-1	KASOWITZ BENSON TORRES LLP	12/14/2017	\$659,702.17	10/31/2017	No Stamp	12/21/2017	51



Journal ID	Transaction Reference	Vendor Name	Journal Date	Amount (\$)	Invoice Date	Received Stamp Date	Check Date	Days Between Invoice/ Stamp Date and Check Date
APA1227318	14909U-3	CDW GOVERNMENT INC	5/29/2018	\$92,523.12	5/1/2018	5/4/2018	6/8/2018	35
APA0765481	13318U1	DIVISION OF STATE ARCHITECT	7/20/2017	\$128,778.54	6/13/2017	6/29/2017	8/1/2017	33
APA0963327	13980U	BKF ENGINEERS	2/22/2018	\$9,800.00	1/31/2018	1/25/2018	2/26/2018	32
APA1746124	37807-1	MIKE BROWN GRANDSTANDS, INC	6/25/2018	\$26,325.00	5/29/2018	No Stamp	7/3/2018	35



APPENDIX C – OBSERVATION 4B

The District has made improvements in its payment procedures; however, they lacked adequate documentation in eight instances to validate compliance with District policies for payment approvals. Eight samples did not include complete approvals, three of the eight samples lacked a second approval signature and dates, and five of the eight samples lacked the approval date for the second approval. The following table shows the incomplete approvals.

Journal Id	Transaction Reference	Vendor Name	Invoice Date	Amount (\$)	Authorized Signor #1	Authorized Signer #1 Date Signed	Authorized Signor #2	Authorized Signor #2 Date Signed
JE130AV		Sew-Up Insurance	7/3/2018	\$187,535.00	Yes	Not Complete	Not Complete	Not Complete
APA0976355	14115U-11	TCDS	2/23/2018	\$71,063.74	Yes	Not Complete	Yes	Not Complete
APA0936166	14000U	Tangram	12/21/2017	\$66,179.13	Yes	Yes	Yes	Not Complete
APA0925466	14115U-7	TCDS	12/15/2017	\$57,428.96	Yes	Not Complete	Not Complete	Not Complete
APA0935105	14115U-8	TCDS	12/15/2017	\$49,277.72	Yes	Not Complete	Yes	Not Complete
JE080AV		Rentals, Leases and Repairs	1/4/2018	\$45,786.24	Yes	Not Complete	Yes	Not Complete
APA1746124	37807-1	Mike Brown Grandstands, Inc	5/29/2018	\$26,325.00	Yes	Not Complete	Not Complete	Not Complete
APA0976355	14695U	Department of Toxic Substance	2/1/2018	\$8,980.33	Yes	Yes	Yes	Not Complete

