



FINAL REPORT

Beverly Hills Unified School District
MEASURE BH CONSTRUCTION BOND FUND PERFORMANCE AUDIT
REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

March 25, 2020

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MOSSADAMS

March 25, 2020

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

Subject: 2018 Measure BH Construction Bond Fund Performance Audit Report for the Fiscal Year (FY) Ended June 30, 2019

Dear Board Members:

This report presents the results of our performance audit of the Beverly Hills Unified School District's (BHUSD or the District) 2018 Measure BH 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.

Performance audit procedures covered the period from July 1, 2018 through June 30, 2019. 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, 2019, bond proceeds were used only for Listed Projects under the 2018 Measure BH Construction Bond.



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 2018, Beverly Hills County voters approved Measure BH Construction Bond (Bond Program) for \$385 million to provide improvements to Beverly Hills Unified School District (BHUSD or the District) facilities. The 2018 Measure BH Construction Bond funds were intended for local school repair and upgrade projects; school safety, security, and health wellness projects; District-wide instructional technology and infrastructure projects to standardize learning spaces for twenty-first century skills; and specific school site projects. BHUSD has passed multiple Bond Programs and is in its ninth year of implementation, with Measure BH as the most recent addition.

Measure BH Construction Bond accounting records for fiscal year (FY) 2019 showed expenditures of \$1,349,977. This is the first reporting for the Bond Program.

B. CALIFORNIA STATE REQUIREMENTS

A Construction Bond Program performance audit is required for BHUSD 2018 Measure BH 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 Program. The District enacted the 2018 Measure BH Construction Bond funds under Proposition 39 and, as such, is required to expend the Bond Program's funds only on Listed Projects, and not for school operating expenses. The Measure E Bond Program reported \$1,349,977 in FY 2019.

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, 2018 through June 30, 2019.

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 Generally Accepted Government Auditing Standards (GAGAS) issued by the Controller General of the United States.

2. Attend Entrance and Exit Meetings

We attended entrance meetings with both the District and Citizens' Bond Oversight Committee (CBOC) 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) CBOC meeting.



3. Compliance with Ballot Language

We reviewed the Bond Program's financial records and expenditures for FY 2019 to verify that funds were used for approved Bond Program purposes as set forth in the ballot language, Bond Program 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 tested seventeen expenditures totaling \$1,349,977, or 100% 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



III. AUDIT RESULTS

A. OBJECTIVE NO. 1 – CONDUCT A PERFORMANCE AUDIT (NO EXCEPTION)

We conducted the audit in accordance the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. No exception taken.

B. OBJECTIVE NO. 2 – ATTEND ENTRANCE AND EXIT MEETINGS (NO EXCEPTION)

We attended entrance meetings with both the District and CBOC 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 March 2020), and 3) CBOC meeting (anticipated March 2020).

C. OBJECTIVE NO. 3 – COMPLIANCE WITH BALLOT LANGUAGE (NO EXCEPTION)

We reviewed the 2018 Measure BH Construction Bond expenditures reported for FY 2019 to verify that funds were used as set forth in the Bond Program ballot language. The District provided sufficient supporting documentation and explanations for all selected samples. No exception taken.

