

**ANNUAL REPORT OF THE
BEVERLY HILLS UNIFIED SCHOOL DISTRICT
CITIZENS' BOND OVERSIGHT COMMITTEE (CBOC)
MEASURE E & BH BOND BUILDING FUNDS
FOR THE YEAR ENDING JUNE 30, 2024**

The Citizens' Bond Oversight Committee (CBOC) is pleased to provide its annual report on management of the \$334 million General Obligation Measure E bond initiative passed in November 2008 (Measure E) and the \$385 million General Obligation Measure BH bond initiative passed on June 5, 2018 (Measure BH). This report covers the 2023-2024 fiscal year, the period from July 1, 2023, through June 30, 2024.

CONTENTS

- | | |
|--------------------------------|----------|
| ● Summary of Financial Audit | Page 2 |
| ● Summary of Performance Audit | Page 2-3 |
| ● CBOC Comments | Page 3-4 |
| ● CBOC Recommendations | Page 5 |

BACKGROUND

The principal duties of the CBOC are to: (1) Ensure that bond proceeds have been expended for the purposes set forth in the Measure E and Measure BH ballot language, (2) Report on the progress annually to the public, and (3) Provide a compliance statement. Education Code Section 15278(b) sets the responsibilities for the oversight committee:

- *The purpose of the Citizens' Bond Oversight Committee shall be to inform the public concerning the expenditure of bond revenues.*
- *The Citizens' Bond Oversight Committee shall actively review and report on the proper expenditure of taxpayers' money for school construction.*

The Beverly Hills Unified School District (BHUSD) Board of Education is responsible for prioritizing the scope of building projects and managing spending levels. The CBOC has no authority over how and when monies are spent. By reporting the proper expenditure of funds and holding the district and its agents accountable for their decisions, the CBOC may have an impact on future spending decisions and timing. The CBOC members during the 23/24 fiscal year were Les Bronte (chair), Nathan Kruger (vice-chair), Marc Carrel, Harry Kraushaar, Bill Bymel, Paris Elias-Benyamin, Don Wyse, Jasmine Yadgari, and Raymond Zolekhian.

This report highlights the policy and programmatic issues addressed by the CBOC. During the 2023-2024 fiscal year the CBOC met seven times. The CBOC's Audit Committee reviewed the District's program bond fund expenditure reports and reported its findings at those meetings. Minutes of each of the CBOC meetings are available at the District's website (www.bhusd.org).

During the past year, the District completed the following required efforts:

- Annual Financial Audit –prepared by Christy White, Inc.
- Annual Performance Audit – prepared by Moss Adams, LLP

Both audits were performed under the guidelines of Proposition 39, as well as generally accepted accounting practices (GAAP).

SUMMARY OF FINANCIAL AUDIT

Christy White, Inc., issued its Fiscal Year 2023-2024 financial audit report of both Measure E and Measure BH on February 24, 2025. The Financial Audit focused on the accuracy and fairness of the Financial Statements prepared by the District on the Measure E Building Fund. The following is the firm’s opinion of the financial statements for both Measure E and Measure BH:

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Measure E and BH Bond Building Fund of Beverly Hills Unified School District, as of June 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

During the 2023-2024 fiscal year the **Measure E Building Fund expenditures were \$11,782,008** and the fund balance as of June 30, 2024, was \$285,487. For the same period, the **Measure BH Building Fund expenditures were \$29,482,460** and the fund balance as of June 30, 2024, was \$156,154,503.

The Financial Audit also considered the District’s internal control over financial reporting. Although the auditor’s consideration of internal control was not designed to identify all deficiencies in internal controls, there were no material weaknesses or significant deficiencies identified.

SUMMARY OF PERFORMANCE AUDIT

On March 31, 2025, Moss Adams LLP issued its Measure E and Measure BH Construction Bond Fund Performance Audit Report for the fiscal year ending June 30, 2024. The CBOC believes the following findings are material and should be disclosed to the public:

1. Auditor unable to validate whether BILLING to District was compliant FY 2019-2024

- **Observation: “The District has taken steps to ensure billings to the District are compliant with contract terms, which would address the “Compliance with State Laws, District Policies, and Other Regulations” recommendation provided in prior years’ reports.”**

“...Based on sampled billing documentation, Open Book Accounting documentation as described in the Contract (Article 6.1) between ProWest and the District was not provided with invoice submissions to the District to substantiate the cost of work incurred by the contractor...Absent detailed job cost documentation and subcontractor lien release documentation, auditors were **not able to validate whether billing to the District was compliant** with the contract terms. Per inquiry with the District and Fonder-Salari team, both contractor and subcontractor lien waivers are being received and reviewed on a regular basis and are available upon request...”

- **Recommendation:** “As provided by the lease-leaseback agreements, the District should continue to conduct detailed reviews of monthly payment applications to verify all charges are compliant and fully supported. As a best practice, the District’s billing controls and policies should be evaluated to prevent potential excessive and non-compliant charges to the District, as required by the contract. Additionally, the District should continue requiring subcontractors to submit conditional and unconditional lien waivers, in addition to the contractor, with their payment applications to ensure timely payment and mitigate potential project risk exposures.”
- **Management Response:**
BHUSD and Fonder-Salari will continue to conduct detailed reviews of each payment application. The general contractor is required to submit subcontractor lien releases for the previous month with each payment application.

2. **Master Planning FY 2020-2024**

- **Observation:** “The District has taken steps to address the “Master Planning” recommendation provided in the prior year reports by developing a Program Master Budget and Master Schedule...We noted the cash flow modeling and funding source components were not included within the Program Master Budget and Master Schedule, but were included within the monthly reporting to the District”
- **Recommendation:** “As a best practice, the master plan **should incorporate information about the program’s cash flow modeling and funding source information.** Consolidating key information in one package can reduce friction and barriers of access and promote transparency, compliance, and accountability to key stakeholders among the various program and funding sources.”
- **Management Response:** “Per inquiry with the District and Fonder-Salari, the Bond Program management team has a plan to further reduce the program budget shortfall of roughly \$14 million. The District continues to evaluate its financial options to cover the bond program’s shortfall through future modernization funding from the State, developer fees, and value engineering...BHUSD and Fonder-Salari will expand on our Master Budget and Master Schedule documentation to ensure that cash flow timing and funding source information is clear and transparent.”

CBOC COMMENTS

In addition to the observations and recommendations from the financial audit and the performance audit, the CBOC has its own observations and recommendations:

1. **The District and the new bond manager Fonder-Salari have made monumental improvements** in **transparency, cost savings, and billing controls** to ensure the El Rodeo & BHHS projects get back on track and within budget. Fonder-Salari took over the duties from TCDS starting in July 2022 and received no transition support from TCDS. Still, they **successfully turned the project around** by negotiating on behalf of the District with contractor ProWest, subcontractors, consultants, architects and regulatory agencies and built a team with accountability and transparency. This resulted in **reducing the budget shortfall** for BHHS from over \$100 million to

approximately \$14 million and a refurbished El Rodeo Elementary School successfully re-opening on time ready for the new school year in August 2024. They accomplished this while also being able to **expand the project scope** at BHHS to include a new softball field, tennis courts and surface parking.

Financial **reporting & transparency** continues to improve. For example, the District and Fonder-Salari have refined their **“Detailed Expenditure Report”**, which provides CBOC with very thorough line-by-line expenditures enabling the committee to provide effective oversight.

Lastly, from our observation, the District has made significant improvements to its **billing approval** process to ensure the District is not overbilled. For example, all billing from ProWest and consultants goes through a robust approval process which passes through the architect, inspector or record, Fonder-Salari and finally the District manager.

2. **Notably, a recurring 7-year finding on Unclear Protocols in Fraud Prevention and Detection is finally closed.** The District and Fonder-Salari staff **completed fraud awareness training** and will continue to do so on an annual basis. Updated procurement fraud prevention and detection controls were approved by the Board of Education on September 26, 2023.
3. **CBOC requests access to the board approved construction audits of the BHHS B1/B2 project and the B3/B4 and El Rodeo project,** which were completed in 2021 and 2022, respectively. From the CBOC’s understanding, the two audits revealed that the District prepaid/overpaid \$28 million of ProWest’s charges. As a result, Fonder-Salari negotiated a discount on future ProWest charges to ensure repayment on premature payments to the District. CBOC requests a walk-through of the findings on the two complete audits for BHHS B1/B2 and BHHS B3/B4 and El Rodeo projects. CBOC believes the general public should be made aware of the findings given that the funds are sourced by the taxpayers.
4. **The Board of Education should review the \$12 Million Security Program Provided by TCDS.** For the past four years the CBOC has consistently requested detailed reporting of the estimated \$12 million security program implemented by the former bond manager. While the CBOC did finally receive a high-level overview of the expenses, the CBOC is **concerned that this project may have been an inappropriate use of taxpayer-approved bond funds**. The audit explained that the previous Board did not comply with the California Public Contracting Code when selecting TCDS. Specifically, TCDS was selected as the vendor without going through the typical **RFP process**, and the firm was not a security service provider. Without going through a typical RFP process, the District did not know whether it was getting the most **competitive price**. It also could not assess various approaches from a variety of bidders and decide which approach was the best for our District. The Board of Education should examine these expenditures to determine what was ultimately received from the vendor, and whether payments for the security project should have been paid out of bond funds.

CBOC RECOMMENDATIONS

Below is a summary of the CBOC's recommendations:

- 1. CBOC requests access and a walk-through with the auditors for the construction audit of BHHS B1/B2 and BHHS B3/B4 and El Rodeo project, to provide maximum transparency to taxpayers.**
- 2. The Board of Education should review whether it was appropriate that the \$12 Million used to pay TCDS to provide a Security Program was spent using bond funds.**

Presented May 27, 2025 to the Beverly Hills Unified School District Board of Education by the BHUSD Citizens' Bond Oversight Committee

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Marc Carrel, Vice-Chair
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Harry Kraushaar
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