

San Jose Unified School District

Measure C Bond Fund Performance Audit Report

For the Fiscal Years Ended: June 30, 2005, June 30, 2006 and June 30, 2007

Prepared by:

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November 16, 2007

Board of Trustees
San Jose Unified School District
855 Lenzen Avenue
San Jose, CA 95126

Subject: Measure C Bond Fund Performance Audit Report

Dear Members of the Board:

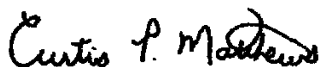
This report summarizes the results of our engagement to provide Measure C performance audit services for the fiscal years ended June 30, 2005, June 30, 2006, and June 30, 2007. This performance audit evaluated the use of Measure C funds for compliance with Measure C requirements. Amounts listed in this report are from the District books and records. Vavrinek, Trine, Day & Co., LLP performs the District Financial Statement Audit.

This engagement was performed in accordance with Standards for Consulting Services established by the American Institute of Certified Public Accountants as outlined in our engagement letter. The scope of this engagement is outlined in the body of our report. This report was developed based on information from our interviews with District employees and the review of new construction and school reconstruction program documentation. We have also tested expenditures for compliance with funding source objectives.

This report is intended solely for the use of Board of Trustees (Board), District Administration and Citizens' Bond Oversight Committee (CBOC). Moss Adams LLP does not accept any responsibility to any other party to whom this report may be shown or into whose hands it may come.

We appreciate the opportunity to continue assisting the San Jose Unified School District and would like to express our thanks to you and all members of the District staff for their cooperation throughout our review. If you have any questions or comments regarding this report, please feel free to contact me at (415) 677-8347.

Very truly yours,



Curtis Matthews, Partner
for Moss Adams LLP

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EXECUTIVE SUMMARY

The San Jose Unified School District (“the District”) has implemented controls covering the use of school Construction Bond proceeds that comply with Measure C requirements. Our performance audit procedures found no discrepancies in the use of expenditures for approved Bond fund purposes for the following fiscal years:

- June 30, 2005, Bond Program expenditures of \$3,238,971
- June 30, 2006, Bond Program expenditures of \$2,675,173
- June 30, 2007, Bond Program expenditures of \$6,608,048

BACKGROUND INFORMATION

In 1997, voters approved Bond Measure C for \$165 million to provide improvements to the District’s facilities. According to the language in the Bond Measure and voter materials, the Measure C School Construction Bond funds are to be used by the San Jose Unified School District “to repair its existing neighborhood schools, fix and replace deteriorating roofs, gas, sewer and water lines, heating, ventilation and electrical systems; wire classrooms and computer labs for technology; renovate, construct and acquire classrooms; remodel outdated toilet and science facilities; and improve safety and security of schools and playgrounds.”

Bond Programs of this size and complexity require appropriate financial processes and operational controls to ensure program compliance, effectiveness, cost, schedule, quality and efficiency goals are achieved.

OBJECTIVE AND SCOPE

Performance audit procedures evaluated the San Jose Unified School District Bond Program compliance, program performance controls, and efficiency. We analyzed the Construction Program controls structure. All expenditures sampled were tested for contractual compliance with Measure C funding source requirements and purposes. Expenditures listed in this report are from the District's books and records. Below is a summary of the sampled expenditures for each applicable fiscal year.

- We selected a sample of 60 payments from the time period July 1, 2004 through June 30, 2005. The total dollar amount sampled was \$1,018,960 out of total Measure C expenditures of \$3,238,971. Our sample resulted in 31% sample coverage of the entire fiscal year 2005 expenditures populations.
- We selected a sample of 65 payments from the time period July 1, 2005 through June 30, 2006. The total dollar amount sampled was \$1,501,910 out of total Measure C expenditures of \$2,675,173. Our sample resulted in 56% sample coverage of the entire fiscal year 2006 expenditures population.
- We selected a sample of 65 payments from the time period July 1, 2006 through June 30, 2007. The total dollar amount sampled was \$3,054,354.94 out of total Measure C expenditures of \$6,608,048. Our sample resulted in a 46% sample coverage of the entire fiscal year 2007 expenditures population.

Our performance audit team assessed the performance of the San Jose Unified School District Construction Program level controls, and validated Construction Program expenditures against funding source requirements and contract terms and conditions. The results of our assessment are based upon our experience with other construction programs, knowledge of the District, staff interviews, and review of Construction Program documentation.

To complete this Measure C Performance Audit, our project team reviewed District background materials, reviewed specific project and program level documentation, and tested program expenditures.

A sampling of other documents reviewed includes:

- Measure C Bond Language
- Construction Procedures
- Procurement bid and award documentation
- Contracts
- Payment applications and invoices
- Relevant financial records, general ledger, and transaction support

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Our review looked at District records for 2005, 2006 and 2007. The District records reflected the following expenditures from fiscal year end 2005 through fiscal year end 2007:

- As of June 30, 2005, the District had spent a cumulative \$155,188,739 of Measure C funds. Fiscal Year Ended June 30, 2005 expenditures were \$3,238,971.
- As of June 30, 2006, the District has spent a cumulative \$157,863,912 of Measure C funds. Fiscal Year Ended June 30, 2006 expenditures were \$2,675,173.
- As of June 30, 2007, the District has spent a cumulative \$164,471,960 of Measure C funds. Fiscal Year Ended June 30, 2007 expenditures were \$6,608,048.

The scope of this performance audit included procedures to verify the use of Measure C funds for approved funding source purposes. Expenditures were selected and tested for funding source and contract compliance. While this was a performance audit performed under AICPA consulting standards and did not constitute a District financial audit performed under AICPA assurance standards, these procedures were prudent to help verify that the school Construction Program performance is effective and consistent with funding source purposes.

AUDIT RESULTS

Our testing results found neither exceptions nor instance of noncompliance with the District's expenditure of Bond Program funds for approved Measure C purposes.