

San Jose Unified School District

**Final Measure F Bond Fund Performance Audit Report
For the Fiscal Year Ended June 30, 2007**

Prepared by:

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November 1, 2007

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

Subject: Measure F Bond Fund Performance Audit Report

Dear Members of the Board:

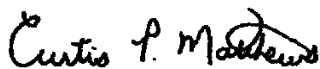
This report summarizes the results of our engagement to provide Measure F performance audit services for the fiscal year ending June 30, 2007. This performance audit evaluated the processes and controls needed to achieve Construction Program cost, scope, and schedule goals, and to provide commentary on cost factors which affect the facilities improvements on the campuses of San Jose Unified School District ("the District"). Amounts listed in this report are from the District books and records. Vavrinek, Trine, Day & Co., LLP performs the District Financial Statement Audit. Good practices and improvement opportunities, as identified at the time of report issuance, are identified in this report.

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 also tested expenditures during the period July 1, 2006 through June 30, 2007 for compliance with funding source objectives.

This report is intended solely for the use of the School Board of Trustees, 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 F requirements. The Measure F Construction Bond Program (“Bond Program”) is in its fifth year of implementation.

Fiscal Year ending June 30, 2007 Bond Program accounting records showed bond program expenditures of \$96,536,768 and total use of bond funds of \$97,868,670. Our review of these expenditures and use of funds identified two discrepancies in the use of expenditures for approved Bond fund purposes. The discrepancies were subsequently adjusted for the Fiscal Year ending June 30, 2008. The issues were related to the allocation of salaries to Measure F and portions of multiple projects that were not eligible for Measure F expenditures. In the report body, we recommend that the District should review the implementation plan on an annual basis and compare the planned expenditures to the original Bond and Ballot language. The goal of the review is to determine if each projected expenditure is allowed under Measure F Bond and ballot language. We also recommend improving controls over the allocation of salaries, including a secondary review of the hours allocation by Management of the Construction Team.

The District has implemented plans for the prudent use of Bond Program funds and has considered students’ need for a safe learning environment. The District’s use of Bond Program proceeds has considered classroom space requirements, technology needs, and equity. The scope of the Bond Program has been defined and communicated to District stakeholders through the Measure F Facilities Construction Implementation Plan (“Implementation Plan”).

The District has made changes to the Measure F Implementation Plan in the April 27, 2007 revision to reflect higher than anticipated construction costs. Projected expenditures have increased by \$34,453,975. The Implementation Plan was modified, changes to the Implementation Plan were communicated in the 2007 revision, and modifications to the Implementation Plan were approved by the Board of Education (“Board”).

The District has entered into a lease-leaseback transaction to construct Darling Elementary School. The District negotiated a guaranteed maximum price contract for this construction work. This innovative form of contracting can provide increased procurement flexibility and help the District achieve its construction program goals. The District has implemented controls to address inherent project risks related to project funding, construction project management, audit rights, and adherence to the lease payment schedule.

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The District has closed seventeen out of nineteen performance audit recommendations identified in prior years. In our prior-year construction performance audit program reports, we recommended the following items, which remain open. Management responses and the current status for these items are detailed in Appendix A.

- Individual campus websites should include construction status and impact information or provide a link to the Bond Program section of the District/CBOC website in order to communicate better with Program stakeholders (Moss Adams Performance Audit, June 2006).
- The CBOC website should be enhanced by providing a summary of key information that the CBOC may communicate to help local citizens better understand Construction Bond Program activities (Moss Adams Performance Audit, June 2005).

The payment application process should be streamlined. The District should provide training to help contractors submit payment applications with supporting documentation needed for approval and timely payments. Expanded District use of technology should be explored to more efficiently document, track, and process contractor payment applications (Moss Adams Performance Audit, June 2004).

OBJECTIVES AND SCOPE

This performance audit evaluated the San Jose Unified School District Bond Program compliance, program performance controls, and efficiency. We analyzed the Construction Program controls structure. We also tested expenditures during the period July 1, 2006 through June 30, 2007 for compliance with Measure F funding source requirements and purposes. All expenditures sampled were tested for contractual compliance. Expenditures listed in this report are from District books and records. We visited two school construction sites: Gunderson High School and Pioneer High School.

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 F Performance Audit, our project team reviewed District background materials, reviewed specific project and program level documentation, tested District control practices, and tested program expenditures. We conducted over ten interviews with District, School, and project management staff. In order to evaluate the overall program management methodology, we reviewed selected construction projects to perform first-hand observation of the systems, controls, and processes that were undertaken by field management and the interaction between the parties involved in the program.

A sampling of other documents reviewed includes:

- Measure F Bond language
- Implementation Plan
- Construction procedures
- Procurement bid and award documentation
- Contracts
- Payment applications and invoices
- Relevant financial records, general ledger, and transaction support

The scope of this performance audit included procedures to verify the use of Measure F 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, the procedures were applied to help verify that the school Construction Program performance was effective and consistent with funding source purposes.

BACKGROUND INFORMATION

In 2002, voters approved Bond Measure F for \$429 million to provide improvements to the District's facilities. The Measure F School Construction Bond funds were to be used for school repairs, rehabilitation, health, and safety needs, at the District's local schools over a period of seven to eight years.

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. Proposition 39 requires an annual Bond Program performance audit. Moss Adams was engaged to assist the District in developing Construction Program Management processes and to perform the required annual performance audit.

PREVIOUS AUDIT RECOMMENDATIONS FOLLOW-UP

We interviewed District and Bond Program personnel to determine the status of improvement opportunities identified in previous audits. Through inquiry and review of documents, we confirmed that seventeen (17) of nineteen (19) original recommendations have been resolved, and solutions for two (2) recommendations are being implemented.

Source	Issues Identified	Closed Items	Solutions Being Implemented	Open Issues
Moss Adams 2006	4	3	1	0
Moss Adams 2005	3	2	1	0
Moss Adams 2004	4	4	0	0
Moss Adams 2003	8	8	0	0
Total	19	17	2	0

KEY OBSERVATIONS AND GOOD PRACTICES

The following improvement opportunities have been ranked as high, medium, or low priority based upon our analysis and experience with respect to probability and potential impact to Construction Program cost, schedule, and scope. Improvement opportunity prioritization is based on the need to address those items that most strongly align with District Construction Program success drivers.

1. Compliance with Ballot, Bond, State and other Funding Source Requirements

We evaluated Bond Program financial records and expenditure cost support to verify that funds were used for approved Bond Program purposes as set forth in the Ballot Measure and Bond Documents. In accomplishing this work, we reviewed Bond Program accounting records, contracts, purchase orders, invoices, payment records, and other documentation of current expenditures as needed to determine if funds were being used for approved Bond Program purposes.

We performed a walkthrough of the Bond expenditure cycle and sampled supporting documentation to validate internal controls. Our sample selection for expenditure testing was determined using Audit Command Language (ACL). We selected sixty (60) expenditures using random dollar unit sampling, and we selected five (5) items via ACL using random sampling. The population sampled consisted of all expenditures from July 1, 2006 through June 30, 2007. The total expenditure for the Fiscal Year ending June 30, 2007 was \$97,868,671.

Expenditures were agreed to vendor submitted invoices, supporting documentation, Board approved contracts or approved field reports, types of reimbursements claimed against the allowed reimbursements under the contract, and the types of services submitted for payment for allowable services under Proposition 39.

Good Practices

- a) The District requires expenditure approvals specific to the Bond Program and has developed financial controls to manage the expenditure of Bond funds. Controls are in place to help ensure that amounts billed represent actual work performed and are consistent with contractual requirements.
- b) The Citizens' Bond Oversight Committee represents a cross-section of the community and stakeholders. Their responsibilities include review of Bond construction status and expenditures.
- c) The Measure F Implementation Plan July 2007 Escalation Revision Program is addressing current curriculum needs and objectives as stated in the Bond materials.
- d) The Measure F Implementation Plan July 2007 Escalation Revision Program is consistent with Measure F requirements, which are included in the plan.
- e) Measure F construction projects are being completed in a manner that adheres to the construction schedule and are in-line with the implementation plan.

Improvement Opportunities – High Priority

- a) The District incurred \$775,259 of ineligible expenditures in Fiscal Year 2007 that were reversed in Fiscal Year 2008. All expenditures were for school improvements, but the expenditures did not fit under Measure F ballot materials. The complete list of ineligible expenses is: replacement of hard-courts at multiple locations in two separate projects, John Muir bleachers and science labs, access drive upgrade at Graystone, bleachers at Hoover, and roofing at Lowell. These expenditures are not compliant with Measure F because the Bond language and ballot materials specify eligible projects and locations in detail.

Each location has a lengthy list of eligible projects, which differ slightly from location to location. It was the District's belief that these projects were eligible for Measure F when the construction was performed because the Implementation Plan that was developed when Measure F was approved included these projects. The Implementation Plan was developed based on ballot language. The completed implementation plan was shared with the Board of Trustees, members of the public and the CBOC. The implementation plan can be found on school's website.

It appears that the Implementation Plan was developed with some errors and the District did not sufficiently compare the implementation plan back to ballot language in detail on annual basis. Generally, the ineligible projects were part of larger projects that were eligible at other locations. The reversed non-compliant expenditures have been reimbursed by appropriate funding sources, primarily with Deferred Maintenance funds.

Recommendation: To remedy the current year's issue all ineligible expenditures should be moved to either Deferred Maintenance or Scope D of Measure C. Kitchell has prepared a listing of which projects should be moved to each of those funding sources. The District should review the implementation plan on an annual basis and compare the planned expenditures to the original Bond and Ballot language. The goal of the review is to determine if each projected expenditure is allowed under Measure F Bond and ballot language.

Management Response: Staff has reviewed the ineligible expenditures and concurs with Moss Adams findings. The ineligible expenditures have been transferred to other appropriate funding sources. Staff has directed the program manager to compare and validate the scope items in current and future Measure F projects with the ballot language to insure future compliance.

Staff will share the results of the exercise with the CBOC and the Performance Auditor. The program manager will prepare a report and review the outcome with the Director of School Construction, Directors of Purchasing and Contract Management, and the District Director of Internal Audit.

2. Facilities Programming and Master Plan Approach

This analysis covered approvals required before performance of Bond Program activities and expenditures. It covered the application of a Bond Program delivery model that requires scope

definition, documented actions, and approvals before the design, construction, and close-out project phases.

We evaluated the processes used by the District to identify facility needs, programming, and coordination to completely and equitably address site requirements. Coordination with maintenance, user groups, and key stakeholders was considered in this analysis, along with the inclusion of appropriate personnel. We reviewed the definition of deliverables for each project phase and requirements for approvals. We reviewed the School Construction Procedures Manual to determine that approval levels are documented. This analysis included the review of tools and support processes for each project phase, comparing them to other projects and good industry practices. We evaluated Bond activities for consideration of student needs and future receipt of maintenance funds in assessing the equitable use of Bond Program funds.

Good Practices

- a) Projected enrollment estimates are completed annually to evaluate the effect of population distribution on parking, departmental relocation, and master planning.
- b) The District has set aside the maximum amount of deferred funds in order to receive the greatest potential amount of State matched maintenance funds which are provided when fiscally available.
- c) The District uses horizontal and vertical delivery methods depending on the perceived efficiencies that may be gained. For example, the District has repaved a number of lots in a horizontal manner to gain efficiencies.
- d) Adherence to standards and procedures creates equity between schools and prevents change by managing user expectations.
- e) Projects are prioritized according to a standardized District-wide system.

Improvement Opportunities – High Priority

- a) The implementation plan communicated to District stakeholders has includes budgets for ineligible expenditures, as identified in Section 1 of this report (above).

Recommendation: The Measure F Implementation Plan should be updated to include only eligible Measure F expenditures. The process to finalize the Implementation should include verification that the projects are eligible for Measure F expenditures. The Implementation Plan should be compared back to Measure F Bond language, project by project.

Management Response: See Management Response #1 above.

3. Communication and Fulfillment of Site Expectations

We reviewed the various tools used by the District to communicate Bond Program plans to stakeholders, including communication with students, faculty, and the surrounding community. We interviewed two school principals and a number of project managers to better understand the specific types of information flow that are occurring on campuses and in the surrounding communities. This analysis included an assessment of whether or not a constant and adequate level of communication is maintained regarding the projects and program.

The methods used to communicate renovation plans for each site and new construction plans were reviewed and compared to good practices. This included the review of published plans and evidence of presentations to the Citizens' Bond Oversight Committee, faculty, students, the community, District staff, Program Management Personnel and Construction Manager's personnel. Responsibility and accountability for site communication of project performance and coordination of site activities was reviewed.

Good Practices

- a) The Executive Committee meets on a weekly basis to address cost, schedule, and quality issues for each project.
- b) Public meetings of the Citizens' Bond Oversight Committee are held to update the community on the status of projects. The meeting minutes are posted on the website.
- c) A process to communicate the status of projects and walk through sites with Principal's has been developed. Walkthroughs are performed weekly during major construction phases to obtain input from Principal's and to provide them with a status update on the construction plan for the following week.

4. Cost, Schedule and Budgetary Management and Reporting

We evaluated the actions taken by the District to apply policies and procedures that accomplish Bond Program schedule, quality, scope management, and performance efficiency goals. We reviewed Bond Program reporting as needed to provide current, accurate, and complete cost, schedule, and budgetary information to Program stakeholders. Based on interviews and information gathered during the course of the project audit, analysis was conducted to determine whether there is adequate executive oversight and involvement in each of the audited projects. This analysis also reviewed the cost, schedule and budgetary reporting methodologies.

Good Practices

- a) The District has defined program performance reporting requirements that include a summary of the approved budget, any changes, expenditures, commitments, forecasts, trends, and variances.
- b) The District uses cash flow planning to identify the expected spending requirements and to match the issuance and use of Bond proceeds with spending requirements.
- c) The Project Manager prepares a detailed project-by-project analysis of cost, schedule, and budget, which highlights specific issues on each project. This report is provided to the CBOC each month. A website is dedicated to Bond Performance and contains the newsletter reporting the status of projects.

Improvement Opportunities – Moderate Priority

- a) District Construction salaries are allocated between Measure C and Measure F based upon Program Managers allocation of working hours. We noted that the calculation for Fiscal Year End June 30, 2007 adjusted Measure F expenditures incorrectly to 95% of the total salaries. The calculation is performed using an electronic spreadsheet to allocate staff member hours between Measure C and Measure F. The spreadsheet included one

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input error that showed 9,416 hours for one employee being allocated to Measure F in one quarter. This individual typically had 200 hours per quarter allocated to Measure F. If 200 quarterly hours were used instead of 9,416 hours, the Measure F salary expense would have been 85% of salaries instead of 95%. The resulting adjustment would remove approximately \$178,000 from Measure F and allocate that expense to Measure C. Management has corrected this allocation and made this adjustment for the fiscal year ending June 30, 2008.

Recommendation: Adjusting journal entries are processed under dual control in the Finance Department. The construction group should require two sign-offs on this transaction to help ensure its accuracy. In addition, the calculation should be provided to the Construction Director for his review and approval before processing.

Management Response: Staff recommends inserting spreadsheet functions into the source document to disallow errant or miskeyed timesheet information. Similar to controls of master change order forms, an error message would be returned when hours exceeding a set number are inputted. Staff agrees with Moss Adams' suggestion for the Director's review prior to posting the expenditures in Measure F.

Improvement Opportunities – Low Priority

- a) We sampled 65 transactions from Measure F expenditures from July 1, 2006 through June 30, 2007. We viewed one Bid General Action Document in our sample of 65 (2%) that was not signed by the Chief Business Officer. We noted that one adjusting journal entry was initiated and approved by the same individual. Dual signatures ensure that appropriate segregation of duties exist for accuracy of accounting and protection of assets.

Recommendation: Ensure that all file documentation is complete and all adjusting journal entries are properly approved.

Management Response: No response required.

5. Change Management and Control

We evaluated District policies, procedures, and practices to manage change orders and related costs. Procurement and project controls were evaluated for evidence of change management that help prevent excessive expenditures.

Good Practice

- a) The District has defined control processes to identify change order causes and to evaluate change order costs.
- b) The Executive Committee reviews potential change orders as the committee reviews each project. Potential change orders are reviewed by the Executive Committee to determine if the change is outside of the original scope and to monitor each project's budget.

- c) Change orders are documented in each contract file. Project cost accounting includes the original contract amount, change order amount, necessary signatures, Board approvals, and the applicable cost codes.
- d) The Construction Procedures Manual requires that changes be reviewed against nine specific criteria prior to approval. The Construction Office has implemented a checklist to ensure that all criteria have been met prior to approval of the change.
- e) The requirement that changes to the Implementation Plan must be documented and communicated at all levels of the organization was implemented.

6. Program Staffing

Through interviews of key operational personnel, review of program workflows, analysis of relevant expenditures, and observation of position and work requirements, we have assessed the assumptions and the basis for Bond Program staffing plans. Bond Program Management needs were compared to the adequacy of staffing requirements. Our experience with staffing at other academic capital programs as well as our assessment of factors unique to the District formed the basis of this analysis.

Good Practices

- a) Management is consistently reviewing the staffing model as Measure F matures. They allowed one position to expire this year without replacing that person due to the projection that the amount of projects and staffing will slow down in the future.

7. Procurement Controls and Contract Administration

We reviewed the implementation of District procurement controls for consistency, adherence to District purchasing policies and application of competitive and fair subcontracting practices. Procurement controls were evaluated for implementation of measures to prevent excessive expenditures. This performance audit area included coverage of contract approvals and application of terms and conditions that help protect the District from exposures related to project cost, schedule, and scope. We selected a sample of sixty (60) invoices to evaluate the level of compliance with Construction Policies and Procedures in the procurement process.

Good Practices

- a) Management has developed standards for contract approval within the Construction Manual detailing who is responsible for approving contracts depending on the expenditure level.

8. Lease – Leaseback Controls

The District entered into a Lease/Leaseback with Darling Investors LLC for the purpose of development and construction of classroom facilities. We obtained a copy of both the site and facilities lease. The facilities lease contains a lease buyout. In our discussions with the District, we have noted its intent to buyout the lease early in the lease. The District has set aside funding to buyout the lease.

Good Practices

- a) The District has the right to audit within the lease agreement. The District plans on performing this audit after construction has been completed. The audit will review the cost-plus portions of the contract to determine if contractor's costs can be substantiated and that these costs are billed to the District correctly.

Improvement Opportunity – Low Priority

- a) SJUSD has not received a copy of the lease payment schedule including the interest rate and the amount of principal and interest per payment. SJUSD has received a schedule showing the payment amount each month and the amount of the buyout option. With this information, the District can calculate an approximate interest rate. However, the District should have a lease payment schedule so it can compare the interest rate on the lease with their cost of funds.

Recommendation: Request a copy of the lease payment schedule showing the interest rate and the amount of principal and interest per payment. If documentation of the interest rate, principal, and interest per payment cannot be calculated, the District should attempt to calculate the rate so it can make an informed decision about whether or not to buyout the lease agreement.

Management Response: The District is not locked in to any particular lease financing for the long-term lease of the facilities. Upon completion of construction, the District has the option to buy out the lease, procure other financing, or utilize the financing available under the agreement. The District's intention is to buy out the lease as early as possible. Staff believes analysis of the interest rate offered should be evaluated as part of the decision making process, at that time.

9. Contractor Liens, Claims, and Other Close-out Issues

We evaluated the District's policies, procedures, and practices to obtain lien releases, prevent claims and address potential close-out issues. This review included analysis of checklists, procedures, retention policies, and contract terms and conditions. The performance audit team looked for implementation of procedures to identify the parameters for contractor performance and compared the District's close-out procedures to good practices. This included review of the criteria for all relevant parties to determine whether a project is complete. The team also evaluated the processes to verify there are controls to provide for release of contractor liens and other claims prior to final payment.

District control processes to review and approve contractor cost charges were analyzed. Interviews were conducted to help ensure accurate understanding of events and circumstances surrounding contract compliance practices. Transaction flow and cost control processes were covered during these interviews. District practices were documented, testing was conducted in conjunction with interviews to evaluate the events and circumstances surrounding the validation of contract billings compliance practices.

Good Practice

- a) A close-out committee meets approximately every two weeks to discuss projects in the close-out phase. Minutes are maintained from the meetings. The purpose of the close-out committee is to monitor projects in the close-out phase in an attempt to close out projects in a timely manner.

Improvement Opportunity – Moderate Priority

- a) The process to close out projects could be enhanced. The principals do not sign-off at project close-out for all projects. Without a school administrator sign-off, the project may appear to the Principals to remain open. Principals may not know the correct party to work with regarding end of project issues. The construction group, in turn, may perceive that a project is closed and that these requests should be funneled through the Facilities Department (“Facilities”).

Recommendation: Principals should sign-off on the design phase of construction projects. They should be required to sign-off at project close out. This sign-off will provide a formal close to the project and all parties will understand that the project is closed and that future work on the project should be requested through Facilities. This process is being followed for components of the projects i.e. systems and grounds.

Management Response: Staff agrees with the recommendation of Moss Adams and will implement a “Principal Sign-off” into the project completion process.

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APPENDIX A – AUDIT RESOLUTION LOG

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 16 of the original 19 issues have been resolved, and solutions for two issues are being implemented.

SJUSD Review Comments/Audit Resolution Log

No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
MA.1	Moss Adams 2007	Facilities Programming	High	Project Scope	Transfer funds from alternative funding sources to Measure F to pay for the ineligible projects. In addition, develop a process to ensure that projects are in compliance with Bond language and ballot materials.	<p>Staff has reviewed the ineligible expenditures and concurs with Moss Adams' findings. The ineligible expenditures have been transferred to other appropriate funding sources. Staff has directed the program manager to compare and validate the scope items in current and future Measure F projects with the ballot language to insure future compliance.</p> <p>Staff will share the results of the exercise with the CBOC and the Performance Auditor. The program manager will prepare a report and review the outcome with the Director of School Construction, Directors of Purchasing and Contract Management, and the District Director of Internal Audit.</p>	Ty Williams	Open		

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SJUSD Review Comments/Audit Resolution Log

No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
07.MA.2	Moss Adams 2007	Cost, Schedule, and Budget	Moderate	Salary Allocation	Adjusting journal entries are processed under dual control in the Finance Department. The construction group should require two sign-offs on this transaction to help ensure its accuracy. In addition, the calculation should be provided to the Construction Director for his review and approval before processing.	Staff recommends inserting spreadsheet functions into the source document to disallow errant or miskeyed timesheet information. Similar to controls of master change order forms, an error message would be returned when hours exceeding a set number are inputted. Staff agrees with Moss Adams' suggestion for the Director's review prior to posting the expenditures in Measure F.	Ada Poon	Open		
07.MA.3	Moss Adams 2007	Procurement Controls	Low	Procurement Documentation	Ensure that all file documentation is complete.	No response required.	Ty Williams	Open		

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SJUSD Review Comments/Audit Resolution Log

No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
07.MA.4	Moss Adams 2007	Lease and Leaseback Controls	Low	Lease Payment Schedule	Request a copy of the lease payment schedule showing the interest rate and the amount of principal and interest per payment. If documentation of the interest rate, principal, and interest per payment cannot be calculated, the District should attempt to calculate the rate so they can make an informed decision about whether or not to buyout the lease agreement.	The District is not locked in to any particular lease financing for the long-term lease of the facilities. Upon completion of construction, the District has the option to buy out the lease, procure other financing, or utilize the financing available under the agreement. The District's intention is to buy out the lease as early as possible. Staff believes analysis of the interest rate offered should be evaluated as part of the decision making process, at that time.	Ty Williams	Open		
07.MA.6	Moss Adams 2007	Contract Close-out	Moderate	Project Close-out	Principals sign-off on the design phase of construction projects and they should be required to sign-off at project close out. This sign-off will provide a formal close to the project and all parties will understand that the project is closed and that future work on the project should be requested through facilities.	Staff agrees with the recommendation of Moss Adams and will implement a "Principal Sign-Off" into the project completion process.	Ty Williams	Open		

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SJUSD Review Comments/Audit Resolution Log

No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
06.MA.1	Moss Adams 2006	Communication	High	Safety	Additional safety information that directly affects the community needs to be available at all of the construction sites on all School campuses, such as noise and hazard advisory and clearly visible emergency contact information (name and telephone number).	Staff takes no exception to this recommended communication improvement and will work to develop standardized content for site signage.	Ty Williams	Closed	MA	September 2006
06.MA.4	Moss Adams 2006	Change Order Management and Control	High	Change Order Documentation	We have reviewed a sampling of change orders in various projects and found insufficient change order documentation to identify the reasons for the changes, the basis for determining cost summaries, or the thorough review and approval of each change order. Additionally, the change order checklist has not been consistently used.	The change order checklist was implemented as of August 2006 after the end of the period covered by this audit. Compliance with this new policy should be tested during the 2006-07 audit.	Ty Williams	Closed	MA	June 2007

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SJUSD Review Comments/Audit Resolution Log

No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
05.MA.1	Moss Adams 2005	Project Plans and Use of Funds in Compliance with Bond Program Objectives	High	Funding Source Identifica-tion	The District should ensure that all Implementation Plan project funding sources are specifically identified within the Implementation Plan. The Implementation Plan serves as the overall means by which construction program projects are identified, budgeted, scheduled, and performed. Complete and accurate comparison of Measure F and other funding source spending against Implementation Plan projects will be facilitated by specific identification of funding sources for each Implementation Plan project work scope.	A matrix has been prepared by Kitchell and is included in the Implementation Plan in the back of the Cash Flow Section. It shows a breakdown of each project, with previous and revised budget, and specific funding by measure, bond, and deferred maintenance plan.	Susan Davenpo rt	Closed	MA	Oct 2006
05.MA.2	Moss Adams 2005	Change Order Management and Control	High	Change Order Approval Checklist	The Manual requires that changes be reviewed for compliance with nine specific criteria prior to approval. The District has not implemented a checklist to document that all criteria have been met prior to approval of the change.	District Management has designed and recently implemented a checklist to document that change orders meet the specific criteria required by the Manual. The checklist has been implemented and is in use.	Steve Adamo	Closed	MA	Oct 2006

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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
05.MA.3	Moss Adams 2005	Citizens Bond Oversight Committee – Requirements Compliance	High	Communi-cation	While CBOC agendas, minutes, reports and program information are posted on the CBOC website, this website could be enhanced by providing a summary of key information that the CBOC may communicate to help local citizens better understand Construction Bond Program activities.	Discussions are ongoing regarding improvements to the website and possible hire of a webmaster. The CBOC is working on the structure of reporting and website.	Ty Williams	<i>Open</i>		June 2005
04.MA.1	Moss Adams 2004	Deferred Maintenance	High	Funding	The District plan to address deferred maintenance needs should identify both facilities maintenance needs as well as funding available to meet those needs. The District should continue to increase public awareness of school facility needs, and actions taken and needed to obtain resources necessary to maintain the public investment in school facilities.	The District has drafted its revised deferred maintenance plan for 2005-2009. The plan was approved as part of the Implementation Plan (IP), and is continually updated.	Ty Williams	Closed	MA	Oct 2006

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SJUSD Review Comments/Audit Resolution Log

No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
04.MA.2	Moss Adams 2004	Contractor Cost Controls	High	Payment Application Review and Approval	Paper flow streamlining of the payment application processes to ensure efficient processing and timely contractor payments. The District should provide training to help contractors submit payment applications with supporting documentation needed for approval and timely payments. Expanded District use of technology should be explored to more efficiently document, track and process contractor payment applications.	The District has begun the process of streamlining the payment application process. The process began with making the purchase orders and contracts available to all online from central servers. Any changes made to these documents will also be scanned and available online. The next step is to automate the payment process through workflow management. The District has begun a migration to a new accounting system (MUNIS). Full implementation of the accounting processes is expected.	Ann Jones	Closed	MA	Sep 2005
04.MA.3	Moss Adams 2004	Procurement and Contracting Controls	High	Project Commencement	We found architectural and civil engineering projects that were started before Board approval. The District's procedures manual requires Board approval before the commencement of each project.	The District has taken action to obtain appropriate procurement approval prior to work performance. Legal counsel was consulted to amend contract language.	Ty Williams	Closed	MA	Sep 2005

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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
03.MA.1	Moss Adams 2003	Program Staffing	High	Program Staffing	Current Facilities Construction staffing levels are inadequate to properly control construction program cost, schedule and scope. Needed staffing improvements should start with properly staffing project management and project oversight activities. An appropriate complement of support staff will also be needed to provide clerical, financial, and technical support. Professional service contracting should be considered to address peak staffing level requirements.	The District has a staffing plan that matches Bond Program construction activity levels.	Ty Williams	Closed	MA	Oct 2006
03.MA.2	Moss Adams 2003	Contractor Cost Controls	High	Payment Application Review and Approval	Procedures should be properly defined to specify appropriate review and approval of contractor payment applications to prevent payments that exceed contractual maximums or payments for otherwise unallowable charges.	Procedures to properly define and specify appropriate review and approval of contractor payment applications to prevent payments that exceed contractual maximums or payments for otherwise unallowable charges have been documented in the Manual under the "Pay Application" section.	Steve Adamo	Closed	MA	Sep 2004

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03.MA.3	Moss Adams 2003	Change Order Management and Controls	High	Policies and Pro-cedures	Change order processing policies and procedures could apply best practices in providing appropriate approvals and preventing unnecessary changes and excessive change order costs.	Change order processing policies and procedures have been completed to apply good practices in providing appropriate approvals and in preventing unnecessary changes and excessive change order cost. These procedures are documented in the Manual under the "Change Order" section.	Steve Adamo	Closed	MA	Sep 2004
06.MA.2	Moss Adams 2006	Communica-tion	Medium	Construction Impacts	Individual campus websites should include construction status and impact information or provide a link to the Bond program section of the District / CBOC website in order to communicate better with Program stakeholders.	The website for the CBOC is currently being studied for a significant re-organization, retrofit, and narrative update reflecting the current status of the projects and description of future scopes/phase in the coming months. Links from the school site's webpage to the main Measure F CBOC's webpage is an improvement that will be made District-wide.	Ty Williams	<i>Open</i>		

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No.	Source	Category	Priority Rating	Issue	Recommendation	Management Response	Owner	Status of Resolution	Confirmed By	Planned Resolution Date
06.MA.3	Moss Adams 2006	Close-out	Medium	Reconcil-iation	The District should expedite the close-out process by starting the process earlier, during the construction phase, such that data gathering and reconciliation is conducted on an ongoing basis.	The Construction Office has established a committee headed by Steve Adamo to address close-out and track progress in the close-out process. Improvements in this area should be tested during the 2006-2007 audit.	Steve Adamo	Closed	MA	Sep 2006
04.MA.4	Moss Adams 2004	Procurement and Contracting Controls	Medium	Contract Protect-ions	Right to audit provisions could be strengthened in District contracts. This would help the District improve change order cost validation capabilities.	The District has obtained terms for its right to audit clause and will implement those terms as appropriate in new contracts.	Ty Williams	Closed	MA	Sep 2005
03.MA.4	Moss Adams 2003	Procurement Controls	Medium	Close-out Evaluation	District procedures covering the evaluation of professional service contracts should be documented and provide guidance on the assessment of required services, standard professional service contracts, scope definition, supplier qualifications, contract pricing and terms.	The District has documented procedures covering the evaluation of professional service contracts to provide good practice guidance on the assessment of required services, standard professional service contracts, scope definition, supplier qualification, contract pricing and terms.	Steve Adamo	Closed	MA	Sep 2004

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SJUSD Review Comments/Audit Resolution Log

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03.MA.5	Moss Adams 2003	Cost, Schedule, Budgetary Management, and Reporting	Medium	Redun-dancy of Data Input	The District general ledger program does not efficiently provide for automated data extraction capability for report generation purposes. Often reports are generated from manual extraction of data. This process requires redundant data input and excessive effort. This redundant data input could lead to data input errors. The District is currently assessing possible ways to better develop automated reports.	The District is now able to extract information from the general ledger into a database program for report generating purposes. Manual data extraction has been reduced to avoid redundant data input and excessive effort as noted in the prior year.	Ann Jones	Closed	MA	Sep 2004

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03.MA.6	Moss Adams 2003	Cost, Schedule, Budgetary Management, and Reporting	Medium	Reporting	The District should improve Bond Program reporting controls by routinely providing Board level reports that identify Bond Program performance against cost, schedule, scope, and safety goals. Specifically, a procedure should be adopted to provide a complete report to Board Members and District Administration. This report should cover all Bond projects and should include a) earned value comparison to anticipated cost schedules and b) safety incidents.	The District improved the Bond Program reporting controls. The District now provides monthly Board-level and CBOC reports that summarize Bond Program performance against costs, schedule, scope, and safety goals.	Ty Williams	Closed	MA	Sep 2004
03.MA.7	Moss Adams 2003	Implementation Plan Approach and Equitable Sharing of Bond Proceeds	Medium	Implementation Plan Changes	Changes to the Implementation Plan need to be carefully managed.	The District implemented the Board Policy to require Board approval of modification to plans established in the Implementation Plan.	Ty Williams	Closed	MA	Sep 2004

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03.MA.8	Moss Adams 2003	Schedule, Quality, Scope Management, and Performance Controls	Medium	Policies and Pro-cedures	District policies and procedures related to facilities construction can be improved to properly control program performance.	District policies and procedures are constantly being reviewed, refined, and improved.	Steve Adamo	Closed	MA	Oct 2006