

MEETING AGENDA
Board Audit Committee

6:00 PM

April 4, 2016

East Side Union High School District Education Center
Superintendent's Conference Room
830 North Capitol Avenue
San Jose, CA 95133-1398

In compliance with the Americans with Disabilities Act, if you need special assistance, disability-related modifications or accommodations, including auxiliary aids or services, in order to participate in the public meeting of the Audit Committee, please contact the office of the District Superintendent at (408) 347-5011. Notification 72 hours prior to the Special Meeting will enable the District to make reasonable arrangements to ensure accommodation and accessibility to this meeting. Upon request, the District shall also make available this agenda and all other public records associated with this meeting in appropriate alternative formats for persons with a disability.

1. Call to Order/Roll Call

2. Introductions

A welcome is extended to the current, reappointed and newly appointed members of the Audit Committee

- Board Member Pattie Cortese - Previously served as Vice Chair and is the newly appointed Chair
- Board Member Van Le - Newly appointed Vice Chair
- Bruce Berg - Reappointed Member
- Jon Reinke - Reappointed Member
- Frank Stephens - Reappointed Alternate Member
- Dan Juchau – Continuing Member

3. Adopt Agenda

4. Special Order of Business

Individuals may be permitted to present an item out of order on the agenda to accommodate their schedules.

5. Public Comments

Members of the public may address the Audit Committee on any subject not on the agenda; however, provisions of the Brown Act (Government Code 54954.2(a) and 54954.3) preclude any action. As an unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Committee may instruct the Chair to agendize the item for a future meeting.

6. Approval of Minutes

Action: Minutes from the December 7, 2015, meeting will be presented for approval.

Chair / Vice Chair

7. Discussion/Action: Updates

Pattie Cortese, Chair, and Van Le, Vice Chair, will provide update.

Senior Manager of Internal Controls

8. Discussion/Action: Cash Handling and Associated Student Body (ASB)

Kelly Kwong, Senior Manager of Internal Controls, will provide an update on ASB matters.

9. **Discussion/Action: Fraud, Waste and Abuse Hotline**

Kelly Kwong, Senior Manager of Internal Controls, will report on the status of the Fraud, Waste and Abuse Hotline.

10. **Discussion/Action: Internal Audit Reports**

Kelly Kwong, Senior Manager of Internal Controls, will present the internal audit reports

- A. FY16-04 Accounts Payable Timeliness
- B. FY16-05 Facility Work Orders
- C. FY16-06 Synthetic Turf Maintenance

External Auditor

11. **Discussion/Action: Annual Audit 2015-16**

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present the 2015-16 engagement letters and the scope of work to be performed for the annual financial audit and the bond audit reports. Also, the results from the recent school site testing will be provided.

Superintendent / Associate Superintendent of Business Services

12. **Discussion/Action: ASB Fundraising for Outside Organizations**

Marcus Battle, Associate Superintendent of Business Services, and Karen Poon, Director of Finance, will present Administrative Bulletin No. 012 on ASB Fundraising for Outside Organizations.

13. **Discussion/Action: Facility Use**

Marcus Battle, Associate Superintendent of Business Services, Andre Bell, Director of Purchasing and Capital Accounting, and Debbie Ramirez, Facility Rental Manager, will provide a demonstration and usage analysis of Facilitron, an on-line facility reservation system. Also, a progress update on the recommendations from the Facilities Use Audit Report FY16-01 will be provided.

14. **Discussion/Action: Bond Performance Audit**

Marcus Battle, Associate Superintendent of Business Services, Andre Bell, Director of Purchasing and Capital Accounting, Julio Lucas, District Architect, will present an update on the progress of the recommendations from the Bond Performance Audit performed by Moss Adams, LLP.

15. **Discussion/Action: Fixed Asset Audit**

Marcus Battle, Associate Superintendent of Business Services, and Andre Bell, Director of Purchasing and Capital Accounting, will present a progress update on the recommendations from the Fixed Asset Audit performed by CPRS Fixed Asset and Inventory Solutions.

Audit Committee Business

16. **Discussion/Action: Audit Committee Charter**

The finalized revised Audit Committee Charter was approved at the December 10, 2015 Board meeting.

17. **Discussion/Action: Future Meetings**

Audit Committee has scheduled the next meeting for 6pm on August 23, 2016.

18. **Superintendent Communications/Comments**

- Chris D. Funk, Superintendent
- Marcus Battle, Associate Superintendent of Business Services

19. Audit Committee Member Comments

Individual Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.

20. Future Agenda Items

Child Nutrition Services Audit Report FY16-2 update for August 2016

21. Adjournment

EAST SIDE UNION HIGH SCHOOL DISTRICT

Minutes of Meeting

Unapproved

ITEM 6

Board Audit Committee

December 7, 2015

6:00 PM

East Side Union High School District
Education Center

Superintendent's Conference Room
830 Capitol Avenue, San Jose, CA 95133-1398

1. Call to Order /Roll Call

The meeting was called to order at 6:03 PM by Chair Frank Biehl.

Committee members present for the roll call:

Chair Biehl, Vice Chair Cortese, Member Berg, Member Juchau, Member Reinke and Alternate Member Stephens.

Staff present:

- *Chris Funk*
- *Marcus Battle*
- *Kelly Kwong*
- *Karen Poon*
- *Mary Guillen*
- *Linda da Silva*
- *Andre Bell*

Presenter present:

- *Joyce Peters, External Auditor – VTD*
- *Curtis Matthews, Partner at Moss Adams, LLP*

Public present:

- *Nick Leon*

2. Introductions

Chair Biehl extended a welcome to the Audit Committee.

3. Adopt Agenda

The agenda was adopted as presented.

4. Special Order of Business

Individuals may be permitted to present an item out of order on the agenda to accommodate their schedules.

There was no special order of business.

5. Public Comments

Members of the public may address the Audit Committee on any subject not on the agenda; however, provisions of the Brown Act (Government Code 54954.2(a) and 54954.3) preclude any action. As a unagendized item, no response is required from the Audit Committee or district staff and no action can be taken; however, the Board may instruct the Chair to agendize the item for a future meeting.

There were no public speakers under this section.

6. Approval of Minutes

Action: Minutes from the August 25, 2015, meeting will be presented for approval.

Motion by Member Reinke, second by Member Berg, to approve the Board Audit Committee Minutes of August 25, 2015, as presented.

Vote: 5/0

Chair / Vice Chair

- 7. Discussion/Action: Updates** - Frank Biehl, Chair, and Patti Cortese, Vice Chair, will provide updates to the Committee as necessary.

No updates were presented under this item.

Senior Manager of Internal Controls

8. Discussion/Action: Cash Handling and Associated Student Body (ASB)

Kelly Kwong, Senior Manager of Internal Controls, will present guidelines regarding donations to outside organizations.

Kelly Kwong, Senior Manager of Internal Controls, presented to the Committee guidelines regarding donations to outside organizations.

Nick Leon, a member of the community, presented his concerns.

Associate Superintendent Marcus Battle discussed fundraising by ASB and donating to outside organizations. A draft Administrative Bulletin, Associated Student Body (ASB) and Fundraising for Outside Organizations, was presented to the Committee for their review. Discussion was held regarding fundraising for outside organizations. Mr. Battle indicated that these funds cannot be comingled with ASB funds, unless a Board approved trust account has been established for that fundraiser. A trust account is only for a limited amount of time for a specific fundraising activity. Once funds have been raised, a check is issued to the cause being supported and then the account is closed out. The Administrative Bulletin provides guidelines on how to set it up and that funds cannot be comingled into a regular ASB account.

Nick Leon, a member of the community, presented his concerns regarding fundraising by the Interact Club. He indicated that Interact Clubs are sponsored by Rotary, but they are school clubs. He asked that the District consider 30 days for closing the account.

Member Reinke suggested that if club is going to donate as a charitable activity, the donation should require pre-approval by the Board of Trustees.

Superintendent Funk suggested having a designee review/approve the charitable activity and Board ratify after the fact. It was also suggested that site advertising for the charitable event be specific; that it is not for ASB students and is for an outside organization. Persons need to know who they are contributing to and the purpose.

Chair Biehl suggested that administration move forward with the Administrative Bulletin and place this item on agenda at the next meeting for further discussion. It was also suggested and incorporating some of the feedback into the Administrative Bulletin.

Administration will look further into this item and provide an update at the next meeting.

9. Discussion/Action: Fraud, Waste and Abuse Hotline

Kelly Kwong, Senior Manager of Internal Controls, will report on the status of the Fraud, Waste and Abuse Hotline.

There have been no reports filed since the last report out. The system is active and current.

External Auditor

10. Discussion/Action: Annual Audit 2014-15

Joyce Peters, Partner at Vavrinek, Trine, Day & Co., LLP, will present a draft unaudited actual financial report for the fiscal year 2014-15.

External Auditor Joyce Peters presented the draft unaudited actual financial reports for 2014-2015. She asked the Committee to review the draft and provide feedback to her by the end of week with any comments/concerns. She discussed the new report format. There were no findings in the reports.

Member Berg pointed out the statement on page 14, fist paragraph, regarding the 2014-15 9,931 AP exams taken by 5,100 students. That is significant. The District should get some accolades for their hard work.

Superintendent / Associate Superintendent of Business Services

11. Discussion/Action: Discussion/Action: Bond Performance Audit

Marcus Battle, Associate Superintendent of Business Services, with Curtis Matthews, Partner at Moss Adams, LLP, and Charnee Foston, Senior Associate at Moss Adams, LLP, will present the Bond Performance Audit.

Curtis Matthews, Partner at Moss Adams, LLP, presented his findings on the bond performance audit. They used a rather extensive scope for their audit. They completed their audit based on compliance with Proposition 39 and also by the criteria set by the District's outline. It was also mentioned that they are required by the state to verify that the funds were used for approved Bond Program purposes as stated with the bond.

They looked at all expenditures and at the Bond language to verify if the expenditures were or were not compliant. They sampled 3 million expenditures out of 8 million expenditures across the Bond Programs. They found the District to be generally compliant. They did find two exceptions within Measure G, which related to expenditures applicable to a different bond expense it should have been applied to. As soon as they brought it to the District's attention, the discrepancy was remedied by moving monies from one Bond to another Bond Program. They also looked for those types of expenditures to see if there were more expenditures of that same nature that needed to be moved from one Bond to another Bond Program.

They also looked at Bond Program management and budget management reporting. One observation was the District's use of the Master Plan that guides the program as a whole. The District is doing things beyond what Prop 39 requires, which is a good thing. This is a great statement about the District.

All their recommendations are an opportunity to take a good Bond Program and make it better. They saw a lot of prioritization of projects, the least important to the most important.

In the area of procurement, the basics are being followed. In terms of the bidding process, the District is at some risk. There were certain procedures not being followed consistently through their sampling, which should be followed. Also, in getting support when there is not the requisite number of bids for projects, there needs to be an explanation as to why and what is being paid. If one bid is received, an analysis of that one bid still needs to be made and also looking at the cost of that construction. That is one area that needs to be looked at for some alternative means, such as a list of qualified bidders.

Page 3:

Another item is the CIP Report. It is recommended that the CIP Reports be more complete.

Page 4:

They looked into delays in schedules and timelines. There were four primary root causes for delays in projects. One is extended procurement. Another site requested delays where access has been an issue for the construction. Another is change orders. There is also a review by legal counsel, which can take quite some time looking at the terms and conditions of contracts.

They also looked into change management and claims controls. The District's change order process is pretty good – looking at the cause, cost, who is responsible and what is the process. In the area of claims avoidance, specifically procedures, the District does not have any procedures on how to avoid claims, how to address potential issues, which could become a claim before they become a claim. It is recommended that procedures be developed.

In terms of communication, the District has a great facilities website with a lot of really good information. Some of the information that could be better disseminated by other means is what is being suggested. For example, there is a newsletter on the website. It was suggested that it be disseminated in electronic format.

Some of the good practices include: good enrollment estimates; capital reorganization plan; design and construction standards; policies and procedures for the Bond Program; public meetings held are good; change order controls; and procurement has good approval controls in place.

Mr. Matthews stated that there are some good opportunities for improvement.

There was also discussion about not having two different bond performance audits in the future. Vavrinek, Trine, Day & Co., LLP (VTD) performs an audit on an annual basis. In addition to the annual audit performed by VTD, the District engaged Moss Adams whose audit findings were slightly different. Discussion was held to only have one bond performance audit.

An update on the Bond performance audit will be made at the next Audit Committee meeting. The report will be presented to the Board of Trustees, as well as CBOC.

12. Discussion/Action: Facility Use

Marcus Battle, Associate Superintendent of Business Services, will provide a progress update on the recommendations from the Facilities Use Audit Report FY16-01.

The new Facilitron online facility use system became available for public use on December 4, 2015. Available of facilities is real time and can be viewed by date. Supporting document/required documents to accompany the reservation/request can be uploaded to the system. Payment for the facility use can be made by credit card or check. The new Facility Rental Manager has been hired. The public can also view online an image of the facility prior to renting the facility.

A presentation on the system will be made to the Audit Committee at their next meeting, including a usage date report.

13. Discussion/Action: Child Nutrition Services

Marcus Battle, Associate Superintendent of Business Services, and Julie Kasberger, Director of General Services, will present a progress update on the recommendations from the Child Nutrition Services Audit Report FY16-02.

Julie Kasberger presented a progress update on the recommendations from the Child Nutrition Services Audit Report FY 16-02 to the Audit Committee. Nine areas of buckets were found that needed to be looked into. Within each bucket, there were recommendations. There were a total of 51 recommendations. A list of the recommendations with a target date

of when the recommendation will be completed and the person responsible was developed. Items number five and number six, point-of-service items, will be pushed out to 2017-2018 because the Ed Tech Bond will be covering those costs.

As for the salad bars, the students are enjoying them. The current issue is that salad bars must be located indoors. Creative solutions are being developed at the sites in order to provide salad bars indoors.

Budgeting was previously decentralized at the sites. It is now centralized, including the submission and approval of supplies orders at central office.

A progress report will be provided to the Audit Committee at their August 23, 2016, meeting.

Audit Committee Business

14. Discussion/Action: Audit Committee Charter

The finalized revised Audit Committee Charter was presented for a first reading at the November 19, 2015, Board meeting. It is expected that the revisions will be approved with the second reading at the December 10, 2015, Board meeting

The second reading of the changes to the Audit Committee Charter will be presented to the Board at their meeting of December 10, 2015, for review and adoption.

15. Discussion/Action: Audit Committee Members – Terms and Appointment Process Review

Audit Committee will review the terms served by each Member, draft vacancy announcement and application.

15A. Member Terms

15B. Draft Announcement Seeking Applicants

15C. Member Application

A list of Audit Committee Members, their terms and when they are up for reappointment was shared with the Committee. Members who are reapplying to serve on the Committee can submit an email indicating that they wish to reapply, as long as there have been no changes to their conflict of interest statement.

16. Discussion/Action: Future Meetings

Audit Committee has scheduled the next meeting for 6 pm on March 22, 2016, and August 23, 2016. Request to reschedule the March 22, 2016, meeting.

There is a conflict with the March 22, 2016, meeting. The Committee will be polled for a new meeting date via Doodle Poll.

17. Superintendent Communications/Comments

- Chris D. Funk, Superintendent

Superintendent Funk thanked the Business Office for all the work they've done. He thanked Kelly Kwong for all her hard work in putting the meeting together, as well as her ongoing support outside of the Audit Committee.

- Marcus Battle, Associate Superintendent of Business Services (*no comment provided*)

18. Audit Committee Member Comments

Individual Audit Committee members may report on programs, conferences, meetings attended and/or items of interest to the public. An Audit Committee member may wish to express a concern or observation about a topic not appearing on the agenda, or request items to be scheduled on a future agenda.

19. Future Agenda Items

The following items were requested for placement on a future agenda:

Item	Date	Requested By
<i>ASB Fundraising & Donating to Outside Group – Accessing ASB Funds</i>	<i>March, 2016</i>	<i>Frank Biehl</i>
<i>(to be listed under administration) Discussion/Action: Progress/Update on Internal Audit Reports A. FY16-01 Facility Use Audit Report B. FY16-02 Child Nutrition Services Audit Report</i>	<i>March, 2016</i>	<i>Frank Biehl</i>
<i>Online Facility Use Demonstration & Data Use Information</i>	<i>March, 2016</i>	<i>Committee</i>
<i>Update: Bond Performance Audit</i>	<i>March, 2016</i>	<i>Frank Biehl</i>

Calendared from prior meetings:

Item	Date	Requested By
<i>Appoint Subcommittee to review Charter</i>	<i>Fall (annually)</i>	<i>Frank Biehl</i>

20. Adjournment

Chair Biehl adjourned the meeting at 8:10 PM.

Respectfully submitted,

*Pattie Cortese
Board Audit Committee Chair*



Preparing every student to thrive in a global society.

ITEM 10A

Date: March 25, 2016
To: Pattie Cortese, Audit Committee Chair, and Van T. Le, Audit Committee Vice-Chair
From: Kelly Kwong, Senior Manager of Internal Controls
Subject: Accounts Payable Timeliness (FY16-04)

EXECUTIVE SUMMARY

Objective

The following reports the observations of an Internal Audit review of Accounts Payable timeliness as requested by a Board Member. This was an operational review aimed at discovering opportunities for improvements.

Scope / Procedures

Internal Audit conducted several interviews with District staff and school site personnel during January 2016 to March 2016 to obtain an understanding of the District's accounts payable process and to solicit their opinions on how to improve the timeliness of paying invoices and reimbursing employees. Internal Audit performed several process walk-throughs and selected a small sample for review.

Auditor's Summary and Conclusion

The review of Accounts Payable timeliness was an operational efficiency review. Therefore, these process improvement recommendations are optional and for management's consideration without Internal Audit's follow up.

Process improvements were noted as follows:

1. Need for more training and awareness of policies and procedures;
2. Policies lack accessibility and completeness;
3. Lack of timely entry of request for purchase orders;
4. Employee requests for reimbursement limit and use of Purchasing Department;
5. Electronic employee expense reimbursement system and timeliness.

Please refer to the Process Improvements section of this report for a detailed discussion of items identified and Internal Audit's recommendations to address those items.

Distribution:

Superintendent's Council

East Side Union High School District Board of Trustees

Lan Nguyen, President

Frank Biehl, Vice President

J. Manuel Herrera, Clerk

Pattie Cortese, Member

Van T. Le, Member

Chris D. Funk, Superintendent

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1. Need for More Training and Awareness of Policies and Procedures

Accounts Payable processes all invoices and employee reimbursements weekly. However, based on the Internal Audit review, it appears that if the invoice or reimbursement request is incomplete or incorrect then the timing for the processing and payment may become unpredictable and may result in significant delays.

A few school site employees stated they want to do the right thing, but do not know what the right thing is. Some employees go with past practice or what someone told them in regards to Purchasing and Accounts Payable practice without actually referencing policies and procedures. Many school site employees rely on the Principal's Secretaries, Department Secretaries and Administrative Secretaries (collectively now referred as Administrative Support) knowledge of the process. Business Services hosted a training in October 2015 and March 2016 for the Administrative Support who are expected to quality review the employee reimbursements prior to submission. Accounts Payable received the employee reimbursements with mistakes either because the Administrative Support did not do a quality review or they do not clearly understand the policies and procedures themselves or the policies are not clear or complete.

Accounts Payable previously followed up with the Administrative Support for missing items, but starting October 2015 Accounts Payable are now following up with the original requestor, and copying the Administrative Support, whom do not always respond in a timely manner if at all even after email reminders. Time passes while Accounts Payable awaits a response. Accounts Payable historically made the corrections without notifying the requestor because of time constraints, but more recently started to notify the requestor.

Recommendation

Administrative Support should consistently quality review all employee reimbursement requests prior to forwarding requests to Accounts Payable to ensure all supporting documents are attached like original receipts, preapproval evidence, and proper chart of account numbers are used. Accounts Payables should conduct more training at the school sites and educate requestors on the common mistakes and corrections. Some Administrative Support should get one-on-one training. Accounts Payable should not make changes on an employee reimbursement requests unless the requestor is notified. Otherwise, that practice can create mistrust between the sites and the Accounts Payable Department. If a requestor and the Administrative Support has not responded to a request for clarification or more information, Accounts Payable should still follow up on outstanding requests systematically to ensure employee reimbursement requests are closed timely.

2. Policies Lack Accessibility and Completeness

The revised Board Policy and Administrative Regulation No. 3350 Travel Expense policies were emailed November 2015 to a limited number of roles but the Internal Audit review determined not all recipients were opening the emails. With employee turnover and reassignments, employees may not have received the policies. Although there is a central repository of policies at BoardDocs under the District's website, it is not widely known and not all policies are current or uploaded. Business Services revised all administrative regulations in 2014 but were never provided for upload into BoardDocs. Business Services maintains the Administrative Bulletins under the Intranet, but again, it is not widely known. One school site had old forms without knowing there were updates. Without documented policies and procedures, mistakes are made which can cause Accounts Payable to refuse or delay payments. Not all situations are addressed in the current policies like what is an allowed expense or not or when is a credit card statement a required supporting document. Employees get frustrated when personal funds are already spent and the request for reimbursement is questioned after the fact and even denied in some case.

Recommendation

Policies and procedures should be updated, accessible and widely available for all employees to reference and utilize. Policies should be sent to all employees and not just certain positions. Central repository should be maintained with current and complete policies. Business Services should conduct trainings at each school site to introduce the policies repository and provide the latest forms since emails are not always read. Policies should be clear on what is and is not an allowable reimbursement and what requirements are needed. A flow chart, checklist or procedural steps should be created and provided to all employees.

3. Lack of Timely Entry of Request for Purchase Orders

Invoices are received, but cannot be paid without an approved purchase order. Ideally, a purchase order should have been processed before ordering merchandise or services. Request for purchase orders are entered into the accounting system mainly by the Administrative Support who have other priorities and are not processed as timely as may be the requestor's perception. Requestor's dependency on the Administrative Support has caused bottlenecks when there are no other back up support, especially during the summer months. It also takes time to process a budget transfer request. During the Internal Audit review, Purchasing began meeting with each school site to provide training.

Recommendation

Sites should have more than one person who can initiate a request for purchase order. Original requestors who have the most vested interest or at least a designated back-up to the Administrative Support should have access to initiate the request for purchase order. Once it is in the Purchasing system, there is a date stamp that should encourage timely processing. Purchase

orders should be processed before ordering merchandise or services. Purchasing is commended for going to the school sites and should continue such outreach.

4. Request for Employee Reimbursement Limit and Use of Purchasing Department

There are currently three methods an employee can be reimbursed: through the Travel/Conference Approval and Expense Claim Form, Mileage Reimbursement Form and Request for Reimbursement Form. There is some confusion on what is allowed versus not allowed as employee reimbursement. The Request for Reimbursement requires preapproval if the amount is greater than \$100. It is a common practice to split purchases in order to be below the \$100 limit. The \$100 limit seems low, but meant to encourage employees to go through the Purchasing cycle instead of through the employee reimbursement process. Employees are requesting reimbursement for office supply purchases instead of using the District approved vendor Palace Business Solutions through the purchase order system. This may result in added costs to the District since the District may not receive favorable pricing for such purchases.

Recommendation

Business Services should provide more guidance on what employee reimbursements are allowed versus not allowed. Business Services should also consider increasing the request for reimbursement preapproval limit to a more reasonable and practical amount. Employees should use the purchase order system instead of the employee reimbursement system to realize the District's volume discounts. Administrative Support and Purchasing should provide timely turn around to encourage employee usage of the Purchasing cycle instead of employee reimbursement.

5. Electronic Employee Expense Reimbursement System and Timeliness

The requestors start their measure date of timeliness once requestor signs the reimbursement request. But it takes time for the Administrative Support to quality review and then present request for management signature and possibly other signatures for dollar limit and funding source reasons. But there is no visibility on the timeliness of each approval. Without transparent accountability, each approver could take days or weeks to approve. An electronic system would provide transparency of the approval process which has a date stamp and reminder system built in to encourage faster process flow. The current employee reimbursement system is manual and prone to human error. An electronic system would enable data analytics to detect errors early and provide management reports.

Recommendation

Given that the requestor has a more vested interest, and in light of the current technology available, Business Services should implement an on-line electronic employee reimbursement request system that would allow employees to directly enter the request. The electronic date stamp would encourage timely approvals with reminder emails to ensure work continues to flow.



Preparing every student to thrive in a global society.

ITEM 10B

Date: March 25, 2016
To: Pattie Cortese, Audit Committee Chair, and Van T. Le, Audit Committee Vice-Chair
From: Kelly Kwong, Senior Manager of Internal Controls
Subject: Facility Work Order Process (FY16-05)

EXECUTIVE SUMMARY

Objective

The following reports the observations of an Internal Audit review of facility work order process as requested by a Board Member. This was an operational review aimed at discovering opportunities for improvements.

Scope / Procedures

Internal Audit conducted several interviews with District staff and school site personnel during January 2016 to March 2016 to obtain an understanding of the process and to solicit their opinions on how to improve the timeliness of resolving facility work orders.

Auditor's Summary and Conclusion

The review of facility work orders was an operational review for efficiency that has no direct impact on the financial statements. Therefore, the process improvement recommendations are optional and for management's consideration without Internal Audit's follow up.

Process improvements were noted as follows:

1. Electronic work order management system outdated and limited;
2. Lack of communication, coordination and planning;
3. Inconsistent practice, reliance on network;
4. School site versus District Office responsibility; and
5. Lack of shared management and management reports.

Please refer to the Process Improvements section of this report for a detailed discussion of items identified and Internal Audit's recommendations to address those items.

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1. Electronic Work Order Management System Outdated and Limited

The 15 year old SPMMS electronic work order management system was labeled insufficient in 2013 and a decision to implement an upgraded system was made in 2014. The actual upgrade of the system was delayed. Primary observations regarding the current SPMMS system are:

- a. The system allows only one access user per site which causes bottlenecks and delays in entering the work order, if even entered at all, since the access user may have other work or schedule priorities and is not as vested as the requestor.
- b. Data in the work order system is not completely accurate given that the information is not consistently translated accurately from the original requestor to the system access user, which causes delays.
- c. Original requestor has no visibility in the work order system and is dependent on the access user; therefore, requestor has limited information and correspondence, if any at all.
- d. Technicians are given hardcopy printouts as their daily task assignment, but this process lacks two-way communication to gather additional specific or precise data to accomplish the task.
- e. Knowing that the system was going to be replaced, some users were not incentivized to maintain accurate data or even use the system at all and continued to rely on emails.

Maintenance and Operations (M&O) is actively planning the implementation of Web Help Desk, which is what the District's Information Department has been using. Web Help Desk will allow multiple access users, email correspondence with original requestor, among other improved features.

Recommendation

Since the start of this Internal Audit review, M&O has expedited the implementation of Web Help Desk, the upgraded work order management system. M&O should launch the new work order management system as soon as possible.

2. Lack of Communication, Coordination and Planning

Work orders are closed or left unanswered and the lack of communication leads to school site frustration and resulting in the entry of another work order for the same issue (unnecessary duplication of effort). School sites are not always told when the District maintenance crew is on site or is scheduled to be on site. School sites learn after the fact the District M&O was at the site, and left. Due to the lack of effective communication there were physical access issues with unannounced visits. Sometimes parts and supplies were missing which caused additional delays. Some visits were not productive and had no results. Some jobs were left unfinished and, it was reported, it could take months for M&O to return to close the area. A swing shift trailer crew was developed to focus on one site a week but feedback from the schools has been mixed.

Recommendation

District M&O, including the swing shift trailer crew, should plan out and schedule the work and coordinate with the school sites to ensure supplies are acquired and physical access ensured prior

to arrival. The scheduled visit will allow the school site to inspect the completed work prior to the District M&O leaving and closing the work order. This will also help ensure that no potentially dangerous conditions are left unresolved on the site. There should be two-way communication and coordination. Requestors should be notified and given an expectation when the work order will be addressed.

3. Inconsistent Practice, Reliance on Network

Some employees used the electronic work order system while others relied on their network. It appears that District Leads pull work orders from the system based on what they believe to be most important/highest priority to assign. Other work orders deemed low priority stay in the queue and may remain unaddressed. The lack of communication caused requestor frustration. Some issues were escalated and will get addressed depending on the requestor's network or position in the organization. Some employees expressed fear of retaliation for complaining.

All school site kitchen work order requests are funneled to the Child Nutrition Services (CNS) Department Secretary, not the school site, who then emails the Assistant Director of Maintenance and Operations. There is no tracking mechanism to ensure work orders are addressed other than if the Site CNS Managers calls again. Similar to CNS, all District Office work order requests are funneled to the Facilities, Maintenance and Operations Department Secretary who emails the task without entering requests into the work order system. Again, there is no tracking mechanism to ensure matter is addressed unless requestor calls again.

Recommendation

A clear and consistent process of entering and prioritizing requests into the electronic system should be established and practiced since it's easy to forget emails and phone call requests. It is reasonable that emergencies are addressed immediately without first being submitted through the electronic work order system, but that should be limited to true emergencies, i.e. those posing safety or health risks to students, staff and the public. Someone should oversee all entered work orders and triage and assign each work order with the goal of eventually scheduling and addressing all work orders in a reasonable time frame.

4. School Site Versus District Office Responsibility

Lines of responsibility were not always clear between school sites and the District M&O. School sites expected the District Office to perform certain tasks; whereas, the District M&O in turn says it's the school site's responsibility. It is also not clear when it came to use of budgeted funds. Who is supposed to pay for what? Work tends to stall when neither side accepts the work and/or uses their budgeted funds.

Recommendation

Policies and procedures should clearly define school sites' responsibility versus District M&O responsibility in terms of work and budgeted funds. Conflicts should be negotiated and decided

timely. Timeliness should be quantified by management and measurable for better internal customer satisfaction.

5. Lack of Shared Management and Management Reports

Outside consultant Prismatic Services presented a custodial services operational study at the February 12, 2015, Board meeting under item number 9.02. In their report, Prismatic Services stated, *"The district lacks sufficient centralized coordination of its custodial staffs... consistency varied widely among the ESUHSD schools, largely attributable to the historical lack of centralized staff to support and enforce consistency... Custodians in other school districts usually function under shared management, reporting on a daily basis to the school-based administrator but also accountable to a district-level custodial supervisor... Create a custodial operations supervisor position to provide centralized coordination, training, and oversight."*

The Custodial Operations Supervisor position was created and filled June 2015 but the focus appears to be on developing training modules. According to several school sites, it does not appear there was any centralized coordination or additional on the job training from this new position.

With the lack of management reports, it was difficult to determine how management oversaw the magnitude or progress of overall facility work orders, as well as ensuring productivity and efficiency.

Recommendation

The District should evaluate the Custodial Operations Supervisor job description and determine whether changes should be made to the job description and/or the actual job duties to create shared management as recommended by the consultants and the still existing need identified in this audit report.

Management should implement industry standard reporting tools to better oversee resources and measure productivity.



Preparing every student to thrive in a global society.

ITEM 10C

Date: March 25, 2016
To: Pattie Cortese, Audit Committee Chair, and Van T. Le, Audit Committee Vice Chair
From: Kelly Kwong, Senior Manager of Internal Controls
Subject: Synthetic Turf Maintenance (FY16-06)

EXECUTIVE SUMMARY

Objective

The following reports the observations of an Internal Audit review of synthetic turf maintenance as originally requested by a Board Member. This was an operational review aimed at discovering opportunities for improvements to ensure maintenance is performed to maximize the useful lives of synthetic turfs. Turf installation at the District's comprehensive school sites was either in 2004 or 2012. Therefore, the age of the installed turf at the school sites is either 4 years old or 12 years old.

Scope / Procedures

Internal Audit conducted several interviews with District staff and school site personnel during January 2016 to March 2016 to obtain an understanding on the condition of the synthetic turfs and the maintenance history.

Auditor's Summary and Conclusion

The review of synthetic turf maintenance was an operational review that has no direct impact on the financial statements. Therefore, the process improvement recommendations are optional and for management's consideration without Internal Audit's follow up.

Process improvements were noted as follows:

1. Lack of timely execution of plan;
2. Lack of District oversight and shared management.

Please refer to the Process Improvements section of this report for a detailed discussion of items identified and Internal Audit's recommendations to address those items.

Distribution:

Superintendent's Council

East Side Union High School District Board of Trustees

Lan Nguyen, President

Frank Biehl, Vice President

J. Manuel Herrera, Clerk

Pattie Cortese, Member

Van T. Le, Member

Chris D. Funk, Superintendent

830 N. Capitol Ave.

San Jose, CA 95133

T 408.347.5000

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esuhsd.org

1. Lack of Timely Execution of Plan

Maintenance and Operations performed a detailed site-by-site analysis in November, 2014, noting which sites needed equipment and the condition of the synthetic turf. No action has been taken to date. The funding source for the needed equipment was not clear; whether it should be paid by the school site or the District Office budget. Maintenance is mostly relied on paying an outside vendor to perform the annual maintenance at each school site. For the synthetic turfs installed in 2014, warranty is contingent upon performing regular maintenance. Some school sites felt ill equipped to perform the maintenance stating their only training was when the synthetic turf was first installed. In January, 2016, a self-study on-line training module was disseminated via email.

Recommendation

Maintenance and Operations is commended for having a plan and should timely execute the plan. Funding source of the needed equipment should be determined timely so equipment can be secured to enable the school sites to perform the maintenance. Although self-study on-line training manuals became recently available, school site employees should be given face-to-face on the job training.

2. Lack of District Oversight and Shared Management

Each school site has conflicting demands and are reactive when repairs are needed on the synthetic turf. It does not appear there is any proactive and regularly scheduled maintenance performed on all the synthetic turfs. There were discussions about developing a web-based maintenance log to confirm maintenance on synthetic turfs. Several other programs use Google Docs for reminders and checklists to ensure completion.

Recommendation

The District should oversee the synthetic turf maintenance to ensure employees are properly trained, equipped and performing tasks consistently. A tracking mechanism should be implemented for better communication and execution. A District level representative should physically inspect each school site synthetic turf on a regular basis.



February 3, 2016

Mr. Marcus Battle
Assistant Superintendent of Business Services and Operation
East Side Union High School District
830 North Capitol Avenue
San Jose, California 95133

We are pleased to confirm our understanding of the services we are to provide East Side Union High School District (the District) for the year ended June 30, 2016. We will audit the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, including the related notes to the financial statements, which collectively comprise the basic financial statements, of the District as of and for the year ended June 30, 2016. Accounting standards generally accepted in the United States of America provide for certain required supplementary information (RSI), such as management's discussion and analysis (MD&A), to supplement the District's basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. As part of our engagement, we will apply certain limited procedures to the District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

1. Management's Discussion and Analysis.
2. Budgetary Comparison Schedules.
3. GASB required supplementary information such as pension and other post-employee benefit schedule.

We have also been engaged to report on supplementary information other than RSI that accompanies the District's financial statements. We will subject the following supplementary information to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and will provide an opinion on it in relation to the financial statements as a whole:

1. LEA Organization Structure.
2. Schedule of Expenditures of Federal Awards.
3. Schedule of Average Daily Attendance.
4. Schedule of Instructional Time.
5. Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.
6. Schedule of Financial Trends and Analysis.
7. Non-majors governmental funds combining statements
8. Note to Supplementary Information.

Audit Objectives

The objective of our audit is the expression of opinions as to whether your basic financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the financial statements as a whole. The objective also includes reporting on—

- Internal control related to the financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements in accordance with *Government Auditing Standards*.
- Internal control over compliance related to major programs and an opinion (or disclaimer of opinion) on compliance with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of internal control or on compliance and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.

Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America; the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; and the provisions of the Uniform Guidance, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance, and other procedures we consider necessary to enable us to express such opinions. We will issue written reports upon completion of our single audit. Our reports will be addressed to the governing board. We cannot provide assurance that unmodified opinions will be expressed. Circumstances may arise in which it is necessary for us to modify our opinions or add emphasis-of-matter or other-matter paragraphs. If our opinions on the financial statements or the Single Audit compliance opinions are other than unmodified, we will discuss the reasons with you in advance. If for any reason, we are unable to complete the audit or are unable to form or have not formed opinions, we may decline to express opinions or issue reports, or may withdraw from this engagement.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the District. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements or major programs. However, we will inform the appropriate level of management of any material errors, any fraudulent financial reporting, or misappropriation of assets that come to our attention. We will include such matters in the reports required for a Single Audit. Our responsibility as auditors are limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories, and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the financial statements; schedule of expenditures of federal awards; federal award programs; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by generally accepted auditing standards.

Audit Procedures - Internal Control

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

As required by the Uniform Guidance, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major Federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to the Uniform Guidance.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards, *Government Auditing Standards*, and the Uniform Guidance.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the District's compliance with provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the *OMB Compliance Supplement* for the types of compliance requirements that could have a direct and material effect on each of the District's major programs. The purpose of these procedures will be to express an opinion on the District's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to the Uniform Guidance.

Other Services

We will also assist in preparing the financial statements, schedule of expenditures of federal awards, and related notes of the District in conformity with U.S. generally accepted accounting principles and the Uniform Guidance based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*.

Management Responsibilities

Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that District programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for making all financial records and related information available to us and for the accuracy and completeness of that information. You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the District from whom we determine it necessary to obtain audit evidence.

Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the District involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the District received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the District complies with applicable laws, regulations, contracts, agreements, and grants. Management is also responsible for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan.

You are responsible for identifying all federal awards received and understanding and complying with the compliance requirements and for the preparation of the schedule of expenditures of federal awards (including notes and noncash assistance received) in conformity with the Uniform Guidance. You agree to include our report on the schedule of expenditures of federal awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal awards that includes our report thereon OR make the audited financial statements readily available to intended users of the schedule of expenditures of federal awards no later than the date the schedule of expenditures of federal awards is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the schedule of expenditures of federal awards in accordance with the Uniform Guidance; (2) you believe the schedule of expenditures of federal awards, including its form and content, is fairly presented in accordance with the Uniform Guidance; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of expenditures of federal awards.

You are also responsible for the preparation of the other supplementary information, which we have been engaged to report on, in conformity with U.S. generally accepted accounting principles. You agree to include our report on the supplementary information in any document that contains and indicates that we have reported on the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon OR make the audited financial statements readily available to users of the supplementary information no later than the date the supplementary information is issued with our report thereon. Your responsibilities include acknowledging to us in the written representation letter that (1) you are responsible for presentation of the supplementary information in accordance with GAAP; (2) you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (3) the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (4) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information.

You agree to assume all management responsibilities relating to the financial statements, schedule of expenditures of federal awards, related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements, schedule of expenditures of federal awards, and related notes and that you have reviewed and approved the financial statements, schedule of expenditures of federal awards, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, or other confirmations we request and will locate any documents selected by us for testing.

At the conclusion of the engagement, we will complete the appropriate sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to submit the reporting package (including financial statements, Schedule of Expenditures of Federal Awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the Federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include with the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of 30 days after receipt of the auditors' reports or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audits.

The audit documentation for this engagement is the property of Vavrinek, Trine, Day & Co., LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to State of California, State Controller's Office or its designee, a Federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Vavrinek, Trine, Day & Co., LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested. If we are aware that a Federal awarding agency, pass-through entity, or auditee is contesting an audit finding, we will contact the party(ies) contesting the audit finding for guidance prior to destroying the audit documentation.

Joyce Peters is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fixed fee for 2015-16 services will be \$57,000. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 60 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report(s). You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

Additional audit fees may be assessed if additional auditing services are provided for (1) any changes in reporting format and/or audit requirements as stated in *Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California State Controller's Office or Governmental Accounting Standards Board, (2) any changes in the number of funds or accounts maintained by the Organization during the period under this contract, and (3) additional audit procedures required due to the lack of preparation for the audit on the part of the Organization. These fees shall be in addition to the above fee for audit services.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2015 peer review accompanies this letter.

The final installment will represent the 10% withheld amount pursuant to *Education Code* 14505 and will be presented for payment upon certification by the Controller that the audit report conforms to the reporting provisions of the Audit Guide. All billings for additional audit fees or services will be billed as these services are provided. In accordance with *Education Code* Section 14505 (b), the District shall withhold fifty percent (50%) of the audit fee for any subsequent year of multi-year contract if the prior year's audit report was not certified as conforming to reporting provisions of the audit guide. This contract shall be null and void if a firm or individual is declared ineligible pursuant to subdivision (c) of Section 41020.5. The withheld amount shall not be payable unless payment is ordered by the State Board of Accountancy or the audit report for that subsequent year is certified by the controller as conforming to reporting provisions of the audit guide.

If a dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to litigation. The costs of any mediation proceedings shall be shared equally by all parties. The District and Auditors both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the rules of the American Arbitration Association. Such arbitration will be binding and final. **IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF DISPUTE OVER FEES, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.**

The form and content of the annual audit shall be in conformity, to the extent practicable, with such form and content as may be prescribed by the State of California under Section 41020 of the *Education Code, Audits of State of Local Governments*, issued by the U.S. Office of Management and Budget, as issued pursuant to the Single Audit Act Amendments of 1996.

Vavrinek, Trine, Day & Co., LLP has owners that are not licensed as certified public accountants as permitted under Section 5079 of the California Business and Professions Code. It is not anticipated that any of the non-licensee owners will be performing audit services for the agency.

We appreciate the opportunity to be of service to the District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign below and emailed to us a signed copy, and please keep the original copy for your records.

Sincerely,



Joyce Peters
of VAVRINEK, TRINE, DAY & CO., LLP

RESPONSE:

This letter correctly sets forth the understanding of East Side Union High School District.

By: _____

Title: _____

Date: _____

YANARI WATSON MCGAUGHEY P.C.

DALE M. YANARI (1947-2004) ♦ RANDY S. WATSON ♦ G. LANCE MCGAUGHEY ♦ DON W. GRUENLER
FINANCIAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

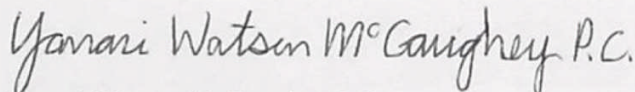
May 22, 2015

To the Partners of
Vavrinek, Trine, Day & Co., LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Vavrinek, Trine, Day & Co., LLP has received a peer review rating of *pass*.



Yanari Watson McGaughey P.C.

9250 EAST COSTILLA AVENUE, SUITE 450
GREENWOOD VILLAGE, COLORADO 80112-3647
(303) 792-3020
FAX (303) 792-5153

web site: www.ywmcpa.com



VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

ITEM 11B

VALUE THE DIFFERENCE

February 8, 2016

Mr. Marcus Battle
Assistant Superintendent of Business Services and Operation
East Side Union High School District
830 North Capitol Avenue
San Jose, California 95133

We are pleased to confirm our understanding of the services we are to provide East Side Union High School District (the District). We will perform the required annual financial audit of the proceeds from the sale of the bonds and the required performance audit to ensure that the funds have been expended only on the specific projects listed for the period beginning July 1, 2015 and ending June 30, 2016, in accordance with the compliance requirements of Section 1 of Article XIII A of the California Constitution.

Financial Audit

We will audit the financial statements of the **2002 Measure G, 2008 Measure E, 2012 Measure I and 2014 Measure I Fund** (the Funds) of the District as of and for the year ended June 30, 2016. The financial statements will present only the Funds and will not purport to, and will not be intended to present fairly the financial position and results of operations of the East Side Union High School District in conformity with accounting principles generally accepted in the United States of America.

Audit Objectives

The objective of our audit is the expression of opinions as to whether the Funds' financial statements are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit will be conducted in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and will include tests of the accounting records of the Funds and other procedures we consider necessary to enable us to express such opinions. If our opinions on the financial statements are other than unmodified, we will fully discuss the reasons with you in advance. If circumstances occur related to the condition of your records, the availability of sufficient, appropriate audit evidence, or the existence of a significant risk of material misstatement of the financial statements caused by error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment prevent us from completing the audit or forming an opinion on the financial statements, we retain the right to take any course of action permitted by professional standards, including declining to express an opinion or issue a report, or withdrawing from the engagement.

We will also provide a report (that does not include an opinion) on internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a material effect on the financial statements as required by Government Auditing Standards. The reports on internal control and compliance will each include a paragraph that states that the purpose of the report is solely to describe the scope of testing of internal control over financial reporting and compliance, and the result of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance, and that the report is an integral part of an audit performed in accordance with Government Auditing Standards in considering internal control over financial reporting and compliance. The paragraph will also state that the report is not suitable for any other purpose.

If during our audit we become aware that the Funds are subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in Government Auditing Standards may not satisfy the relevant legal, regulatory, or contractual requirements.

Management Responsibilities

Management is responsible for the Funds' financial statements and all accompanying information as well as all representations contained therein. As part of the audit, we will assist with preparation of your financial statements and related notes. You are responsible for making all management decisions and performing all management functions relating to the financial statements and related notes and for accepting full responsibility for such decisions. You will be required to acknowledge in the management representation letter our assistance with preparation of the financial statements and that you have reviewed and approved the financial statements and related notes prior to their issuance and have accepted responsibility for them. Further, you are required to designate an individual with suitable skill, knowledge, or experience to oversee any nonaudit services we provide and for evaluating the adequacy and results of those services and accepting responsibility for them. Management is responsible for establishing and maintaining effective internal controls, including evaluating and monitoring ongoing activities, to help ensure that appropriate goals and objectives are met; for the selection and application of accounting principles; and for the fair presentation in the financial statements of the Funds, in conformity with U.S. generally accepted accounting principles.

Management is also responsible for making all financial records and related information available to us and for ensuring that management and financial information is reliable and properly recorded. . You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the financial statements, (2) additional information that we may request for the purpose of the audit, and (3) unrestricted access to persons within the government from whom we determine it necessary to obtain audit evidence. Your responsibilities include adjusting the financial statements to correct material misstatements and for confirming to us in the representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the government involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud or illegal acts could have a material effect on the financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the government received in communications from employees, former employees, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants for taking timely and appropriate steps to remedy any fraud, illegal acts, violations of contracts or grant agreements, or abuse that we may report.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed in the Audit Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions, for the report, and for the timing and format for providing that information. With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your website, management understands that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

Audit Procedures - General

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. Because the determination of abuse is subjective, Government Auditing Standards do not expect auditors to provide reasonable assurance of detecting abuse.

Because an audit is designed to provide reasonable, but not absolute assurance and because we will not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us, even though the audit is properly planned and performed in accordance with U.S. generally accepted auditing standards and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements. However, we will inform the appropriate level of management of any material errors or any fraudulent financial reporting or misappropriation of assets that come to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditor is limited to the period covered by our audit and does not extend to later periods for which we are not engaged as auditors.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of inventories (delete if not significant inventories exist), and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will require certain written representations from you about the financial statements and related matters.

Audit Procedures - Internal Controls

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Tests of controls may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*.

An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. However, during the audit, we will communicate to management and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures - Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Funds' compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Performance Audit

We will prepare a performance audit of the Funds for the proceeds of the District for the year ended June 30, 2016.

Objectives

The purpose of the Performance Audit is to meet the Proposition 39 requirements for the Funds' proceeds to ensure compliance with Section 1 of Article XIII A, Section 1(b)(3)(C) of the California Constitution. This includes that the Proposition 39 Bond proceeds are expended only on the specific projects listed in the bond language approved by the voters and no Bond proceeds are being spent on administrative salaries or any other expenses that would otherwise be the obligation of the District's General Fund. The Performance Audit will be conducted in accordance with *Government Auditing Standards*.

Scope and Methodology

Our procedures for the Performance Audit will be as follows:

- Procure a detail of the accounting for the expenditures of the Funds.
- Review the detailed accounting of expenditures to determine if proceeds are being spent on administrative salaries or any other school operating expenses.
- From a sample of construction expenditures from the detailed accounting of expenditures, review expenditures to determine if proceeds expended are for specific projects as listed in the voter approved bond language. .

Engagement Administration, Fees, and Other

The audit documentation for this engagement is the property of Vavrinek, Trine, Day & Co., LLP and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to third parties for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Vavrinek, Trine, Day & Co., LLP personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

The audit documentation for this engagement will be retained for a minimum of seven years after the report release date or for any additional period requested by the California Department of Education, the California State Controller, or during any pending board investigation, disciplinary action, or legal action involving the licensee or the licensee's firm.

Joyce Peters is the engagement partner and is responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. Our fee for the Financial Audit and Performance Audit services will be **\$20,000** for the period ending June 30, 2016. Our fee is all inclusive of out of pocket expenses, such as travel and mileage. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 90 days or more overdue and may not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notification of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket costs through the date of termination. The above fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs.

If a dispute arises among the parties hereto, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to litigation. The costs of any mediation proceedings shall be shared equally by all parties. The District and Auditors both agree that any dispute over fees charged by the accountant to the client will be submitted for resolution by arbitration in accordance with the rules of the American Arbitration Association. Such arbitration will be binding and final. IN AGREEING TO ARBITRATION, WE BOTH ACKNOWLEDGE THAT, IN THE EVENT OF DISPUTE OVER FEES, EACH OF US IS GIVING UP THE RIGHT TO HAVE THE DISPUTE DECIDED IN A COURT OF LAW BEFORE A JUDGE OR JURY AND INSTEAD WE ARE ACCEPTING THE USE OF ARBITRATION FOR RESOLUTION.

Vavrinek, Trine, Day & Co., LLP has owners that are not licensed as certified public accountants as permitted under Section 5079 of the California Business and Professions Code. It is not anticipated that any of the non-licensee owners will be performing audit services for the agency.

Government Auditing Standards require that we provide you with a copy of our most recent external peer review report and any letter of comment, and any subsequent peer review reports and letters of comment received during the period of the contract. Our 2015 peer review report accompanies this letter.

We appreciate the opportunity to be of service to East Side Union High School District and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy, and return it to us.

Sincerely,



Joyce Peters
of VAVRINEK, TRINE, DAY & CO., LLP

RESPONSE:

This letter correctly sets forth the understanding of East Side Union High School District.

By: _____

Title: _____

Date: _____

YANARI WATSON MCGAUGHEY P.C.

DALE M. YANARI (1947-2004) ♦ RANDY S. WATSON ♦ G. LANCE MCGAUGHEY ♦ DON W. GRUENLER
FINANCIAL CONSULTANTS/CERTIFIED PUBLIC ACCOUNTANTS

System Review Report

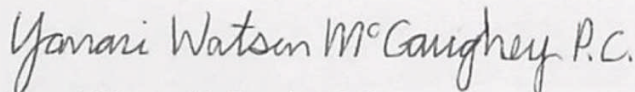
May 22, 2015

To the Partners of
Vavrinek, Trine, Day & Co., LLP
and the National Peer Review Committee

We have reviewed the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP (the firm) applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014. Our peer review was conducted in accordance with the Standards for Performing and Reporting on Peer Reviews established by the Peer Review Board of the American Institute of Certified Public Accountants. As a part of our peer review, we considered reviews by regulatory entities, if applicable, in determining the nature and extent of our procedures. The firm is responsible for designing a system of quality control and complying with it to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the firm's compliance therewith based on our review. The nature, objectives, scope, limitations of, and the procedures performed in a System Review are described in the standards at www.aicpa.org/prsummary.

As required by the standards, engagements selected for review included engagements performed under *Government Auditing Standards*; audits of employee benefit plans and audits performed under FDICIA.

In our opinion, the system of quality control for the accounting and auditing practice of Vavrinek, Trine, Day & Co., LLP applicable to engagements not subject to PCAOB permanent inspection in effect for the year ended December 31, 2014, has been suitably designed and complied with to provide the firm with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Firms can receive a rating of *pass*, *pass with deficiency(ies)* or *fail*. Vavrinek, Trine, Day & Co., LLP has received a peer review rating of *pass*.



Yanari Watson McGaughey P.C.

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web site: www.ywmcpa.com

ITEM 11C

To: Board Audit Committee of East Side Union High School District
From: Joyce Peters, Partner, Vavrinek, Trine, Day & Co., LLP
Date: 4/4/16

Site Name: Piedmont Hills High School Date Visited: 2/29/2016

1. Attendance
2. Associated Student Body (ASB)
3. Cafeteria Site Cash Collection

Site Name: Independence High School Date Visited: 3/1/2016

1. Attendance
2. Associated Student Body (ASB)
3. Cafeteria Site Cash Collection

Site Name: Foothill High School Date Visited: 3/1/2016

1. Full Time Independence Attendance
2. Continuation Attendance

Site Name: Phoneix High School Date Visited: 3/1/2016

1. Attendance

ADMINISTRATIVE BULLETIN

East Side Union High School District

ITEM 12

No. AB 012

Effective Date: 03/21/16

Business Services Division – Finance
Reference Board Policy 3452 Student Activity Funds
Associated Student Body (ASB) Fundraising for Outside Charitable Organizations

A. PURPOSE

Purpose of Associated Student Body (ASB) is for the general welfare of all students and specifically currently enrolled students. ASB often times works with outside organizations for community services and involvement. This Administrative Bulletin outlines some of the guidelines when soliciting and fundraising for outside organizations.

B. DONATIONS OF ASB FUNDS GENERALLY NOT ALLOWED

Donations to nonprofit organizations and students or families in need are not allowable because they are considered a gift of public funds, no matter how worthy the cause. ASB funds are legally considered public funds because they are raised through the district's tax identification number and under its nontaxable status. In general, fundraising that occurs on campus should be for the benefit of the ASB and not for other organizations. Student body funds must, in general, be expended for the benefit of those students currently enrolled in school.

The issue of a gift of public funds arises when a check is written from ASB and given or donated to another organization.

C. DONATIONS TO OUTSIDE ORGANIZATION:

A student group may organize a fundraiser to support an outside charitable organization as long as the fundraising event is **clearly identified** as raising funds to donate to that charity. It must be clear that the students and the school are not the recipients of the funds. Outside charitable organizations are not to solicit funds for themselves or on behalf of the school or students without prior approval by the District Governing Board for each individual fundraising event.

Four methods of handling funds:

1. CHECKS PAYABLE to OUTSIDE ORGANIZATION

All donations must be in the form of checks made payable to the charity and should be picked up by or delivered directly to the charity so that funds are not deposited into the ASB account.

OR

2. CASH COLLECTED ON BEHALF OF AN OUTSIDE ORGANIZATION (TRUST ACCOUNT)

If it is not possible to have checks made directly to the outside organization, open a trust account within the ASB, specifically for the fundraising event (with District Governing Board approval), then write a check to the organization and close the

account when the fundraising event is over. It is crucial to ensure that the District's Governing Board approves the specific fundraising event. The trust account would only be open for a limited time period, no later than 60 days after the fundraising event, and for a limited purpose.

Since this account is only open for a limited time frame (no later than 60 days after the fundraising event), the student group must closeout the trust account by writing a check, net of actual expenses, to the organization which is benefiting from the donation. Any actual costs from the fundraising event (like security, custodial, supplies or fee), must be subtracted from the gross receipts to determine the net profit fundraising amount. Closeout is defined as zero balance in the trust account.

Standard District ASB cash handling procedures are to be followed. The standard rules regarding prior approval apply to donation disbursements; as with all ASB expenditures, the approval should be documented.

OR

3. PENNY DRIVE

Schools like to hold what is often called a penny drive, during which students put coins in jars and the money is then given to a designated charity. These are allowable but should be limited in their frequency, and the coins must be kept secure. Ask the bank to count and issue the money directly to the charity, or use a coin counting machine.

If the funds will be deposited into the ASB account, ensure that the District Governing Board has approved the fundraiser. This is because if the Governing Board has determined that a specific expenditure will benefit the education of students by approving it, they have justified the expenditure as serving a public purpose and this the expenditure is not considered a gift of public funds in the eyes of most courts.

OR

4. ON-LINE FUNDRAISING

On-line fundraising is an emerging issue. Most on-line fundraising entities deduct a fee up to 30% from each donation they receive. In contrast, a donation directly to the school incurs no such fee and thus the amount received is larger. If donation websites are used, the solicitation must include and notify the donors that an amount less than their entire donation will be given to the program for which it is intended because a fee up to 30% will be deducted.

The fundraising website must clearly identify the ultimate recipient of the funds. If the student or school is listed, then the school must be the ultimate recipients of the funds. The school and ASB club cannot be a pass through. If the fundraising is for an outside charitable organization, it must be clearly identified as such. There should be no misunderstanding or misleading perception. Donors should not be confused that the funds are for the benefit of the students, when in fact they are not the direct recipients. Outside organizations should not use students and schools as fronts or give misleading appearances.

D. ASB ACCOUNTS ARE NOT PASS-THROUGH ACCOUNTS

ASB accounts are not and should not be used as pass-through or clearing accounts. Money should only be deposited into ASB accounts if it is ASB funds (raised or donated to ASB) and will be used for appropriate ASB purposes. ASB funds are to benefit the students currently enrolled at the school.

E. FACILITY USE FOR FUNDRAISING EVENT

If a fundraising event is for the benefit of an outside organization, for liability and supervision responsibility reasons, the outside organization must follow

1. District Board Policy 1330 Use of School Facilities,
2. Administrative Regulation 1330 Use of School Facilities
3. Administrative Bulletin No. 008 Business Service Division: Use of School Facilities

Principal or designee is responsible for determination whether request for facility use is for an ASB club versus an outside organization and ensure compliance with District policies.

F. PROCEDURAL INSTRUCTIONS

1. All clubs must complete a Fundraiser Request Form and list the designated recipient of the funds. If the designated recipient is an outside organization:
 - a. Club Advisor must obtain the outside organization's federal tax identification number to confirm whether organization is a tax exempt charity under www.irs.org
 - b. Activities Director must provide information to the Principal to submit a request for approval for a fundraising event to the Governing Board after confirmation that recipient is tax exempt. Approval is for specific event and not continuous or on-going.
 - c. Once the Governing Board approves the fundraising event, the Principal authorizes the Finance Clerk to open a trust account within ASB to collect donations and record expenses.
2. Fundraiser Request Form must be approved by the student representative through student meeting minutes, certificated Club Advisor and the Activities Director as the Administrator's designee.
3. Club Advisor must ensure the fundraising event is clearly identified as raising funds to donate to that charity.
4. Once the event is complete and all expenses related to the event have been paid, the student representative can submit a request for payment with the required student meeting minutes, certificated Club Advisor and the Activities Director approvals. Once paperwork is complete with approvals, Finance Clerk can process the payment to the outside organization.
5. Finance Clerk must then close the trust account no later than 60 days after the event.

Reference:

California Education Code 35564 Funds, obligation of the student body
California Education Code 48930-48938 Study body organization
California Education Code 51520 School premise, prohibited solicitations
California Education Code 51521 Fundraising projects

California Business and Professions Code 17510 to 17510.95

California Department of Education, School Business Services Division, *Accounting Procedures for Student Organizations*

Fiscal Crisis and Management Assistance Team (FCMAT), *Associated Student Body Accounting Manual, Fraud Prevention Guide and Desk Reference*

AUDIT RESULTS - FACILITY USE/RENTALS

ITEM 13

OBJECTIVE/ SECTION TITLE	OBSERVATION	IMPROVEMENT RECOMMENDATION	In Process	Implemented	Not Implemented	Under Review	Reviewed, No Action	Date Completed
Objective No. A1 Lack of Independence and District Oversight	Observation: Most school sites one person manages entire process from beginning to end. Some sites lack independence with facility users due to the historical relationship and the negotiations of deals and in-kind services. It is difficult to determine if there are kick-backs or personal gains. Some coaches are taking preferential and favorable discounts for their league groups not affiliated with the District.	The District hired Facility Rental Manager who oversees all rental requests for the District.		X				
Objective No.A 2 Lack of Transparency of Reservation Calendar	Observation: Majority of school sites reservation calendar system access is limited to only a few school site individuals. Without a transparent calendar, it is difficult for any other person, other than the site facility use coordinator, to determine if the facility user had authorization for use of the facility. Coaches with keys could allow facility access to leagues, not affiliated with the District, without going through the proper channels.	The District is now using a web-based online reservation system (Facilitron) First Alarm Security has access to the system.		X				

AUDIT RESULTS - FACILITY USE/RENTALS

OBJECTIVE/ SECTION TITLE	OBSERVATION	IMPROVEMENT RECOMMENDATION	In Process	Implemented	Not Implemented	Under Review	Reviewed, No Action	Date Completed
Objective No. A3 Lack of Completeness	Observation : There is not an independent review for completeness or reasonableness of facility fees. Business Services accepts fees without a forecast of what is expected. Although Business Services maintains an itemized schedule of fees received among other data, the schedule is incomplete and not reconciled with the school sites. The school sites facilitate the fee collection from facility users and forward fees to Business Services but do not receive positive confirmation from the Business Services whether amounts are actually deposited into the school accounts. Business Services expects the Principal's Secretary to access the Accounting System that would allow school sites easy interpretation. Without a transparent reservation calendar system to reconcile against, its difficult for both school site and Business Services to determine if all fees were collected from all facility users and properly deposited into the school accounts at the District Office.	All fee's insurance and other require documentations are collected in the on-line system. Twice a month fees are process to the District from Facilitron		X				
Objective No. A4 Lack of Completeness of Records including Insurance	Although District policy requires files to be kept in a centralized location, some files are kept at the Business Services versus at the school sites but it was difficult to determine whether files were complete. Although Business Services was tracking receipt of required documents; there was no follow up with school sites or facility users for missing documents including proof of insurance. Some long time facility users were considered "grandfathered in" and therefore, have not completed any forms or provided any required documents including proof of current insurance.	All facilities reservations request are made on line with Board approved rates in the system.		X				

AUDIT RESULTS - FACILITY USE/RENTALS

OBJECTIVE/ SECTION TITLE	OBSERVATION	IMPROVEMENT RECOMMENDATION	In Process	Implemented	Not Implemented	Under Review	Reviewed, No Action	Date Completed
Objective No.A 5 – Various Policy and Form Versions	Policies were sent out via email but it was not consistently forwarded on-ward. Therefore, school sites were using various versions of the polices. District's policies repository is Board Docs and available on-line but majority of school sites were not aware and were not accustomed to assessing Board Docs. One school created its own version and altered the payment instructions payable and mailed to the high school instead of the District Office. One school provided a conformation letter, which is not part of the current policy. One school signed the facility user's agreement stating facility user had exclusive and first right of refusal to use a certain facility.	The on line reservation systems is based on current District policies.		X				

AUDIT RESULTS - FACILITY USE/RENTALS

OBJECTIVE/ SECTION TITLE	OBSERVATION	IMPROVEMENT RECOMMENDATION	In Process	Implemented	Not Implemented	Under Review	Reviewed, No Action	Date Completed
Objective No. A6 – Policy Need Update and Compliance	Policies are not consistently complied or enforced and has not bee updated to be in compliance with California Education Code and California Senate Bill No. 1404 School Property: Civic Center Act. For example, nonprofit organizations for youth are supposed to be charged on district direct cost and not necessarily 50% of the fair market rental, as current District policy states. Majority of facility users claim to be non-profit to get reduced fees but there is no evidence to validate non-profit status claim. In another example, the District policy requires a \$50.00 application fee which does not appear to be collected based on the sample reviewed. Per review of about 10 other school districts, application fee was \$25.00, which is more affordable and probable to collect. District policy fee schedule is standard across all schools: whereas, some other districts fees is specific to each school facility.	Policies are currently being reviewed and will be update as necessary.	X					

Measure E, G and I Bond Fund Performance Audit Report

for the Fiscal Years Ended June 30, 2014, and June 30, 2015

AUDIT RESULTS

OBJECTIVE/ SECTION TITLE	OBSERVATION	IMPROVEMENT RECOMMENDATION	RESPONSIBILITY	Due Date	Comments	In Process	Implemented	Not Implemented	Under Review	Reviewed, No Action	Date Completed
Objective No. 1 – Performance Audit Fiscal Year 2015	Observation: Expenditures totaling \$252,243 for Measure G projects were found to be noncompliant with Measure G’s ballot language. In review of twenty-five Measure G expenditures for Fiscal Year 2015, we identified two instances where the listed projects within the ballot language did not directly correspond to the nature of the expenditures. Potential exceptions were reviewed with the District and its legal counsel, who provided advice as to which projects could be charged under the terms of Measure E, G and I ballot language. As a result of this discussion, the following two exceptions were confirmed: G-040-802 WC Overfelt - Asphalt/Concrete New Parking Lot Paving \$186,274.77 G-030-802 James Lick - Asphalt/Concrete New Parking Lot Paving \$65,968.21 Measure G does not include parking lot paving projects for the above school sites. However, these expenditures would have been allowable under Measure E ballot language.	ESUHSD should have controls and procedures in place to ensure that purchase order numbers for projects are properly recorded within the accounting system and that projects funded through a particular Measure are allowable per the listed projects of the ballot language.	CapAcctng: Andre Bell				X				
Objective No. 2 - Payment Procedures	Observation: Payments were made for Measure G expenditures that should not have been allowable based upon the ballot language. Additional controls should have been implemented to ensure that projects were properly aligned with the appropriate Measure’s ballot language (see Objective No. 1 for additional details).	The District should ensure that controls are implemented during the project initiation phase to ensure that purchase orders are included within the appropriate Measure per the ballot language.	CapAcctng: Andre Bell				X				
Objective No. 3 – Bond Management Plan/Program Including Quality Control	Observation: In July 2014, SGI created a Bond Program Management and Implementation Plan (Implementation Plan) for the District, which detailed roles and responsibilities of District personnel, communication and document control policies, Program budget and cost control expectations, schedule management processes and other key Bond Program management responsibilities. The District did not utilize a comprehensive facilities master plan when determining which projects would be funded through Bond Program Measures and other District funding sources. Budgets for projects funded, or partially funded, by Measures E, G or I were independently assessed by school site administrators and SGI (before being approved by the Superintendent’s Council) rather than incorporated into a facilities master plan that captures the original project budget, scope and prioritization by school site and in total for each Bond Measure. Below is a summary of the section of this report that corresponds to additional exceptions related to Bond Program Management:	The District should use a facilities master plan which includes the identification of District needs, estimated project cost and funding sources, prioritization of projects and a strategic plan to meet the needs of the District, both financially and based on practicality. The GFOA recommends that multi-year capital plans include the above information as a way to streamline and organize the planning process and that they cover a period of at least three years, preferably five or more for long-term planning. The list of prioritized projects should reconcile to the funds available for planned work.	CapAcctng: Andre Bell			X					

AUDIT RESULTS

OBJECTIVE/ SECTION TITLE	OBSERVATION	IMPROVEMENT RECOMMENDATION	RESPONSIBILITY	Due Date	Comments	In Process	Implemented	Not Implemented	Under Review	Reviewed, No Action	Date Completed
	1) Use of Best Practices Regarding the Planning and Construction of School Facilities and Bond Management Structure (see Objective No. 4) 2) Proposed Design and Construction Budgets (see Objective No. 5) 3) Design and Construction Schedules and Timelines (see Objective No. 9) 4) Effectiveness of Communication Channels Among All Stakeholders Within the Bond Program (see Objective No. 13)										
Objective No. 4 – Use of the Best Practices Regarding the Planning and Construction of School Facilities and Bond Management Structure, Including Adequacy of Program Management Personnel and District Facilities Personnel	The District’s Capital Program Reorganization Plan (the Plan) was proposed to the BOT on October 17, 2013, and addressed the internal and consultant staffing (i.e., SGI and Construction Managers) needs of the District and provided a description of the roles and responsibilities of personnel identified. A cost analysis was also performed to determine the impact of staffing changes on Bond-related payroll expenditures. Staffing needs are assessed as part of the annual budgeting process to determine if the internal and consultant staffing correlates to the Bond Program. Additionally, during each project’s procurement phase, the need for construction management resources is assessed to provide coverage where the District may not have internal staff to manage Bond Program projects.	We found no exceptions.	No Action Needed						X		
Objective No. 5 – Proposed Design and Construction Cost Budgets	The District did not utilize a facilities master plan when determining the prioritization and budgeting/funding of its projects as recommended by the GFOA and commonly practiced by school districts. SGI does create worksheets for each proposed project by Measure, which detail preliminary cost estimates and identify specific proposed budgets for soft construction costs (e.g., architect fees, consultant costs, etc.) and hard construction costs based on available funding. It is unclear how hard cost estimates were developed for each school site’s list of proposed projects. Hard construction cost estimates were developed by the District and its estimating consultant. However, cost estimates were not supported with any analysis or complete information as to how the estimates were determined.	The District should maintain a comprehensive master plan as a way to clearly identify priorities, project scope, estimated budget, anticipated schedule and other pertinent project budgetary and planning information for the overall Bond Program. Specifically related to proposed budgets, the GFOA recommends that proposed budgets include estimated costs based on recent and accurate sources of information. The District should include this practice in their development of design and construction budget estimates. Documentation supporting the cost basis for project budgets should be maintained by the District and should be relevant to the type of construction project for which it is used.	CapAcctng: Andre Bell		See Objective No. 3	X					

AUDIT RESULTS

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<p>Objective No. 6 – School Management and Construction Budgets</p>	<p>Observation: The District’s Facilities Department compiles monthly Capital Improvement Program (CIP) Status Reports which include project scope narratives, construction schedule overviews, construction budget with expenditures incurred and business partners, as well as highlights and issues narratives. District practices pertaining to management and reporting of design and construction budgets can be improved to increase the effectiveness of controls surrounding Bond-funded projects as identified in the following observations:</p> <p>1) Project budget adjustments are provided by construction managers and reviewed by the District’s Facilities Department and reported within the CIP Report. The CIP Report includes information such as the current project budget and the forecasted schedule; however, it excludes key construction information such as adopted budget, budget adjustments (change orders and anticipated future commitments) and a comparison of current budget and schedule information to the original Board-approved budget and schedule. As a result of the exclusion of this key construction information, this reporting methodology was not consistent with GFOA recommended practices and adversely impacted end users’ and key stakeholders’ ability to understand project and Bond Program actual performance compared to the planned and projected outcomes.</p> <p>2) The CIP Report does not include a summary of financial information by funding source (e.g., Measure, General Fund, etc.) for the overall Bond Program, but rather identifies projected cost and funding source per school site. Additionally, the CIP Report includes a horizontal bar chart that graphically shows total expenditures by project. However, this chart does not state, in dollars, the total expenditures to date per project. Exclusion of this information prevents users of the financial reports from having a clear understanding of the cost incurred to date. Furthermore, the report does not distinguish expenditures and budgets by Measures E, G or I, which prevents key stakeholders from understanding expenditure compliance for each Bond Program Measure.</p>	<p>Improvement Recommendation: The GFOA recommends that project status reports include, at a minimum, (1) a comparison of actual results to the project plan, (2) percent of project completed, (3) percent of project budget expended, (4) progress on key project milestones, (5) contract status information, (6) available Bond Program funds and expenditure activity, (7) cash flow for each funding source, (8) commitments and related funding, (9) available appropriation, (10) comparison of results in relation to established performance measures and (11) highlight significant changes to project scope or costs in order to properly inform District Management, the BOT, the CBOC and other end users. We recommend adoption of GFOA guidance and segregation of expenditures by Bond Program Measure. Additionally, deviations from the original Bond Program budget by key construction component should be clearly documented and explained for easy end user reference. Financial overviews by project should include narratives, charts and graphics, and provide clear information about capital plans, with key assumptions applicable to available Bond Program funds and expenditures highlighted</p>	<p>Facilities</p>	<p>9/30/2016</p>	<p>Facilities and Program are working on reports</p>	<p>X</p>					

AUDIT RESULTS

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<p>Objective No. 7 – Current Programmatic Goals to Ensure Compliance with State Law, Guidelines and Funding Formulas and District Guidelines for Bidding and Procurement</p>	<p>Observation: The District’s funding formulas were consistent with State requirements. The District has implemented policies and procedures regarding bidding and procurement for public projects with budgets of \$45,000 or less and informal projects (i.e., projects with budgets of \$45,001 through \$175,000). With regard to formal projects (i.e., projects with budgets of \$175,001 and above), the procurement process did not align with typical construction industry practices. Traditionally, a competitive bid process includes (1) bid solicitation, (2) receipt and evaluation of all bids, (3) shortlisting of between three and five firms and (4) final selection of the lowest responsible bidder, which may include interviews, to ensure fair pricing and similar adequate work experience. The District utilizes its prequalified vendor list to solicit bids and to alleviate the process of continuously reviewing firms’ qualifications. However, the District does not require a minimum number of bids for its formal projects. For District projects we reviewed, two out of the six formal projects (Measure G – W.C. Overfelt – Asphalt/Concrete and Measure E – Oak Grove Building U), or 33 percent, had fewer than three bidders for construction services. Typically, we see school districts apply competitive market pricing by following the aforementioned process and selecting the lowest price from qualified bidders. Additional information regarding the application of the District’s bidding and procurement procedures can be found within Objective No. 8.</p>	<p>The District should update its procurement policy to include minimum bid requirements for formal projects that will ensure a competitive bid process. District policies should also be updated with required steps to be taken in the event that they do not receive the minimum number of bids required to ensure that pricing is justified and to avoid noncompliance with their policies. District work scopes should be well-defined and bidder qualifications should be vetted. This will allow for greater transparency of the procurement process, a level of assurance that pricing is competitive and that the selected contractor has the qualifications and experience that the District desires. Where exceptions to policy may apply, this should be disclosed to the Board when recommendations for selection are made.</p>	<p>CapAcctng: Andre Bell</p>	<p>5/31/2016</p>	<p>Review and revise policies as necessary</p>	<p>X</p>					
<p>Objective No. 8 – “Best Practices” for Management of Procurement of Materials and Services in Order to Promote and Increase Efficient Use of Bond Funds</p>	<p>Observation: The District’s Administrative Regulation No. 3311, which details procurement policies, stated that formal public projects (i.e., projects with budgets of \$175,001 and above) required a three week solicitation period and informal public projects (i.e., projects with budgets of \$45,001 through \$175,000) required a minimum of three bids. However, from our sampling, we observed the following areas of noncompliance with Administrative Regulation No. 3311 policies:</p> <p>Formal Public Projects Measure I – Cal state Construction was awarded the Charter-MP Buildings 1201-1223 Mini-Campus Modernization project in the amount of \$318,000. However, the District only advertised for 15 days prior to the bid closing date rather than the required three week solicitation period.</p> <p>Informal Public Projects 1) Measure E – Harry L. Murphy, Inc. was awarded a flooring contract for Oak Grove High School Modernization Buildings U and I in the amount of \$95,595; however, this was the only bid received rather than the three required. 2) Measure G – George E. Masker, Inc. was awarded Mt. Pleasant – Stadium Fence Painting in the amount of \$58,902; however, only two bids were received for this scope of work rather than the three required.</p>	<p>Improvement Recommendation: The District should implement controls to ensure that District policy requirements regarding bid advertisements and minimum bidder requirements are adhered to in order to ensure fair and competitive bidding practices and to prevent excessive Bond Program cost. The basis and justification for agreed-upon procurement pricing should be evident and well documented. District policies should also be updated with required steps to be taken in the event that they do not receive the minimum number of bids required to ensure that pricing is justified and to avoid noncompliance with their policies. Where exceptions to policy may apply, this should be disclosed to the Board when recommendations for selection are made.</p>	<p>CapAcctng: Andre Bell</p>	<p>5/31/2016</p>	<p>Review and revise policies as necessary</p>	<p>X</p>					

AUDIT RESULTS

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<p>Objective No. 9 – Design and Construction Schedule and Timelines</p>	<p>Observation: Through review of documentation and interviews conducted, we were able to determine that schedules have been developed in two phases: 1) SGI developed initial schedules which included time frames for project requirements such as procurement, design, construction and project close-out, and 2) construction managers and contractors developed and maintained detailed construction schedules. Projects sampled as part of the Bond performance audit experienced numerous impacts to their schedules; however, the most common causes identified as part of this performance audit included:</p> <p>1) Delayed or Extended Procurement Phase – In some instances, the procurement phase of a project had been delayed to accommodate the school’s faculty and student educational needs. Project schedules required extension to address facility accessibility constraints and related impact on student education. Conversely and less frequently, the District extended bid and procurement timelines to allow for work to be re-priced to better align with Board-approved budgets.</p> <p>The District-wide Swimming Pool Modernization project was the most significantly delayed project due to an extended procurement phase as bids received were higher than the Board-approved budget. This impacted the overall construction schedule and inherently increased the budget. Through interviews conducted, we were informed that SGI, the District and its construction managers and/or contractors review construction schedules on a monthly basis and determine what changes are required to develop a recovery schedule and plan should it be required. Per the District’s Bond Program Management and Implementation Plan, “The Bond Program Manager shall periodically update the Master Project Schedule, compare actual to planned progress and prepare a report to the Supervisor’s Council.” However, evidence that this level of review occurred was not provided to us.</p> <p>2) Change Orders Resulting in Time Extensions – While change order documentation rarely included time extensions, changes for critical path items and site accessibility impacted contractors’ abilities to perform their duties in a timely manner and consequently impacted schedule performance.</p>	<p>Improvement Recommendation: Immediate corrective action should be taken to address or mitigate root causes of adverse schedule impacts. The District should maintain schedule information for each project that includes the original schedule, project milestones, current schedule, recovery schedule (if applicable) and a documented rationale for any material schedule delays. This should be communicated within the CIP Report on a monthly basis to inform key stakeholders. Additionally, project schedules should reflect master plan project priorities. Change order impacts on critical path items should be specifically addressed. District resource augmentation needed to facilitate agreement on contract terms and related contract administration should be assessed. Procurement process improvements will also help to facilitate more timely completion of desired projects (see Objectives 7 and 8).</p>	<p>Facilities</p>		<p>See Objective No. 3</p>	<p>X</p>					

AUDIT RESULTS

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<p>Objective No. 9 – Design and Construction Schedule and Timelines (Cont...)</p>	<p>3) Delays in Finalizing Contract Terms – Legal counsel often took one to three months to review each request for contract terms analysis. For certain contracts, longer periods were experienced in finalizing contract terms. For example, the Independence High School Performing Arts Center Building F took approximately seven months for contracts to be in an agreeable format</p> <p>with necessary language. Similarly, the District-wide Swimming Pool Modernization project required significant legal review which spanned a fourteen-month period until the projects were approved and underway.</p> <p>Communication between the District Facilities personnel (including SGI and its consultants) and District Purchasing, the Superintendent and the public was not timely and detailed enough to address the magnitude and cause of schedule modifications.</p>										

AUDIT RESULTS

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Objective No. 10 – Change Order/Claim Procedures and	Observation: The District’s change order policy includes good practices and other applicable State requirements as well as approval authority limitations. We found no exceptions.	We found no exceptions	No Action Needed							X	
Objective No. 11 – Procedures for Claims Avoidance	Observation: The District had Claims Management procedures to address claims after they had been filed. However, there was no formal written policy to identify action to be taken to prevent or limit claim exposures. Construction related claims have many causes and often arise as a result of unresolved change orders, differing site conditions or as a result of disruptions, delays, acceleration and other time-related issues that require timely monitoring, planning and effective actions needed to avoid claims.	Written policies and procedures for claims avoidance should be prepared and utilized. 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 claims 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.	Facilities	5/31/2016	Review and revise policies as necessary	X					
Objective No. 12 – Evaluation of Public Outreach Program	Observation: Per the GFOA, “Organizations should consider strategies that utilize multiple methods of communication to reach different audiences.” The District’s website included key information regarding the Measure E, G and I ballot language, tax rate statements, the role of the CBOC and their meeting minutes, project information and other related news. However, other media platforms were not utilized. Additionally, the District’s website did not include safety information regarding road closures and other facility accessibility impacts that would be beneficial to the safety of students, faculty and the surrounding community of the District.	The District should consider modifying its communication plan to include a more varied approach to public outreach and communication that will reach a wider range of people (rather than simply those who look at the District website), and provide them with timely updates about the Measure E, G and I Bond Program. The District should also update its communications to include site accessibility and safety-related information in an effort to protect its students, faculty and community and ensure a safe construction environment.	Facilities Program	5/31/2016	Review and revise communication	X					
Objective No. 13 – Effectiveness of Communication Channels Among All Stakeholders Within the Bond Program	Observation: Communication amongst District management and other stakeholders of the Bond Program varied. The District’s reporting and communication channels (i.e., CBOC and BOT meeting minutes, monthly CIP reports and other similar communication channels) are a starting point for improved visibility and transparency. However, communication regarding Bond Program planning, scheduling and budgeting was oftentimes limited to internal District staff rather than communicated in a manner that would provide meaningful information to key stakeholders.	Bond Program areas that would benefit from improved communication include: 1) Bond Management Plan/Program Including Quality Control – see Objective No. 3. 2) Proposed Design and Construction Cost Budgets – see Objective No. 5. 3) School Management and Construction Budgets – see Objective No. 6. 4) Design and Construction Schedules and Timelines – see Objective No. 9.	CapAcctng: Andre Bell Facilities Program	5/31/2016	Review and revise communication	X					