

SAN FRANCISCO UNIFIED SCHOOL DISTRICT
2003 MEASURE A GENERAL OBLIGATION BOND FUND
AGREED-UPON PROCEDURES REPORT

JUNE 30, 2009



INDEPENDENT ACCOUNTANT'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

Board of Trustees and
Citizen's Bond Oversight Committee
San Francisco Unified School District

We have performed the agreed-upon procedures, which were agreed to by the management of the San Francisco Unified School District (the District) and the Citizen's Bond Oversight Committee of the San Francisco Unified School District (the Committee), to review expenditures of the 2003 Measure A General Obligation Bond Fund (the Fund), covering a minimum of 70% of the total Fund expenditures for the year ended June 30, 2009, for the purpose of verifying if the use of the funds is within the scope of the published election materials specifying the intended use of bond proceeds. We used the election documents and District resolutions as the guidance for the intended use of the bond proceeds. Management of the District and the Committee are responsible for the compliance with the election documents and District resolutions. This engagement to perform agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants and to meet the compliance requirements to perform a "performance audit" as referred to in Proposition 39 and outlined in Subparagraph (C) of paragraph (3) of subdivision (b) of section 1 of Article XIII A of the California Constitution. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Financial Summary

1. The 2003 Measure A General Obligation Bonds were authorized by an election of the registered voters of the San Francisco Unified School District held on November 4, 2003. The total amount authorized was \$295,000,000. The proceeds are to be used for the financing of site improvements and modernization of school facilities. The first series of the bonds were issued on October 19, 2004 in the amount of \$58,000,000. The second series of the bonds were issued on October 12, 2005 in the amount of \$130,000,000. The third series of the bonds were issued on October 12, 2006 in the amount of \$92,000,000.
2. Total expenditures for the year ended June 30, 2009, were \$55,965,058.

Agreed Upon Procedures Performed

1. Verify that the expenditures of funds were accounted for separately in the accounting records to allow for accountability.
2. Verify that the net funds from the sale of the 2003 Measure A General Obligation Bonds were deposited in total into the District's accounts by obtaining the settlement statement for the new Bond issues and verifying that the amounts were appropriately deposited into the building and debt service funds, as required.
3. Test expenditures covering a minimum of 70% of the total capital project expenditures for the 2003 Measure A General Obligation Bond, exclusive of issuance costs and transfers out.
 - a. Select all vendors with current year expenditures of \$100,000 and over and select all non-salary expenditure transactions of \$100,000 and over and, for vendors with no individual expenditure transactions of \$100,000 and over, select the largest transaction and determine that expenditure purpose as indicated on invoices or supporting documentation was for purposes specified to the registered voters of the District through election materials.
 - b. Select all salary transactions and determine based on personnel or payroll records and time sheets, and interview current employees to determine that amounts expended were in support of the 2003 Measure A General Obligation Bond fund and not for District general administration or operations.
 - c. Select all vendors and, on a systematic basis, select one non-salary expenditure transaction from each vendor and determine compliance with the following District procedures for documentation and approvals:

Project Initiation.

1. An Initiate a Contract Action (ICA) was present.
2. The ICA contains:
 - a. Contract or Order for Service number (OSW).
 - b. Project number.
 - c. Description of scope of work.
 - d. Initialed and dated prior to Budget Director approval.
 - e. Signatures of Project Manager, Bonds Program Manager, Budget Director, Chief Facilities Officer, Director of Fiscal Services, Certified Payroll Manager, and Director of Contracts Office.
 - f. Funding sources.
3. Contract, OSW number agrees with Bonds Financial Analyst log.
4. Contract, OSW number and amount agrees with Project Tracking System (MBSR).
5. ICA amount agrees with amount entered into People Soft Budget System (GL).

Purchase Order Issuance.

1. Purchase order agrees to ICA for Vendor, Amount, Scope of Work, and account code.
2. Purchase order signed by Chief Financial Officer.
3. Purchase order signed by Vendor if other than Contract.

Contracts and Bids.

1. For contracts greater than \$15,000:
 - a. Contract was bid.

- b. Board Resolution attached to ICA.
- c. Contract present.
- d. Notice to Proceed present.
- e. SACS coding on ICA agrees with Board Resolution.

Payments.

- 1. Invoices are:
 - a. Stamped with date received.
 - b. Contract and project number agrees with ICA.
 - c. Approved by Project Manager, Bonds Program Manager, Bonds Financial Analyst and Director of Fiscal Services.
 - d. Bonds Program Financial Analyst calculation of amount to be paid and retained present (or stamped "No Retention").
 - e. Accounting receipt number entered.
 - f. Agrees to Receipt Record.
 - g. Agrees to Project Tracking System (MBSR)

Project Tracking System (MBSR) Reporting.

- 1. Agrees to Receipt Record.
- 2. Agrees to Financial System.

Direct Payments.

- 1. The requisition form is present with signatures of Program Manager and Director of Budget Office.
- 2. The amount and the SACS code on the requisition form agrees to the General Ledger.
- 3. Invoice amount agrees to the payment amount.
- 4. Invoice or requisition description appears to be within purpose of Bonds election document.

Results of Procedures

- 1. The 2003 Measure A General Obligation Bond Fund expenditures were accounted for separately in the resource 90390 of the Building Fund of the District.
- 2. There was no current year sale of bonds.
- 3. We examined expenditures aggregating \$48,447,550 which is 86.6% of the \$55,965,058 total 2003 Measure A Bond expenditures for the year ended June 30, 2009. The amounts examined were as follows:

Examined as to Purpose	
Non-salary transactions above \$100,000	\$ 39,089,553
Non-salary transactions below \$100,000	1,639,297
Salary transactions	986,600
Total	<u>41,715,450</u>
Examined for Purpose and Compliance with District Procedures	
Non-salary transactions above \$100,000	4,600,178
Non-salary transactions below \$100,000	2,131,921
Total	<u>6,732,099</u>
TOTAL EXAMINED	<u><u>\$ 48,447,550</u></u>

Our procedures:

a. Questioned costs were referred to Bond Counsel to determine if the expenditures were authorized by the language in the ballot language. Bond Counsel determined that exterior painting of a building not directly related to the section of the building modernized and security cameras in areas not specified were not authorized by the ballot language. Bond Counsel also determined that expenditures for monitoring of construction projects that were charged to the District's General Fund were appropriate charges to the Bond Fund.

We recommend that the District remove the charges for exterior painting of \$27,930 and security cameras of \$49,224 from the Bond Fund and consider charging the Bond Fund for the monitoring expenses during the 2009-10 fiscal year.

b. We did not identify any salary expenditures that were not in support of the 2003 Measure A Bond nor were any expenditures identified that were in support of general administration or operations. The salaries of personnel working on both the 2003 Measure A Bond and 2006 Measure A Bond are allocated based on the ratio of the bonds' non-salary expenditures.

c. Written procedures require approvals of invoices by the Chief Facilities Officer or the Bond Program Manager. We noted 2 transactions, out of the 170 reviewed for compliance that had not been approved in accordance with the current procedures. These transactions were processed by other Departments at the request of the Bond Fund management, with the exception of year end accruals processed by District fiscal services, and were properly approved by management of those Departments. We recommend that the current requirement for all transactions to be approved by the Bond Fund management be reviewed to determine whether the procedures should be modified to exclude transactions initiated by other Departments or, alternatively, require Bond Fund management approvals in accordance with current procedures.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Trustees and the Committee and is not intended to be and should not be used by anyone other than those specified parties.

VAVRNEK, TRINE, DAY & Co. LLP

Palo Alto, California
March 23, 2010