

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**2003 MEASURE A GENERAL OBLIGATION
BOND FUND**

PERFORMANCE AUDIT REPORT

JUNE 30, 2013



Board of Education and
Citizens' Bond Oversight Committee
San Francisco Unified School District
San Francisco, California

We have conducted a Performance Audit of the San Francisco Unified School District 2003 Measure A Bond Fund as described in the scope below in accordance with our Engagement Letter dated April 29, 2013.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Objectives, Scope, and Criteria of the Performance audit are described below.

Objective:

To conduct a performance audit to ensure that the funds have been expended only on the specific projects listed in the 2003 Measure A and not for any other purpose, including teacher and administrator salaries and other school operating expenses, as required by Subparagraphs (C) and (A) of paragraph (3) of subdivision (b) of section 1 of Article XIII A of the California Constitution, and to determine compliance with the District Facilities Department internal control procedures described below.

Scope:

Examine expenditures of the 2003 Measure A General Obligation Bond Fund (the Fund), covering a minimum of 70% of the total Fund expenditures, exclusive of issuance costs and transfers out, for the year ended June 30, 2013, 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 by:

Selecting all vendors with current year expenditures of \$100,000 and over and select all non-salary individual expenditure transactions of \$100,000 and over. For vendors with no individual expenditure transactions of \$100,000 and over, select the largest transaction. For items selected, determine that the expenditure purpose, as indicated on invoices and supporting documentation, was for purposes specified to the registered voters of the District in the election materials.

Selecting all salary transactions and determine, based on our review of personnel and payroll records and time sheets, and interviews of current employees, that amounts expended were in support of the 2003 Measure A General Obligation Bond fund and not for District general administration or operations.

We selected 12 individual transactions covering \$539,100 of non-payroll expenditures.

Examine compliance with District internal control procedures by:

Verifying that the expenditures of funds were accounted for separately in the accounting records to allow for accountability.

Verifying that contractor retention release payments are disbursed in accordance with District retention release procedures.

Of the 12 non-payroll transactions selected for testing as previously noted, 11 of those transactions, covering \$162,150 in expenditures, were also subjected to internal control compliance testing. Our compliance sample selection covered at least one non-salary expenditure transaction from each vendor. From the transactions selected, we determined compliance with the following District procedures as appropriate:

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, Bond Program Manager, Budget Director, Chief Facilities Officer, Director of Fiscal Services, and Director of Contracts Office.
 - f. Funding sources.
3. Contract and OSW number agrees with Bond Financial Analyst's log.
4. Contract and 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 Facilities 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 show evidence of the following:

1. Invoices:

- a. Stamped with date received.
- b. Contract and project number agrees with ICA.
- c. Approved by Project Manager, Bond Program Manager, Bond 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 the Project Manager and Director of the 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 for the purposes specified in the bond election materials.

Retention Release Procedures

We selected one retention release payment covering \$8,156 for compliance with District controls governing retention payments to contractors. The following procedures were tested:

1. The close out checklist has been completed.
2. All required signatures have been obtained.
3. All required documentation is present.
4. Retention amount is clerically accurate.
5. Payee is correct.

Criteria:

Published 2003 Measure A Bond Election Materials.
District Facilities Procedures.

Methodology:

Our methodology, including the procedures identified above, was designed to obtain sufficient, appropriate and relevant evidence to the extent necessary to address the objectives of the engagement stated above, reduce the audit risk to an acceptable level, and provide reasonable assurance that our findings and conclusions are properly supported.

Results of Procedures:

Accounting for Transactions

The 2003 Measure A General Obligation Bond Fund expenditures were accounted for separately in the resource 90390 of the Building Fund of the District.

Retention Releases

We examined a release from retention held by the District of \$8,156. We did not identify any instances of non-compliance with District procedures.

Expenditure Transactions Examined

We examined expenditures aggregating \$539,100 which is 84.3% of the \$639,366 total 2003 Measure A Bond expenditures, for the year ended June 30, 2013. The amounts examined were as follows:

Examined as to purpose only:

Non-salary transactions above \$100,000	\$ 376,950
Total	<u>376,950</u>

Examined as to purpose and for compliance with District internal control policies and procedures:

Non-salary transactions above \$100,000	115,269
Non-salary transactions below \$100,000	<u>46,881</u>
Total	<u>162,150</u>
Total expenditures examined	<u>\$ 539,100</u>

Salary and Vendor Expenditures—Purpose Testing

We did not identify any vendor expenditure transactions that did not comply with the 2003 Measure A intended use of bond proceeds approved by the voters of the District on November 4, 2003.

There were no salary transactions recorded in the 2003 Measure A Bond Fund.

Compliance with District Facilities Internal Control Policies and Procedures

As indicated in the Scope, the compliance testing was limited to the District Facilities Department internal control procedures and not to the internal controls of the District as a whole. For purposes of this report, deficiencies are defined as follows:

A *control deficiency* in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a program on a timely basis.

A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a program such that there is more than a remote likelihood that noncompliance with a compliance requirement of the program that is more than inconsequential, will not be prevented or detected by the existing internal control policies and procedures.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that noncompliance with a compliance requirement of a program, that is material to the program's financial statements, will not be prevented or detected by the existing internal control policies and procedures.

Based on the compliance testing performed, we did not identify any items that we consider to be material weaknesses, significant deficiencies, or control deficiencies in District Facilities Department Internal Controls over 2003 Measure A Bond Expenditures.

This report is intended solely for the information and use of the Governing Board, the Citizen's Bond Oversight Committee, management, the California Department of Education, and the State Controller's Office, and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of the report, which is a matter of public record.

Varrinck Trime Day + Co. LLP

Palo Alto, California
January 13, 2014