

SAN FRANCISCO UNIFIED SCHOOL DISTRICT

**PERFORMANCE AUDIT REPORT
2006 MEASURE A
GENERAL OBLIGATION BOND FUND**

**FOR THE YEAR ENDED
JUNE 30, 2016**



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

We have conducted a performance audit of San Francisco Unified School District 2006 Measure A Bond Fund, as described in the scope below, in accordance with our Engagement Letter dated July 21, 2016.

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 2006 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 2006 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, 2016, 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 salary transactions and determine based on our review of personnel and payroll records that amounts expended were in support of the 2006 Measure A General Obligation Bond fund and not for District general administration or operations.

We selected 103 individual transactions covering \$11,427,798 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 the net funds from the sale of the 2006 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.

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

Of the 103 non-payroll transactions selected for testing as previously noted, 64 of those transactions, covering \$4,881,647 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. Signatures of Project Manager, Bond Program Manager, Chief Facilities Officer, and Director of Fiscal Services.
 - e. Funding sources and contract amount.

Purchase Order Issuance

1. Purchase order agrees to ICA for Vendor, Amount, Scope of Work, and account code.
2. Contract number and amount agrees with Project Tracking System (MBSR).
3. Purchase order approved by Chief Facilities Officer.
4. Purchase order approved by Vendor, if other than Contract.

Contracts and Bids

1. For contracts greater than \$15,000:
 - a. Contract went through bid process or RFQ (RFP) process.
 - 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 and Bond Financial Analyst.
- 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. Documented evidence of Project Manager approval prior to payment.
2. The amount and the SACS code on the approval form agrees to the General Ledger.
3. Invoice amount agrees to the payment amount.
4. Invoice or requisition description is for the purposes specified in the bond election materials.

Retention Release Procedures

We selected three retention release payments covering \$946,141 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 2006 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 2006 Measure A General Obligation Bond Fund expenditures were accounted for separately in the resource 90391 of the Building Fund of the District.

Proceeds from sale of bonds

We verified that the \$15,000,000 sale of bonds was deposited into the building fund.

Retention Releases

We examined releases from retentions held in escrow of \$946,141. The examined retention release payments were made in accordance with District policy.

Expenditure Transactions Examined

We examined expenditures aggregating \$11,944,017, which is 82.43% of the \$14,490,110 total 2006 Measure A Bond expenditures, for the year ended June 30, 2016. The amounts examined were as follows:

Examined as to purpose only:

Non-salary transactions above \$100,000	\$ 6,229,554
Non-salary transactions below \$100,000	316,597
Payroll and benefit transactions	516,219
Total	<u>7,062,370</u>

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

Non-salary transactions above \$100,000	3,978,039
Non-salary transactions below \$100,000	903,608
Total	<u>4,881,647</u>
Total Examined	<u>\$ 11,944,017</u>

Salary and Vendor Expenditures – Purpose Testing

The examined vendor expenditure transactions comply with the 2006 Measure A intended use of bond proceeds, approved by the voters of the District on November 7, 2006.

The examined salary expenditure transactions are in support of the 2006 Measure A Bond, and not support of District general administration or operations.

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.

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 2006 Measure A Bond Expenditures.

This report is intended solely for the information and use of the governing board, management, the Citizens Bond Oversight Committee, 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 26, 2017