

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
**MEASURE K BOND PROGRAM**  
**PERFORMANCE AUDIT**

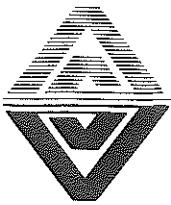
**Fiscal Year Ending June 30, 2011**

**LONG BEACH UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 GENERAL OBLIGATION BONDS**  
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**Fiscal Year Ending June 30, 2011**

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## INDEPENDENT AUDITOR'S REPORT

The Board of Education  
The Citizens' Oversight Committee  
Long Beach Unified School District  
1515 Hughes Way  
Long Beach, California 90810

We have conducted a performance audit of the Long Beach Unified School District (the "District"), Measure K Bond Program funds for the year ended June 30, 2011.

We conducted our performance audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives.

Our audit was limited to the objectives listed on page 3 of this report which includes determining the Long Beach Unified School District's compliance with the performance requirements for the Proposition 39 Measure K Bond Program under the applicable provisions of Section 1(b)(3)(C) of Article XIII A of the California Constitution and Proposition 39 as they apply to the bonds and the net proceeds thereof. Management is responsible for the Long Beach Unified School District's compliance with those requirements.

Solely to assist us in planning and performing our performance audit, we obtained an understanding of the internal control of Long Beach Unified School District to determine if internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution. Accordingly, we do not express any assurance on the internal control.

The results of our tests indicated that, in all significant respects, Long Beach Unified School District expended Measure K Bond Program funds for the year ended June 30, 2011 only for the specific projects developed by the District's Board of Education and approved by the voters, in accordance with the requirements of Proposition 39, as specified by Section 1(b)(3)(C) of Article XIII A of the California Constitution.

*Vicenti, Lloyd & Stutzman LLP*  
VICENTI, LLOYD & STUTZMAN LLP

November 17, 2011

# LONG BEACH UNIFIED SCHOOL DISTRICT

## PROPOSITION 39 MEASURE K BOND PROGRAM PERFORMANCE AUDIT

Fiscal Year Ending June 30, 2011

### BACKGROUND INFORMATION

In November 2000 the voters of the State of California approved Proposition 39 authorizing the issuance of general obligation bonds by California public school district's and community colleges, under certain circumstances and subject to certain conditions. In November 2008, a general obligation bond proposition (Measure K) of the Long Beach Unified School District was approved by the voters of the District. Measure K authorized the District to issue up to \$1.2 billion of general obligation bonds to finance various capital projects, and related costs.

The Priority School Project Lists section of the Measure K ballot language makes reference to the District's 2009 Facilities Master Plan for the specific projects that the District proposes to finance with the proceeds from the Measure K bonds. Listed projects are completed as needed at a particular school site according to Board-approved Project Listing Recommendations (per page 19b of the 2009 Facilities Master Plan). The Project Listing Recommendations were formulated by the District's Internal Executive Committee, and reflect recommendations made by the district's Community Advisory Committee.

Pursuant to the requirements of Proposition 39, and related state legislation, the Board of Education of the District established a Citizens' Oversight Committee and appointed its members. The principal purpose of the Citizens' Oversight Committee, as set out in state law, is to inform the public as to the expenditures of the proceeds of the bonds issued pursuant to the Measure K bond authorization. The Citizens' Oversight Committee is required to issue at least one report annually as to its activities and findings.

Section 1(b)(3)(C) of Article XIII A of the California Constitution requires the District to conduct an annual independent performance audit to ensure that the proceeds of the bonds deposited into the Measure K Bond Building Fund have been expended only for the authorized bond projects.

## **LONG BEACH UNIFIED SCHOOL DISTRICT**

### **PROPOSITION 39 MEASURE K BOND PROGRAM PERFORMANCE AUDIT**

**Fiscal Year Ending June 30, 2011**

#### **OBJECTIVES**

The objectives of our Performance Audit were to:

- Document the expenditures charged to the Long Beach Unified School District Measure K Bond Building funds.
- Determine whether expenditures charged to the Measure K Bond Program funds, have been made in accordance with the bond project list approved by the voters through the approval of Measure K in November, 2008.
- Note any incongruities, system weaknesses or non-compliance with specific Education Code Sections (15278-15282) related to oversight of fund expenditures.
- Provide the District Board and the Citizens' Oversight Committee with a performance audit as required under the requirements of the California Constitution of Proposition 39.

#### **SCOPE OF THE AUDIT**

The scope of our Performance Audit covered the fiscal period from July 1, 2010 to June 30, 2011. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources, other than the proceeds of the bonds, were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2011, were not reviewed or included within the scope of our audit or in this report.

# **LONG BEACH UNIFIED SCHOOL DISTRICT**

## **PROPOSITION 39 MEASURE K BOND PROGRAM PERFORMANCE AUDIT**

**Fiscal Year Ending June 30, 2011**

### **PROCEDURES PERFORMED**

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011, for the Measure K Bond Program funds. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure K with regards to the approved bond projects list and performed the following procedures:

- We reviewed the projects listed to be funded with general obligation bond proceeds as set out in the Measure K election documents.
- We selected a sample of expenditures for the fiscal year ended June 30, 2011, and reviewed supporting documentation to ensure that such funds were properly expended on the authorized bond projects.
- The District expended \$32,744,928 during fiscal year ended June 30, 2011 on the projects outlined on the following page. Our sample included 66 transactions totaling \$24,091,934 which represents 74% of total expenditures.

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**Fiscal Year Ending June 30, 2011**

**PROCEDURES PERFORMED (continued)**

<u>Construction Projects</u>	<u>Expenditures for Fiscal Year Ended 6/30/2011</u>
Master Plan Projects	\$ 6,242,550
McBride High School	1,629,908
Nelson Middle School	21,152,212
New High School # 2 at the former Browning Site	183,232
Roosevelt ES New Construction	633,341
Jordan High School Major Renovation	480,747
Bancroft Projects	26,664
Hill Projects	26,105
Core Switch and Uninterruptable Power Supply Replacement	209,823
Cabrillo High School Pool	531,971
Department of Housing Portable Removal Phase I	96,582
Lighting & Ceiling Replacement Phase 1	562,434
Boiler Replacement Phase 1	79,999
Newcomb Middle School AB300	617,035
AB300 Projects (Wilson)	35,479
Division of State Architect Certification Projects	81,125
Butler Projects	24,460
Jordan Freshman Academy Projects	28,073
Access Compliance American with Disabilities Act Improvement Phase I	86,876
Lakewood Department of Housing Portable Removal	16,312
	<u>\$ 32,744,928</u>

- We verified that funds from the Measure K Bond Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects and we verified that funds held in the Measure K Bond Building Fund were not used for salaries of school administrators or other operating expenses of the District.

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**RESULTS OF PROCEDURES:**

The results of our tests indicated that, in all significant respects, Long Beach Unified School District has properly accounted for the expenditures of the funds of the Measure K Bond Program and that such expenditures were made on authorized bond projects. Further, it was noted that the funds of Measure K Bond Program were not expended for salaries of school administrators or other operating expenditures.



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**SCHEDULE OF FINDINGS AND RESPONSES  
Fiscal Year Ending June 30, 2011**

There were no findings related to the performance audit for the fiscal year ended June 30, 2011.

# LONG BEACH UNIFIED SCHOOL DISTRICT

## PROPOSITION 39 MEASURE K BOND PROGRAM PERFORMANCE AUDIT

### STATUS OF PRIOR YEAR FINDINGS Fiscal Year Ending June 30, 2011

#### FINDING 10-1 SEPARATION OF MEASURE K AND MEASURE A EXPENDITURES

**Audit Finding:** The prior auditor found in audit testing that, prior to June 2010, expenditure information provided to the Citizens' Oversight Committee (the "COC") in budget and expenditure reports prepared by program management consultant CPM did not separate measure K expenditures from Measure A expenditures. The prior auditor believes that it is important to separately present Measure K expenditures in order for the COC to best meet its oversight responsibilities pertaining to the Measure K Bond Program.

**Recommendation:** The prior auditor recommends that financial reporting to the COC continue to separate Measure K from Measure A expenditures as done in the June 2010 Quarterly Financial Update.

**Current Status:** Implemented.

#### FINDING 10-2 FUNDING PAYROLL CHANGES FOR MEASURE K PERSONNEL

**Audit Finding:** As noted in the Performance Audit Report for the fiscal year ended June 30 2010, District employees in the facilities department working directly on the Measure K Bond Building Program have been charged to the General Fund rather than the Measure K Bond Building Fund.

The District's Measure K ballot language permits charges to the Measure K Bond Building Fund for employees working directly on the Measure K Bond Program by stating, "proceeds of the bonds may be used to pay or reimburse the District for the cost of District staff when performing work on or necessary and incidental to bond projects." An opinion from the California Attorney General (No. 14-110, dated November 9, 2004) supports charging the compensation of certain District employees to bond proceeds. The opinion concludes by stating "a school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure."

**Recommendation:** In order for the Measure K Bond Building Fund to reflect all costs incurred related to the Measure K Bond Program, and to minimize the impact of the Measure K Bond Program on the District's General Fund, the prior auditor recommends that the District charge employees' compensation to the Measure K Bond Building Fund, to the extent that the employees have performed work on the Measure K Bond Program. Such employees may include the Executive Director of Facilities Development and Planning as well as Program and Project Managers.

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**STATUS OF PRIOR YEAR FINDINGS  
Fiscal Year Ending June 30, 2011**

**FINDING 10-2 FUNDING PAYROLL CHANGES FOR MEASURE K PERSONNEL**  
(continued)

**Current Status:** Management is not required to charge employee compensation to the Bond Building Fund – Measure K Bond Program. However, the District continues to assess the feasibility of charging employee’s compensation when and if appropriate.

**FINDING 10-3 INTERNAL AUDIT DEPARTMENT OVERSIGHT**

**Audit Finding:** The prior auditor learned during the course of their inquiries that the District’s internal audit department is not currently involved in monitoring the facilities area. They believe that the District may be able to increase its monitoring over the Measure K Bond Program by assigning its internal audit department to regularly monitor aspects of the Measure K Bond Program, including the contractor payment process, and other pertinent areas.

**Recommendation:** The prior auditor recommends that the District increase its monitoring over the Measure K Bond Program by involving the internal audit department in regular reviews over the contractor payment process, the contract change order process, the vendor selection process, and other pertinent areas as the District may identify.

**Current Status:** Substantially implemented.

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**STATUS OF PRIOR YEAR FINDINGS  
Fiscal Year Ending June 30, 2011**

**FINDING 10-4 FRAUD HOTLINE**

**Audit Finding:** The prior auditor's inquiries of contractors working on the Measure K Bond Program and District employees resulted in their conclusion that, although the District maintains a fraud hotline, the existence of the fraud hotline is not consistently advertised to contractors working on the Measure K Bond Program or all District employees. Proactive efforts to publicize the fraud hotline to contractors and District employees may increase the possibility that an employee or affiliate of the District will report a potential concern through an anonymous means as provided by the District's fraud hotline.

**Recommendation:** The prior auditor recommends that the District strive to make the best use of its fraud hotline by notifying contractors working on the Measure K Bond Program as well as District employees about the purpose of the fraud hotline, encouraging these parties to make use of the fraud hotline as an anonymous means to express any concerns that they may have.

**Current Status:** Implemented.