

INDEPENDENT CITIZENS OVERSIGHT COMMITTEE
Simi Valley Unified School District
2005 Annual Report
(March 2004 – December 31, 2005)

As required by the bylaws, this document will address two primary topics:

1. A statement as to whether the Simi Valley Unified School District (the District) is in compliance with Article XIII A, Section 1 (b) (3) of the California Constitution;
2. A summary of Independent Citizens Oversight Committee (ICOC) proceedings and activities during the reporting period.

Lack of Full Compliance by the District

The District was *not* in full compliance with Article XIII A, Section 1 (b) (3) of the California Constitution during 2005. Specifically, the District failed to comply as follows:

1. **The District *failed* to conduct an annual, independent performance audit to ensure that bond funds were expended only on the specific projects listed. This in violation of the accountability requirements listed under Article XIII A, Section 1 (b) (3) (C).**

The District's failure is particularly disturbing as ICOC members repeatedly requested that the audit be completed. Additionally, the District stated independently that the audit must be completed no later than December 15, 2005.

Committee Chair Chris Hamilton participated in a number of meetings with District staff and school board members where he emphasized the importance of conducting a performance audit. He and other ICOC members provided input to the District in helping set the "audit scope" (guidelines and standards) for the audit.

A performance audit is an important document that provides the ICOC a key tool to determine if bond proceeds are being spent as required. A detailed check register is another key tool that was repeatedly requested but never provided to the ICOC. If the District had provided a check register, it would have enabled the ICOC to review individual expenditures pertaining to the bond.

Despite these efforts and frequent requests by ICOC members, the District inexplicably failed to complete these important accountability requirements. In

fact, the District did *not* conduct a performance audit during the period from March 2004 (approval of the bond by voters) through December 31, 2005.

Therefore, the District clearly has *failed* to comply with Article XIII A, Section 1 (b) (3) (C) of the California Constitution.

2. There is insufficient information available to determine whether the District is in compliance with Article XIII A, Section 1 (b) (3) (A) requiring that the proceeds from the sale of bonds be used only for specified purposes, as a result of the District's failure to comply with the performance audit requirement.

The District certainly expended bond funds on appropriate projects within the stated purpose of the bond. However, it is virtually impossible for the ICOC to determine whether all bond transfers and expenditures were for proper purposes without the aid of the performance audit.

For example, during a March 2005 ICOC meeting, representatives of Pinnacle One (the management group responsible for the bond at that time) revealed a questionable transfer of \$1.5 million from the C4 Bond Fund to the Adult Education Fund. The purpose of this transfer apparently was to repay a loan to the General Fund. Over the next several months, the District offered several explanations for the transfer. This caused even more confusion and prompted further questioning by the ICOC.

The legal and ethical ramifications of this transfer are beyond the scope, expertise, and resources of the ICOC. However, given the unusual nature of this transfer, a unified ICOC diligently pressed the District for documentation and answers regarding this transaction. In August 2005, the ICOC even held a special meeting to address the issue.

During the period between the March 2005 meeting and the special meeting in August 2005, the District repeatedly failed to provide the documentation and answers requested by the ICOC in regard to the \$1.5 million transfer. Instead, some school board members attacked the dedicated volunteers on the ICOC who were merely doing their job by demanding accountability from the District.

After Pinnacle One discovered this transfer, the District reversed it. However, the fact that such an event occurred emphasizes the importance of complying with the constitutional audit requirements in a timely manner in order to maintain the community's trust in how the bond money is being spent.

For these reasons, there is insufficient information available to determine if the District is in compliance with Article XIII A, Section 1 (b) (3) (A) of the California Constitution.

ICOC Proceedings and Activities

The ICOC conducted regular bi-monthly meetings during 2005. As discussed in detail, the ICOC acted responsibly in holding a special meeting in August 2005 in regard to the questionable \$1.5 million transfer. ICOC members also conducted on-site visits at various schools and held one of the regular ICOC meetings at Atherwood Elementary School.

Committee Chair Hamilton met with school board members and District staff frequently in an attempt to aid the flow of information to ICOC members who were often frustrated by the materials they were receiving. Hamilton and other committee members also made ICOC presentations at school board meetings as needed.

The ICOC undertook an ambitious endeavor to amend the bylaws in an attempt to improve the effectiveness of oversight as well as improve communication with the District. As part of this effort, the District agreed to establish a website designed to keep the public informed about C4 bond projects and ICOC activities.

Publicity Chair Eric Cohen spent a tremendous amount of time attempting to develop such a website. In that regard, ICOC members repeatedly expressed frustration with the District's inability to complete the task and establish a website. Cohen also kept the media informed on the progress of bond projects as well as other issues of public interest.

The ICOC discussed and reviewed the District's decision to remove Pinnacle One as C4 bond managers and replace them with PMI. The ICOC was pleased with the work done by Pinnacle One and expressed concern about how the change would affect bond projects and schedules. The ICOC also expressed concern about the timing of Pinnacle One's removal. It should be noted that the ICOC was satisfied with PMI's performance during this reporting period.

CONCLUSION

The District failed to comply with the performance audit requirement set forth in the California Constitution. Further, based on information available to the ICOC, it is unclear whether the District was in compliance with the requirement that C4 bond proceeds only be used for specified purposes.

Moreover, the ICOC was frustrated by the District's failure to provide critical information in a timely manner as well as the District's failure to establish a website devoted to C4 bond projects and ICOC activities.

The C4 bond overall is at a critical juncture. With construction costs rapidly escalating, the District has opted to compress the overall construction schedule, which will mean more projects going on simultaneously. This will make the job of the ICOC even more difficult as the committee strives to ensure that proceeds are spent as specified by terms of the bond. Timely audit and financial information will be even more critical if the ICOC is to effectively fulfill its obligation to the public.

Submitted and approved on March 15, 2006:

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