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Summary: Operational Bonds Performance Audit

Alum Rock Union Elementary School District

January 29, 2026

Agenda

- Scope
- Methodology
- Findings and recommendations

Scope

- District's bond program Measures J, I, & S.
- Fiscal years 2021-22, 2022-23, & 2023-24.
- Covered:
  - Bond program goals, budgeting, and project planning
  - Contract management, procurement, project oversight, and contractor payments
  - Communications with stakeholders
  - Overall bond program management and compliance with state and local laws
  - Benchmarking of staffing and administrative costs for Proposition 39 bonds

Audit Methodology

- Adhered to Generally Accepted Government Auditing Standards (GAGAS), 2018 Revision.
- Communications with District:
  - Entrance conference with District: March 5, 2025
  - Survey interviews with District bond program management
  - Submitted a confidential draft report to the District on May 30, 2025
  - Reviewed and incorporated additional documentation provided to us by the District after delivery of the confidential draft report
  - Received District response January 22, 2026

Audit Methodology (cont'd.)

- Requested and reviewed financial, budget and planning records and supporting documents for sample bond fund transactions, requests for proposals, and completed bond projects.
- Reviewed District compliance with statutory requirements related to Proposition 39 bonds and debt management.
- Evaluated District's adherence to bond management and capital planning best practices from:
  - California Debt and Investment Advisory Commission,
  - Government Finance Officers Association,
  - California State Treasurer Task Force on Bond Accountability.
- Benchmarked District spending against 7 other districts.

Overview of Findings

- 3 finding areas:
  - Bond Project Planning, Debt Management, and Accounting
  - Bond Program Oversight, Public Transparency, and Communications
  - Bond Program Management
- Benchmarking
- Resulted in 22 recommendations

Finding Area #1: Bond Project Planning, Debt Management, and Accounting

- District lacks key policies, processes, or procedures related to:
  - Capital planning
  - Debt management
  - Long-term financial planning
- District lacks a capital improvement plan or budget; did not have a Long-Range Capital Plan prior to 2023.
- The District's debt management policy lacks several key components recommended by CDIAC and GFOA.

Finding Area #1: Bond Project Planning, Debt Management, and Accounting

Recommendations to:

- Improve capital planning
- Improve long-term financial planning
- Improve debt management
- Improve documentation of accounting procedures
- Improve documentation of staff time charged to bond projects

Finding Area #2: Bond Program Oversight, Public Transparency, and Communications

- District did not adequately report on bond projects to the Board of Trustees or public during audit scope years of FY 2021-22, FY 2022-23, or FY 2023-24.
- District has not appointed sufficient members or provided support to its Proposition 39 Citizens' Bond Oversight Committee (CBOC).
- Citizen oversight activities were not carried out for District bond projects or bond expenditures since 2021.
- The District not able to provide evidence of any significant public outreach on the bonds program besides the District's website, which is missing key information.

Finding Area #2: Bond Program Oversight, Public Transparency, and Communications

Recommendations to:

- Improve compliance with CBOC requirements
- Improve public reporting and transparency

Finding Area #3: Bond Program Management

- The District did not hire in-house positions needed to staff the bond program between FY 2021-22 and FY 2023-24.
- District did not follow its procurement policies in bond program RFP/Qs and resulting bids and contracts reviewed for audit.
- Performance evaluations or contract monitoring of bond program contractors by District did not occur, though recommended by California State Auditor in 2019.
- District has not implemented the State Auditor's recommendation to determine which contractors should be required to file statements of economic interests.
- District does not require contractors to disclose their financial interests or potential conflicts of interest.

Finding Area #3: Bond Program Management

Recommendations to:

- Improve bond program management capacity
- Improve procurement and contracting procedures and documentation
- Improve disclosure of conflicts of interest

Benchmarking of Staffing and Administrative Costs

- The District's spending on salaries, benefits, and supplies as a percentage of total Proposition 39 bond expenditures is comparable to the median of seven peer districts' percent expenditures on these categories.
- District is not spending a disproportionate amount of Proposition 39 bond money on salaries, benefits, and supplies compared to peer school districts in Santa Clara County.

Benchmarking of Staffing and Administrative Costs

Fiscal Year	District	Number of Bond Measures	Total Bond Expenditures	Expenditures on Salaries, Benefits, Supplies, and Other	Salaries, Benefits, Supplies, and Other Percent
2022-23	Cupertino Union	1	$6,213,806	$232,611	3.7%
2022-23	East Side Union High	5	64,812,677	9,870,852	15.2%
2021-22	Franklin-McKinley Elem.	2	12,900,572	1,217,615	9.4%
2021-22	Gilroy Unified	2	36,391,491	478,456	1.3%
2022-23	Milpitas Unified	1	63,239,336	1,306,416	2.1%
2021-22	Mount Pleasant Elem.	2	6,091,602	74,300	1.2%
2021-22	Palo Alto Unified	2	31,135,955	3,329,559	10.7%
2022-23	**Alum Rock Union Elem.**	**3**	**$15,583,198**	**$595,316**	**3.8%**
Median of Comparison Districts			$31,135,955	$1,217,615	3.7%

Questions and comments

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