

**SACRAMENTO CITY UNIFIED SCHOOL DISTRICT**

**COUNTY OF SACRAMENTO**

**SACRAMENTO, CALIFORNIA**

**MEASURE I GENERAL OBLIGATION BONDS**

**AGREED UPON PROCEDURES**

**FOR THE PERIOD FROM MARCH 1, 2003**

**THROUGH AND INCLUDING JUNE 30, 2009**

**AND**

**INDEPENDENT ACCOUNTANT'S REPORT**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES**

Board of Education  
Sacramento City Unified School District  
Sacramento, California

We have performed the procedures identified below, which were agreed to by Sacramento City Unified School District (the "District") solely to assist the District in evaluating the District's compliance with ballot, bond, State and other funding source requirements, District procurement controls and contract administration related to Measure I General Obligation Bond funds for the period from March 1, 2003 through and including June 30, 2009. This agreed-upon procedures engagement was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the District. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose.

**PROCEDURES**

For each of the periods identified above we performed the following procedures.

1. Interviewed District management related to controls over planning, bidding, contracting expenditure of bond funds and financial reporting.
2. Documented District procedures and controls over planning, bidding, contracting, expenditure of bond funds and financial reporting.
3. Performed test to determine that the District controls over planning, bidding, contracting, expenditure of bond funds and financial reporting have been put in place and are working as documented.

**CONCLUSIONS**

See Attachment A for our conclusions related to the procedures listed above.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED UPON PROCEDURES**

(Continued)

This report is intended solely for the information and use of the Board of Education and management of Sacramento City Unified School District to assist the District in evaluating the District's compliance with ballot, bond, State and other funding source requirements, District procurement controls and contract administration related to Measure I General Obligation Bond funds for the period from March 1, 2003 through and including June 30, 2009, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

April 5, 2010

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

CONCLUSIONS

We noted the following areas where procedures and controls can be strengthened to ensure compliance with General Obligation Bond requirements:

**BIDDING AND CONTRACTING**

The District's retention policy requires that support for the bidding process and the final contract be kept for a minimum of five years. The District was unable to locate the proof of public notice and we were unable to test for compliance with District procedures for the following formal bids:

<u>Bid Award</u>	<u>Project</u>	<u>Contract Amount</u>
05-36	Modernization at Marian Anderson Elementary School	\$ 1,024,000
05-38	Bret Harte Elementary School – Switchgear Installation	\$ 789,000

The District was also unable to locate the Contracting and Bid file for the Modernization at Leonardo da Vinci.

We recommend that the District review its process for tracking the movement of the project folders in order to control file maintenance. All bid supporting documentation should be kept for a minimum of five years to comply with the District's retention policy.

Additionally, the District did not use the District's standard contract template for the following projects:

<u>Bid Award</u>	<u>Project</u>	<u>Contract Amount</u>
07-03	Construction of America's Choice High School, Increment I and II	\$ 27,051,322
09-09	School of Engineering and Sciences Project	\$ 20,903,543

The District should implement procedures and controls to ensure that the District standard contract format is followed for all contracts.

District Response / Corrective Action Plan

The District will maintain the contract documents in a project folder. The project folder will not be released from control of the District. Responses to Requests for Information will be provided via electronic file or photocopy. At the close of the project, the folder may be archived in compliance with the District's retention policy.

The use of a standardized Project Request & Closeout Checklist to track the progression of the project through the bidding, construction, and closeout phases of each project has been implemented.

SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

CONCLUSIONS  
(Continued)

**BIDDING AND CONTRACTING (Continued)**

District Response / Corrective Action Plan (Continued)

The District will print the confirmations of each advertisement for bid and keep these in a pending file to comply with proof of publication. Proof of publication is placed in the project folder.

All District contracts shall conform to standards required by law and shall be prepared under the direction of the Superintendent or designee. All bid projects will comply with all regulatory requirements, including but not limited to Public Contract and Education Codes.

**PLANNING AND CONSTRUCTION**

The plans and specifications for the following projects could not be located by District staff and, therefore, we were unable to test for compliance with District procedures:

<u>Bid Award</u>	<u>Project</u>	<u>Contract Amount</u>
06-13	Luther Burbank Modernization Project, Increment III	\$ 1,840,000
03-14	Modernization of Bear Flag Elementary	\$ 3,650,000

We recommend that the District design procedures and controls to ensure that plans and specifications be maintained in a location to provide access to those plans at a future date.

District Response / Corrective Action Plan

District staff will create a project naming nomenclature that allows for easy identification of all future contract documents. All future contract documents will be maintained in an electronic format allowing for easy identification and access. Electronic read-only files will be maintained on network servers allowing for immediate access. Electronic files will be locked to prevent unauthorized manipulation and deletion. Network servers are backed up on a regular basis.

Staff will obtain electronic construction documents for past projects from DSA or from the architectural firm that designed the project.

## SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## CONCLUSIONS

(Continued)

## PLANNING AND CONSTRUCTION (Continued)

For the following projects the "Notice to Proceed" letter was dated and issued prior to the receipt of the approval by the Division of the State Architects (DSA) for the individual project:

Project	DSA Identification Date	Notice to Proceed Date
1. Modernization of Thurgood Marshall	04/21/2003	04/14/2003
2. California Middle School – HVAC Upgrade	07/23/2003	05/16/2003
3. Charles M. Goethe – HVAC Upgrade	08/14/2003	05/20/2003
4. Marian Anderson – Demo of Portable Buildings	08/27/2003	06/16/2003
5. Abraham Lincoln – Demo of Portable Buildings	09/04/2003	06/16/2003
6. Albert Einstein – Electrical Upgrade	01/14/2004	08/05/2003
7. Albert Einstein – Modernization Phase 3a	01/23/2004	11/03/2003
8. C.K. McClatchy – Painting & Traffic Topping	02/19/2004	09/25/2003
9. Will C. Wood – HVAC Upgrade	03/02/2004	06/02/2003
10. H.J. West Campus – HVAC & Switchgear Installation	06/04/2004	01/21/2004
11. James W. Marshall – Demo of Portable Buildings	03/28/2005	06/16/2003
12. Modernization, Phase 3 at John Still K-8 School	04/27/2005	04/25/2005
13. Susan B. Anthony – Demo of Portable Buildings	06/09/2005	06/14/2003
14. Interim Housing Sitework at Health Professions High School	06/16/2005	05/19/2005
15. Modernization at Isador Cohen Elementary School	08/16/2005	05/24/2005
16. Crocker-Riverside – HVAC & Switchgear	09/02/2005	06/14/2004
17. Modernization at Crocker-Riverside	09/02/2005	05/24/2005
18. Sam Brannan Modernization Project	07/19/2006	05/19/2006
19. Modernization at David Lubin	07/27/2006	05/17/2006
20. Washington Elementary Modernization Project	09/18/2006	05/24/2005
21. Golden Empire Modernization Project	01/11/2007	05/15/2006
22. Sacramento High School Modernization Project Phase 3	02/06/2007	08/17/2006
23. Sacramento High School – Wall Repair	02/06/2007	11/19/2004
24. Luther Burbank – Demo of Portable Buildings	06/07/2007	06/14/2003
25. Luther Burbank – HVAC Upgrade and Modernization	06/07/2007	09/07/2004
26. Exterior Painting at Luther Burbank	06/07/2007	08/01/2005
27. Luther Burbank Building 5 Modernization, Increments I and II	06/07/2007	05/25/2007
28. America's Choice High School Project, Increments I & II	07/01/2008	11/09/2006
29. America's Choice SED Modification	07/01/2008	06/30/2008
30. Portable Relocation Project at John F. Kennedy High School	08/28/2008	06/27/2008

Additionally, the District was unable to provide the "Notice to Proceed" letter as evidence that the "Notice to Proceed" was provided only after the DSA had approved the project for the John Still K-8 New Construction, Building F.

The District should implement policies and procedures to ensure that work is not performed for any projects that have not been previously approved by the DSA. Further, the District should ensure that "Notice to Proceed" is not issued until after the DSA approvals have been verified by District staff and maintained as evidence in the individual project files.

## SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## CONCLUSIONS

(Continued)

## PLANNING AND CONSTRUCTION (Continued)

District Response / Corrective Action Plan

The Project Request & Closeout Checklist was modified to include DSA approval as a mandatory prerequisite to bidding. Staff will modify appropriate agreements to clearly identify milestone tasks for Construction Documents DSA Approved and Stamped.

Future projects will not move forward for advertising until all construction documents are approved by DSA.

## PLANNING AND CONSTRUCTION – DSA CLOSEOUT

The following completed projects have not been closed out with appropriate DSA certification:

<u>Project</u>	<u>Notice of Completion Date</u>
1. Modernization of John D. Sloat – Increment I	02/18/2002
2. Sam Brannan Athletic Field	04/07/2003
3. Albert Einstein – Electrical Upgrade	02/12/2004
4. Albert Einstein – Modernization Phase 3a	07/01/2004
5. Sacramento High School – Emergency HVAC Repairs	12/31/2004
6. Sam Brannan – HVAC & Switchgear Installation	01/04/2005
7. HVAC Installation at Albert Einstein Middle School	01/15/2005
8. Sacramento High School – Wall Repair	07/11/2005
9. Modernization at Crocker Riverside	11/14/2005
10. Modernization, Phase 3 at California Middle School	02/04/2006
11. John Still K-8 New Construction, Building F	04/28/2006
12. Modernization, Phase 3 at John Still K-8 School	04/28/2006
13. Sam Brannan Modernization Project	11/07/2006
14. Modernization at David Lubin	11/30/2006
15. Fire Alarm System at John F. Kennedy High School	07/07/2007
16. Albert Einstein Modernization Project	10/31/2007
17. Landscaping at New South Elementary School	05/01/2008
18. New South Elementary – Sitework, Demo, and Utilities	06/09/2008
19. Portable Relocation Project at John F. Kennedy High School	10/15/2008
20. John F. Kennedy Modernization Project, Lease-Leaseback	03/06/2009
21. Sacramento High School Modernization Project, Phase 3	03/09/2009

## SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

## CONCLUSIONS

(Continued)

## PLANNING AND CONSTRUCTION – DSA CLOSEOUT (Continued)

The District should ensure DSA closeout is completed timely upon completion of all projects.

District Response / Corrective Action Plan

Staff will require DSA closeout with certification prior to release of final payment to architect and inspector. Notice of Completion will be filed upon completion of all contract requirements by contractor/developer. Notice of Completion must be filed with DSA prior to closeout.

Project contract documents will contain specific language regarding the DSA closeout with certification process. Staff will notify Legal Counsel to modify standard approved contract documents to clearly define DSA closeout process:

- DSA Form 102
- DSA Form 5 & 5A
- DSA Form 6 & 6A/E
- Lab and Inspection Reports
- Notice of Completion

To insure that DSA closeout can be completed in a timely manner, the District will vet agreements for phasing, incremental, or joint-use requirements that delay DSA closeout.

## PAYROLL RELATED EXPENDITURES

The District was unable to provide support for how payroll expenses were allocated between the Bond Expenditures (Building Fund) and other funding sources (General Fund). The allocation percentages were not supported by any formal documentation. The salary expense allocated to Bond Expenditures (Building Fund) for the period from March 1, 2003 through and including June 30, 2009 is summarized below:

Assistant Superintendent of Operations	\$ 118,470 *
Fiscal Analyst III	\$ 321,348
Director II, Operations and Planning	\$ 301,954
Manager III, Project Manager (1)	\$ 382,939
Manager III, Project Manager (2)	\$ 367,309
Manager I, Facilities Project Manager (1)	\$ 100,597 **
Manager I, Facilities Project Manager (2)	\$ 10,447 ***
Office Technician III	\$ 105,823 ****
Total Payroll Expenditures	<u>\$ 1,708,886</u>

\* Note: This position was vacant in the 2004-2005 fiscal year.

\*\* Note: This position was only filled for period July 1, 2004 to June 30, 2006.

\*\*\* Note: This position was only filled for the 2004-2005 fiscal year.

\*\*\*\* Note: This position was vacant in the 2008-2009 fiscal year.



## SACRAMENTO CITY UNIFIED SCHOOL DISTRICT

**CONCLUSIONS**

(Continued)

**PAYROLL RELATED EXPENDITURES (Continued)**

The District should perform a time study to test the actual time worked on the bond or require time certifications by the employees to ensure that actual time spent working on the bond is consistent with the expense charged. The certification should be required to be signed by the employee as certification of the amount of time the employee actually worked on the various funding sources.

District Response / Corrective Action Plan

As of March 1, 2010, the District has implemented time reporting procedures for all employees funded by bond proceeds. Staff must complete and sign time sheets to ensure that the actual time spent working on bond related matters is consistent with the salaries expensed.

**GENERAL LEDGER CODING**

General ledger coding currently used does not track expenditures by project. Instead the District has a manual system of accumulating costs and reporting those costs in aggregate by site.

The District should revise its existing system using the account code structure to allow for the reporting of construction and other related bond cost by type of expenditure incurred. These reports should allow for reporting of cost to the DSA.

District Response / Corrective Action Plan

The District will implement a system using the SACS account code string to identify construction and other bond related costs by project and task at each site.