

**FI (2) Work Step**

Conduct appropriate investigative steps to determine which projects had budgets approved by the Board or by an individual or committee authorized by the Board **(A)**. On a sample basis, review past project expenditures and compare to identified budgets **(B)**. Determine whether budgets submitted to the Board historically have been sufficient and free of errors **(C)**.<sup>142</sup>

**Results of Testing**

**(A) Conduct appropriate investigative steps to determine which projects had budgets approved by the Board or by an individual or committee authorized by the Board.**

**Related Allegations**

BUD (1) – Unbudgeted/underbudgeted projects

BUD (2) – District increases budgets to match actual costs

**Results of Work Performed**

The Expenditure Authorization Worksheet (EAW), which was prepared by the Seville Group, Inc. (d.b.a. SGI Construction Management) or “SGI,” was the District’s mechanism for obtaining budget approval from the Board for a bond project and site. The EAW enumerates the bond projects and sites (Source) with their corresponding budget amounts that the Board had previously approved (Approved Expenditure Authority) and the proposed budget increase or decrease (Adjustments) for a bond project and/or site. Each EAW was presented to the Board at its regular meeting under section C. Business Items – Consent Items. When the Board approves the Consent Items, which includes the EAW, the Expenditure Authority amounts for the bond projects and sites are the “revised” approved budget amounts for the bond projects and sites. The EAW has the following format:

- 1) Source (name of the bond project or site)
- 2) Approved/or Planning Budget (also Approved Expenditure Authority)<sup>143</sup>
- 3) Adjustments (for the proposed budget increase or decrease)
- 4) Expenditure Authority<sup>144</sup> (sum of item 2 and item 3)
- 5) Reference<sup>145</sup>

<sup>142</sup> The letter included in parentheses after each sentence provides a reference to the applicable section in the “Results of Testing.”

<sup>143</sup> This is referred to as the “beginning project budget amount” in Work Step C of this section beginning on page 153.

<sup>144</sup> This is referred to as the “ending project budget amount” in Work Step C of this section.

Figure 6 includes an image of the columns included in the EAW reports.

**Figure 6: Excerpt from EAW Report**

WCCUSD BOND PROGRAM 2014 BUDGET EXPENDITURE ADJUSTMENTS				
EXPENDITURE AUTHORIZATION WORKSHEET				
SOURCE	APPR'D EXPEND. AUTHORITY	ADJUSTMENTS	EXPENDITURE AUTHORITY	REFERENCE
Downer ES Field	\$850,000	\$0	\$850,000	G.C. Bid (04/03/14)
Cameron ES	\$250,000	\$0	\$250,000	Architectural Planning Fees
Coronado ES	\$42,300,000	\$0	\$42,300,000	G.C. Bid - New Construction (10/23/13)
Dover ES	\$33,295,274	\$0	\$33,295,274	
Ford ES	\$31,154,828	\$0	\$31,154,828	Extended time, closeout, window shades
Fairmont ES*	\$34,677,605	\$0	\$34,677,605	
Highland ES*	\$54,600,000	\$0	\$54,600,000	

The District provided VLS a total of 10 EAWs approved by the Board during fiscal years 2010/11 through 2014/15. The EAWs were approved on the following Board meeting dates:

- 6/1/2011 (Exhibit FI2-01)
- 10/4/2011 (Exhibit FI2-02)
- 2/6/2013 (Exhibit FI2-03)
- 3/20/2013 (Exhibit FI2-04)
- 4/10/2013 (Exhibit FI2-05)
- 7/24/2013 (Exhibit FI2-06)
- 11/20/2013 (Exhibit FI2-07)
- 4/23/2014 (Exhibit FI2-08)
- 8/13/2014 (Exhibit FI2-09)
- 11/12/2014 – the last EAW approved by the Board (Exhibit FI2-10)

Starting with the EAW approved on 6/1/2011, Table 12 includes all of the bond projects and sites approved by the Board. The purpose of this table is to provide a summary of the various project/site budgets that were approved by the Board through the EAW reports identified above. The columns included in Table 12 are explained further below.

- Column (1) – Measure: The bond measure for which the budget was approved.<sup>146</sup>
- Column (2) – Source: Identifies the bond project and school site with an approved project budget.
- Column (3) – Approved Budget as of 6/1/2011: Identifies the approved budget amount for that school site as shown on the EAW report dated 6/1/2011.<sup>147</sup>

<sup>145</sup>This is a place for District comments (e.g., PO Close out, estimated cost to complete) for a specific bond project or site.

<sup>146</sup> Information provided by the District Project Analyst.

- Column (4) – Total Adjustments: The cumulative total of all adjustments for that bond project and school site identified in the EAWs provided to VLS.
- Column (5) – Approved Budget (Calculated): The sum of columns (3) and (4).<sup>148</sup>

**Table 12: Summary of All Bond Project and School Site Budgets**

Ref No.	(1) Measure	(2) Source	(3) Approved Budget as of 6/1/2011 (from EAW)	(4) Total Adjustments (from EAWs)	(5) Approved Budget (Calculated)
1	2000M	Modernization Phase 1A	\$ 126,012,682	\$ 311,657	\$ 126,324,339
2	2000M	Modernization Phase 1B	144,098,200	(105,576)	143,992,624
3	2000M	Expenditures Phase 2A Thru 3	2,097,201	-	2,097,201
4	2000M	Stewart ES Portable Classrooms	2,989,661	-	2,989,661
5	2000M	Quick Starts Projects	6,705,327	-	6,705,327
6	2000M	Chavez ES And Hanna Ranch ES	1,137,728	-	1,137,728
7	2000M	Program Coordination	8,035,760	-	8,035,760
8	2000M	Furniture And Equipment	6,221,107	-	6,221,107
9	2000M	Technology E-Rate Projects	5,718,001	-	5,718,001
10	2000M	Additional Bond Funded Projects	20,658,811	323,326	20,982,137
11	2000M	Community Kitchen Projects	4,724,945	-	4,724,945
12	2002D	Helms Middle	78,527,467	7,972,533	86,500,000
13	2002D	Pinole Middle	52,198,359	-	52,198,359
14	2002D	Portola Middle	56,429,054	12,570,946	69,000,000
15	2002D	El Cerrito High	123,381,967	1,618,033	125,000,000
16	2002D	Kennedy HS Track Field	3,181,061	-	3,181,061
17	2002D	PVHS Track & Field	1,657,106	-	1,657,106
18	2002D	Richmond HS Track Field	4,176,018	-	4,176,018
19	2002D	All Other Projects	4,805,068	-	4,805,068
20	2002D	Program Coordination	8,402,918	-	8,402,918
21	2002D	Furnishings/Equipment	4,952,897	-	4,952,897
22	2002D	Network Technology	5,944,408	-	5,944,408
23	2005J	Dover ES	32,028,548	-	32,028,548
24	2005J	Castro ES	350,000	-	350,000
25	2005J	Ford ES	27,519,240	2,230,760	29,750,000
26	2005J	King ES	23,731,084	-	23,731,084
27	2005J	Nystrom ES	32,481,474	14,888,526	47,370,000
28	2005J	Ohlone ES	33,231,437	-	33,231,437
29	2005J	De Anza High School	114,710,340	13,919,660	128,630,000
30	2005J	Richmond High School <sup>149</sup>	11,268,415	254,778	11,523,193

<sup>147</sup> Under the column labeled “2011 Master Plan Budget.”

<sup>148</sup> The calculated approved budget as shown in column (5) of the table does not equal the final approved budget as shown in the last EAW approved by the Board on 11/12/2014. The variances are discussed in detail in Work Step (C) beginning on page 153. Certain budget line items (such as technology) were reallocated to specific school sites; however, adjustments were not shown for the reallocations. Additionally, certain budgeted projects were removed from the EAW reports when they were completed.

Ref No.	(1) Measure	(2) Source	(3) Approved Budget as of 6/1/2011 (from EAW)	(4) Total Adjustments (from EAWs)	(5) Approved Budget (Calculated)
31	2005J	Kennedy High School (Quads)	13,469,486	-	13,469,486
32	2005J	Kennedy Science Building	-	7,500,000	7,500,000
33	2005J	Richmond College Prep	\$ 4,300,570	\$ 362,738	\$ 4,663,308
34	2005J	Master Planning	-	10,000	10,000
35	2005J	Additional Projects	1,072,997	(1,116,074)	(43,077)
36	2005J	Verde ES Site Work	167,316	-	167,316
37	2005J	Downer ES Soccer	-	850,000	850,000
38	2005J	Restroom Wall Finish Repair	-	6,005,781	6,005,781
39	2005J	Measure D Refund	1,600,000	-	1,600,000
40	2005J	Deferred Capital Projects	2,342,234	20,600	2,362,834
41	2005J	Program Coordination	9,741,819	2,635,006	12,376,825
42	2005J	Furnishings/Equipment	7,808,723	-	7,808,723
43	2005J	Network Technology	7,800,000	-	7,800,000
44	2005J	Program Contingency	5,320,462	(1,910,303)	3,410,159
45	2010D	Pinole Valley High School	120,000,000	60,000,000	180,000,000
46	2010D	Hercules Middle School	12,000,000	17,800,000	29,800,000
47	2010D	Richmond High School <sup>150</sup>	40,000,000	-	40,000,000
48	2010D	Kennedy High School (2010D Proj)	8,000,000	(5,600,000)	2,400,000
49	2010D	Kennedy - Richmond Swim Center	-	9,400,000	9,400,000
50	2010D	El Cerrito HS Stadium	7,000,000	14,000,000	21,000,000
51	2010D	Montalvin Manor	4,000,000	-	4,000,000
52	2010D	Coronado ES	32,000,000	9,500,000	41,500,000
53	2010D	Fairmont ES	33,877,605	-	33,877,605
54	2010D	Highland ES	34,500,000	19,300,000	53,800,000
55	2010D	Stege ES	30,000,000	-	30,000,000
56	2010D	Valley View ES	34,066,383	-	34,066,383
57	2010D	Wilson ES	34,000,000	15,000,000	49,000,000
58	2010D	Peres ES Renovation <sup>151</sup>	2,000,000	1,200,000	3,200,000
59	2010D	Leadership + Gompers	50,024,128	26,491,855	76,515,983
60	2010D	District Technology	5,000,000	-	5,000,000
61	2010D	Deferred Capital Projects	2,300,000	816,000	3,116,000
62	2010D	Program Cost <sup>152</sup>	8,000,000	7,000,000	15,000,000
63	2010D	Furnishings/Equipment	5,000,000	-	5,000,000
64	2010D	Program Technology	5,000,000	-	5,000,000
65	2010D	Program Contingency	6,000,000	-	6,000,000
66	2012E	Riverside ES Modernization	-	250,000	250,000
67	2012E	Cameron New School	-	250,000	250,000
68	2012E	Lake ES New School	-	500,000	500,000

<sup>149</sup> Budget for Richmond High School small projects and closeout.

<sup>150</sup> Budget for Richmond High School health center, gym, and CR/Library buildings.

<sup>151</sup> Includes Peres Elementary School Renovation and Peres Elementary School Renovation Phase II.

<sup>152</sup> Includes District-wide program costs and legal costs.

Ref No.	(1) Measure	(2) Source	(3) Approved Budget as of 6/1/2011 (from EAW)	(4) Total Adjustments (from EAWs)	(5) Approved Budget (Calculated)
69	2012E	Mira Vista ES ADA Access	-	100,000	100,000
70	2012E	Olinda ES New School	-	500,000	500,000
71	2012E	Shannon ES - New School	-	500,000	500,000
72	2012E	Program Contingency	-	6,000,000	6,000,000
73	2012E	Program Technology	-	20,000,000	20,000,000
Totals			\$ 1,473,768,007	\$ 271,350,246	\$ 1,745,118,253

### **Conclusion**

According to the analysis performed by VLS, the project budgets and sites enumerated in the EAWs were the only projects/school sites with budgets approved by the Board. See Table 12 above for projects/sites with approved budgets. Refer to TC (6) section for TC6-7 recommendation related to this area.

### **(B) On a sample basis, review past project expenditures and compare to identified budgets.**

### **Related Allegations**

- BUD (1) – Unbudgeted/underbudgeted projects  
 BUD (2) – District increases budgets to match actual costs

### **Results of Work Performed**

VLS selected five schools from the last EAW approved on 11/12/2014 to compare the approved bond project budgets to their corresponding expenditures and encumbrances.<sup>153</sup> Table 13 includes the results of the comparison performed by VLS. The columns included in Table 13 are explained further below:

- Column (1) – School: Identifies the school site with an approved project budget.
- Column (2) – Expenditure Authority Per 11/12/2014 EAW: Identifies the budget amount approved by the Board on 11/12/2014.
- Column (3) – Expenditures: Amount of expenditures to date per *2016-Feb Summary Spending by School* report provided by the Project Analyst.

<sup>153</sup> Expenditures are the total amounts paid to-date for materials, supplies and/or services. Encumbrances are accounting transactions used to set aside funds for obligations made by the District (e.g., signed contracts) that have not been processed for payment. Encumbrances represent the total unpaid obligation to-date.

- Column (4) – Encumbrances: Amount of encumbrances to date per *2016-Feb Summary Spending by School* report provided by the Project Analyst.
- Column (5) – Balance as of 2/29/2016: The net of the “Expenditure Authority” approved by the Board on 11/12/2014 less the expenditures and encumbrances; net amount of column (2) less columns (3) and (4).

**Table 13: Comparison of Project Budgets and Expenditures**

Ref No.	(1) School	(2) Expenditure Authority Per 11/14/2014 EAW	(3) Expenditures	(4) Encumbrances	(5) Balance as of 2/29/2016 <sup>154</sup>
1	Coronado Elementary School	\$ 42,300,000	\$ 41,700,134	\$ 399,940	\$ 199,926
2	De Anza High School	132,000,000	130,622,363	1,492,499	(114,862)
3	Portola/Korematsu Middle School	69,776,223	64,201,525	4,990,113	584,585
4	Nystrom Elementary School	48,700,000	37,054,502	5,148,355	6,497,143
5	Sylvester Greenwood Academy/LPS	78,115,983	78,529,472	793,329	(1,206,818)

Additionally, project budget analyses were performed by the Bond Finance Department for Coronado Elementary School and Sylvester Greenwood Academy/LPS, and presented to the Facilities Subcommittee on 5/17/2016 (**Exhibit FI2-11**). The District compared the project budgets to the expenditures and encumbrances. This process assisted the District in identifying that the project budget for Sylvester Greenwood Academy/LPS was not sufficient, as shown in Table 13 (number 5); thereby, a budget adjustment was needed. On 6/15/2016, the Board approved a budget increase of \$1,350,000 to fund the additional expenditures and encumbrances incurred for the Sylvester Greenwood Academy/LPS project.<sup>155</sup> The project budget for Coronado Elementary School (number 1 in Table 13) was determined to be sufficient based on the District’s analysis; therefore, no budget adjustment was required. According to Table 13, De Anza High School has a deficit balance of \$114,862 as of 2/29/2016 (number 2). The project budget analysis for De Anza High School will be prepared by the District as mentioned in Work Step (D), Other Information. Refer to section TC (6) for TC6-9 recommendation for this area. Additionally, see FI2-1 recommendation for this area.

#### Budgets Matched to Actual Costs

Testing was performed by VLS related to the District’s budgeting practices to determine if the District increased budgets to match actual costs. The District provided VLS an export of budget

<sup>154</sup> This column equals the net of the project budget (column 2) less expenditures (column 3) and encumbrances (column 4).

<sup>155</sup> See item F.6 of the 6/15/2016 Board Agenda.

transactions from the District server for the 2015/16 fiscal year, and VLS tested nine bond project contracts approved by the Board. Out of nine contracts tested:

- The budgets for seven contracts were entered into the Munis financial system after the contracts were approved by the Board. Table 14 includes the seven contracts tested where the contract amounts matched the budget posted into Munis, except for numbers 2 and 7 which had budgets entered that were less than the contract amounts. Refer to section TC (6) for TC6-2 recommendation for this area. Additionally, see FI2-1 recommendation for this area.
- One contract tested appears to have no available budget (contract number 1000001762 for Sylvester Greenwood Academy/LPS).
- Only one contract tested appears to have sufficient budget available before the contract was approved (contract number 1000001729 for Coronado Elementary School) by the Board.

**Table 14: Summary of Contracts – Budgets Entered After Board Approval of Contract**

Ref No.	School	Vendor/Contract Number	Contract Amount	Board Approval Date	Budget Posting Date in Munis	Budget Amount
1	Coronado Elementary School	ERA Construction, Inc/ 1000001757	\$ 4,644	9/22/2015 <sup>156</sup>	12/29/2015	\$ 4,644
2	De Anza High School <sup>157</sup>	MLE Capital Management, Inc/1000001730	98,800	7/21/2015	9/21/2015	62,425
3	Korematsu Middle School	HY Architects, Inc/ 1000001802	111,345	9/02/2015	10/27/2015	111,345
4	Korematsu Middle School <sup>158</sup>	Moving Solutions Inc/ 1000001892	28,702	2/10/2016	2/23/2016	28,703
5	Nystrom Elementary School	MWC & Associates/ 1000001731	98,800	7/21/2015	8/13/2015	98,800
6	Ohlone Elementary School	Michael G. McKim Company/1000001722	239,950	7/16/2015 <sup>159</sup>	9/21/2015	239,950
7	Sylvester Greenwood/LPS	ABC Inspections, Inc/1000001728	98,800	7/21/2015	8/14/2015	96,925

<sup>156</sup> VLS used the contract date. The Board approval date was not available.

<sup>157</sup> Total contract amount is for De Anza High School, Pinole Valley High School, and Ohlone Elementary School. The District entered a budget amount of \$62,425 for De Anza High School.

<sup>158</sup> The actual contract amount was \$28,702.48; however, the District rounded the amount up to the next whole dollar when the budget was entered into Munis.

<sup>159</sup> Notice of Intent to Award Contract date.

During the review of the budget transactions exported by the District from the server, VLS identified several budget entries made by the Principal Accountant on 3/8/2016 into Munis with an effective date of 7/1/2015. Since the budget entries have an effective date of 7/1/2015, the entries should have been posted into Munis as part of the posting of the adopted budget for the 2015/16 fiscal year.<sup>160</sup> Additionally, the budget entries were not included in the First and Second Interim Reports as they were entered on 3/8/2016.<sup>161</sup>

Table 15 summarizes the budget entries by major object for the selected schools. See FI2-3 recommendation for this area.

**Table 15: Summary of 3/8/2016 Budget Entries with 7/1/2015 Effective Date**

School	Major Object 4000	Major object 5000	Major Object 6000	Total
Coronado Elementary School	\$ -	\$ 71,250	\$ 3,669,367	\$ 3,740,617
De Anza High School	-	97,500	2,337,423	2,434,923
Korematsu Middle School	750,000	78,750	9,301,519	10,130,269
Nystrom Elementary School	562,500	31,125	12,076,250	12,669,875
Sylvester Greenwood/LPS	-	52,500	5,243,637	5,296,137
Totals	\$ 1,312,500	\$ 331,125	\$ 32,628,196	\$ 34,271,821

### **Conclusions**

- 1) Table 13: Comparison of Project Budgets and Expenditures, the expenditures for the Sylvester Greenwood Academy/LPS project exceeded the Board approved project budget. Additionally, the project budget for De Anza High School appears to be sufficient as compared to the expenditures; however, the project budget will not be sufficient when encumbrances are considered. Refer to section TC (6) for TC6-1 and TC6-2 recommendations for this area. Additionally, see FI2-1 and FI2-4 recommendations for this area.
- 2) One contract tested for Sylvester Greenwood Academy/LPS has no available budget; therefore, it appears that the District approved the contract for a bond project that was underbudgeted. Refer to section TC (6) for TC6-1, TC6-2, and TC6-9 recommendations for this area. Additionally, see FI2-4 recommendation for this area.
- 3) Based on VLS's interview with District staff and the testing performed, it appears that the claim that the District increases budgets to match actual costs is substantiated as shown in Table 14: Summary of Contracts – Budgets Entered After Board Approval of Contract. Refer

<sup>160</sup> The posting of the adopted budget for each fiscal year occurs immediately after its approval by the Board no later than June 30.

<sup>161</sup> The cut-off dates for preparation of the First and Second Interim Reports are October 31<sup>st</sup> and January 31<sup>st</sup> of each fiscal year, respectively.



to section TC (6) for TC6-2 recommendation for this area. Additionally, see FI2-2 recommendation for this area.

- 4) Budget data entries made on 3/8/2016 that were backdated to 7/1/2015 significantly altered the overall budget in Munis by \$34,271,821 as shown on Table 15: Summary of 3/8/2016 Budget Entries with 7/1/2015 Effective Date. Since the entries were made on 3/8/2016, the entries were not included in the preparation of the First and Second Interim Reports with the cutoff dates of 10/31/2015 and 1/31/2016, respectively. This specific event leads VLS to conclude that the First and Second Interim Report budget presentations to the Board were not accurate and may be misleading. Refer to section TC (6) for TC6-6 recommendation for this area. Additionally, see FI2-2 and FI2-3 recommendations for this area.

**(C) Determine whether budgets submitted to the Board historically have been sufficient and free of errors.**

**Related Allegation**

**BUD (5)** - Bond program budgets submitted to the Board are one page summaries; The beginning balance does not match the prior report's ending balance.

**Results of Work Performed**

Starting with the EAW approved on 6/1/2011, VLS analyzed all the EAW reports for mathematical accuracy. VLS selected a sample of five schools to illustrate the analysis performed by VLS. The analysis is summarized in Table 16 and Table 17. The columns included in Table 16 are explained further below.

- Column (1) – School: Identifies the school site with an approved project budget.
- Column (2) – Approved Budget as of 6/1/2011: Identifies the approved budget amount for that school site as shown on the EAW report dated 6/1/2011.
- Column (3) – Total Adjustments: The cumulative total of all adjustments for that school site identified in the EAWs provided to VLS (and listed above).
- Column (4) – VLS Calculated Expenditure Authority as of 11/12/2014: The approved school site budget calculated by VLS based on the budget as of 6/1/2011 plus total adjustments – the sum of column (2) and column (3).

**Table 16: Summary of Bond Project Budgets for Selected Schools**

Ref No.	(1) School	(2) Approved Budget as of 6/1/2011	(3) Total Adjustments	(4) VLS Calculated Expenditure Authority as of 11/12/2014
1	Coronado Elementary School	\$ 32,000,000	\$ 9,500,000 <sup>162</sup>	\$ 41,500,000
2	De Anza High School	114,710,340	13,919,660 <sup>163</sup>	128,630,000
3	Portola/Korematsu Middle School	56,429,054	12,570,946 <sup>164</sup>	69,000,000
4	Nystrom Elementary School	32,481,474	14,888,526 <sup>165</sup>	47,370,000
5	Sylvester Greenwood/LPS	50,024,128	26,491,855 <sup>166</sup>	76,515,983

Additionally, in order to provide assurance that the final EAW approved by the Board was mathematically accurate, VLS compared the amounts shown in column (4) of Table 16 to the “Expenditure Authority” shown in the EAW approved on 11/12/2014. The results of this comparison are included in Table 17, which shows that there are differences between the VLS recalculated approved budget and the budget that appeared in the last EAW report approved by the Board. The columns included in Table 17 are explained further below

- Column (1) – School: Identifies the school site with an approved project budget.
- Column (2) – EAW 11/12/2014: Identifies the “Expenditure Authority” shown on the EAW approved by the Board on 11/12/2014.
- Column (3) – VLS Calculated Expenditure Authority: The approved school site budget calculated by VLS as shown in Table 16.
- Column (4) – Difference: The difference between what VLS calculated as the approved “Expenditure Authority” based on the available EAWs and the amount shown on the last EAW approved by the Board – difference between Column (2) and Column (3).

<sup>162</sup> Approved adjustment per EAW dated 11/20/2013.

<sup>163</sup> Approved adjustment per EAW dated 11/12/2014.

<sup>164</sup> Approved adjustment per EAW dated 4/10/2013.

<sup>165</sup> Approved adjustment per EAW dated 8/13/2014.

<sup>166</sup> Approved adjustment per EAW dated 2/6/2013.

**Table 17: Comparison of 11/12/2014 EAW and VLS Calculated Expenditure Authority**

Ref No.	(1) School	(2) EAW 11/12/2014	(3) VLS Calculated Expenditure Authority <i>(per Table 16)</i>	(4) Difference
1	Coronado Elementary School	\$ 42,300,000	\$ 41,500,000	\$ 800,000
2	De Anza High School	132,000,000	128,630,000	3,370,000
3	Portola/Korematsu Middle School	69,753,352	69,000,000	753,352
4	Nystrom Elementary School	48,700,000	47,370,000	1,330,000
5	Sylvester Greenwood/LPS	78,115,983	76,515,983	1,600,000

As shown in Figure 6, each EAW includes three columns of budget information. They represent the beginning project budget (“Approved Expenditure Authority”), budget adjustments (“Adjustments”), and the ending project budget (“Expenditure Authority”). The beginning project budget should be equal to the ending project budget of the prior EAW report. VLS compared the beginning project budget of each EAW report to the ending project budget of the preceding EAW report to determine if there were differences.

VLS identified several instances where the beginning project budget balances on the EAW did not match the previous ending project budget balances. These instances occurred on the following dates:

- From 6/1/2011 ending project budget to 10/4/2011 beginning project budget; net difference of \$0<sup>167</sup>
- From 10/4/2011 ending project budget to 2/6/2013 beginning project budget; total difference of \$129,070<sup>168</sup>
- From 7/24/2013 ending project budget to 11/20/2013 beginning project budget; total difference of \$16,810,991<sup>169</sup> (Refer to section TC (6) for TC6-7 recommendation for this area. Additionally, see FI2-1 recommendation for this area.)

<sup>167</sup> A total of 16 projects had beginning project budgets that did not match the prior Board approved ending project budgets. Several bond project budgets were overstated and several were understated; however, the net difference is zero, indicating that there was no impact to the overall program budget.

<sup>168</sup> This difference is related to one bond project, which is an increase to Kennedy High School’s project budget.

<sup>169</sup> This difference is related to 23 different bond projects. Twenty-two bond project budgets increased and only one bond project budget decreased. Five out of the 22 bond project budgets that increased are included in Table 18.

Table 18 includes a sample of the differences from the 7/24/2013 ending project budget to the 11/20/2013 beginning project budget.

**Table 18: Summary of Project Budgets from 07/24/2013 and 11/20/2013 EAWs**

(1) Project Name	(2) 07/24/2013 EAW Ending Project Budget Amount	(3) 11/20/2013 EAW Beginning Project Budget Amount	(4) Difference
Coronado Elementary School	\$ 32,000,000	\$ 32,800,000	\$ 800,000
De Anza High School	114,710,340	118,080,340	3,370,000
Portola/Korematsu Middle School	69,000,000	69,753,352	753,352
Nystrom Elementary School	32,481,474	33,811,474	1,330,000
Sylvester Greenwood/LPS (Gompers)	76,515,983	78,115,983	1,600,000

The differences shown in column (4) of Table 18 appear to reflect the same budget amounts for Network Technology and Furniture & Equipment (F&E) for the selected schools as shown in Table 19. VLS obtained the budget amounts for Network Technology and F&E from the CAMP report dated 4/17/2013 (pages 52, 72, 73, 97 and 98).<sup>170</sup> See FI2-1 recommendation for this area.

**Table 19: Sample of Network Technology and Furniture & Equipment Budgets**

(1) School	(2) Network Technology Budget	(3) Furniture & Equipment	(4) Total
Coronado Elementary	\$ 400,000	\$ 400,000	\$ 800,000
De Anza High School	1,300,000	2,070,000	3,370,000
Portola/Korematsu Middle School	-	753,344	753,344
Nystrom Elementary School	430,000	900,000	1,330,000
Sylvester Greenwood/LPS (Gompers)	800,000	800,000	1,600,000

Based on the information presented in Table 18 and Table 19, it appears that a portion of the differences identified between the 7/24/2013 and 11/20/2013 EAW reports are related to a reallocation of the budgets for “Network Technology” and “Furniture & Equipment.” See FI2-1 recommendation for this area.

VLS also received, in July 2016, worksheets prepared by the District Project Analyst that included all project budgets and corresponding increases and decreases (such as the *2013-2-6 Board Approved Budget* worksheet and *Board Budget Tracking* worksheet).<sup>171</sup> VLS verified that the

<sup>170</sup> CAMP reports are discussed in the FI (11) Section, which addresses the area of Financial Reporting.

<sup>171</sup> The *2013-2-6 Board Approved Budget* worksheet listed all of the District’s project budgets by site, which included the budgets for Furniture & Equipment and Project Technology as of 10/4/2011, with the adjustments through 2/6/2013. The Project Analyst maintained this worksheet with subsequent budget

project budgets for the five selected schools as shown in the worksheets were consistent with the budgets shown in the EAWs, without exception. Additionally, VLS identified the following:

- The \$5,000,000 budget for Project Technology,<sup>172</sup> funded by Measure D-2010, was distributed to 10 sites<sup>173</sup> on 11/20/2013. This distribution was partially responsible for the differences shown in Table 18 as the Project Technology budget amount continues to be reported in the EAW, and there was no indication in the EAW that the distribution had occurred. See FI2-1 recommendation for this area.
- Project budgets for Furnishing/Equipment and Network Technology, funded by Measure D-2002 and 2010 and Measure J, were also distributed to 18 sites<sup>174</sup> on 11/20/2013; however, there was no indication in the EAW that the distribution had occurred. See FI2-1 recommendation for this area.

### Conclusion

The results of VLS testing show that there was evidence supporting the claim that the beginning project budget balance does not match the prior report's ending project budget balance. It appears that the primary reason for the difference is the reallocation of budgets for Project Technology, Network Technology, or Furniture & Equipment to specific school sites. Additionally, the ending project budgets identified in the last EAW report approved by the Board are not equal to the sum of the beginning project budget plus all adjustments. These variances appear to be related to reallocations that were performed but never shown as adjustments. Refer to section TC (6) for TC6-7 recommendation for this area. Additionally, see FI2-1 recommendation for this area.

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adjustments and labeled it "Board Budget Tracking." These worksheets supported the District's School KPI reports. These worksheets are very large and, therefore, have not been included as exhibits.

<sup>172</sup> This information, labeled as Network Telecom Technology and Security Projects, was included in the CAMP Report dated 4/17/2013, page 97. See **Exhibit FI2-12**.

<sup>173</sup> Coronado ES, Highland ES, Fairmont ES, Stege ES, Valley View ES, Wilson ES, Hercules MS, Gompers/LPS, Pinole Valley HS and Richmond HS.

<sup>174</sup> Dover ES, Ford ES, King ES, Nystrom ES, Ohlone ES, De Anza HS, Kennedy HS, Program Project, Coronado ES, Highland ES, Fairmont ES, Stege ES, Valley View ES, Wilson ES, Pinole Valley HS, Richmond HS, Hercules Mid/High, Leadership Public Schools. This information, labeled as Network Telecom Technology and Furniture and Equipment, were included in the CAMP Report dated 4/17/2013, pages 52, 72, 73 and 98. See **Exhibit FI2-13**.

### **Other Information**

The District intends to prepare analyses for other bond project budgets, including De Anza High School. The analyses will include the review of all bond issuances<sup>175</sup> and a comparison of project budgets by site approved by the Board and their corresponding expenditures. Any remaining balance(s) (positive or negative) from completed project(s) will be eliminated; therefore, the project budget for each completed site project will equal the total expenditures. These analyses are expected to go to the Facilities Subcommittee for review and discussion in August, 2016 and then to the Board in September 2016 for approval. The results of the analyses will be the starting point for project budgets that are in progress and for the priority schools according to the Implementation Plan.

### **Recommendations**

FI2-1. Ensure that the written budgeting procedures (recommended in TC6-7) include specific guidelines and instructions related to bond project budgets. The written procedures should:

- Identify all steps in the tracking/updating process for bond project budgets. Include a list of all required documents (such as Board précis, purchase order, narrative, etc.) as supporting documentation to provide an audit trail.
- Identify all steps and the required documents in analyzing the bond project budgets to determine that the project budgets are sufficient to cover expenditures. Maintain a worksheet and attach appropriate reports to document that the analysis has been performed. Incorporate TC6-8 recommendation when a bond project budget is deemed insufficient.
- Identify who is responsible for tracking/updating, analyzing, reviewing, reporting and approving the bond project budgets and the timing for when these processes will be performed.

FI2-2. Ensure that the written budgeting procedures (recommended in TC6-1) include specific guidelines and instructions related to budget data entry in Munis. Written procedures should:

- Identify the timeline of budget entries for each accounting period.
- Require a reconciliation process be performed at the beginning of each fiscal year (July 1) to verify that the adopted budget per the SACS report matches with the budget entered into Munis. This practice will ensure that the budget in Munis

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<sup>175</sup> Including future bond issuances in 2018 and 2020.

reflects the Board approved budget. The District's adopted budget is the starting point in preparing the First and Second Interim Reports.

- FI2-3. Work with Tyler Technologies, the company that licenses the Munis software, to modify the budgeting function in Munis so that backdating of data entry is limited only to the prior accounting period.
- FI2-4. Ensure that the written procedures (recommended in TC5-2 and TC6-2) related to the development of detailed, multi-year, line-item budgets for the approved bond projects (e.g. 21 priority schools) and the budget verification in Munis are implemented to prevent deficit spending (as shown in Table 13).

See the TC (6) Section for recommendations regarding bond project budgets. Specifically, refer to TC6-6 recommendation for developing a form that can be used to reflect budget amendments/transfers, which can be used as the District's written resolution for approval by the Board as required by Education Code 42600-42603.

**Response by District**

The District agrees with the recommendations.

**VLS's Assessment of Response by District**

VLS has reviewed the District response to VLS's recommendations and acknowledge the District's agreement.