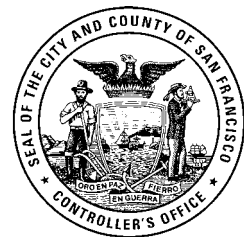


SAN FRANCISCO UNIFIED SCHOOL DISTRICT:

The San Francisco Unified
School District Cannot
Accurately Account for the
Revenues and Expenditures of
Its \$90 Million 1997 Bond
Issue

**FINANCIAL AUDITS
DIVISION**



*January 24, 2005
04003*



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

January 24, 2005

Audit Number 04003

Pamela Jue, Chairperson
Citizens' General Obligation Bond Oversight Committee
1 Dr. Carlton B. Goodlett Place
City Hall, Room 316
San Francisco, CA 94102

Dear Ms. Jue:

The Office of the Controller presents its report on the ability of the San Francisco Unified School District (school district) to account for and report on the \$90 million in bond proceeds the school district received from the general obligation bonds approved by the citizens of San Francisco in 1997. The Citizens' General Obligation Bond Oversight Committee (oversight committee) requested this review to provide assurance to the committee that the school district has sufficient internal controls and systems in place to account for the bond proceeds.

The auditors found that the school district cannot accurately account for its bond proceeds. The auditors discovered errors in the school district's accounting system of more than \$381,000 in duplicate project expenditures and approximately \$2.6 million of underreported interest earnings. Also, although requested by the oversight committee, the school district cannot produce from either its accounting system or its facilities department accurate reports on the funds spent for specific construction or improvement projects.

Further, the auditors found that the school district's July 1, 2004, quarterly bond report prepared for the San Francisco Board of Supervisors contained numerous computational errors, inconsistent information, and did not include \$30 million of bonds issued and more than \$13 million of bond expenditures from the accounting system, because the school district does not reconcile the information in its quarterly reports with the information in its accounting records.

The school district's response is attached to this report. The Financial Audits division will be working with the school district to follow up on the status of the recommendations made in this report.

Respectfully submitted,



Edward Harrington
Controller

SUMMARY

RESULTS IN BRIEF

Audit Highlights...

We found the following during our review of the San Francisco Unified School District's bond issue proceeds:

- ☑ ***The school district duplicated \$381,000 in bond fund expenditures.***
 - ☑ ***The school district underreported \$2.6 million in interest earnings.***
 - ☑ ***The school district's quarterly bond report does not account for \$30 million in bonds issued.***
 - ☑ ***The school district's quarterly bond report contains numerous computational errors, and has confusing entries and schedules.***
 - ☑ ***The school district's accounting system cannot accurately report bond expenditures by project.***
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Our review revealed that the San Francisco Unified School District (school district) cannot accurately account for and report on its 1997 bond issue proceeds of \$90 million because of errors in its accounting records and because it cannot produce reports by the specific construction or improvement project on which it spent the bond funds. Further, the school district has incomplete policies and procedures for accounting for its project expenditures, and has experienced high turnover of critical staff positions.

Subsequent to the first issuance of \$60 million in 1999, the news media raised allegations of financial improprieties and mismanagement by the school district. The State of California substantiated the allegations through its review of the school district's finances. Accounting firms and law enforcement agencies also found material weaknesses and fraudulent activity, respectively. After receiving three consecutive incomplete bond project presentations by the school district, the Citizens' General Obligation Bond Oversight Committee (oversight committee) asked the Office of the Controller on April 22, 2004, to conduct a review of the school district's financial controls and accounting systems for the use of its general obligation bond proceeds.

Our review of the school district's accounting records showed that the school district duplicated \$381,000 in bond expenditures when it erroneously posted fourteen duplicate transactions in its accounting records. In addition, the school district underreported \$2.6 million in interest earnings because it improperly reduced the amount of interest that it reported on its income statements by deducting the interest expense that it incurred from negative fund balances it had for its previous bond issues.

Further, reports from the school district's accounting system and the facilities department's database cannot satisfy the oversight committee's request for accurate reports by school construction or improvement project. The accounting system contains approximately \$23.5 million dollars in adjustments to bond expenditures made through lump sum journal entries to the bond fund, instead of to the individual projects, and also contains nearly \$20 million dollars in expenditures which it did not identify as

specific construction or improvement projects. The facilities department's reports are not complete because the reports do not include all bond projects and related expenditures.

Further, the school district prepared a quarterly bond report for the San Francisco Board of Supervisors that is inaccurate and confusing to the reader. We found that the July 1, 2004, bond report does not account for \$30 million of revenues for bonds issued, does not include \$13 million of expenditures, contains numerous computational errors, and has confusing entries and schedules that are inconsistent with the school district's accounting records.

Finally, we noted that the school district has incomplete policies and procedures for accounting for its project expenditures and has experienced staff turnover in critical accounting department and facilities department positions, which may have contributed to the errors described above.

INTRODUCTION

BACKGROUND

On June 3, 1997, the voters of San Francisco approved Proposition A, which authorized the City and County of San Francisco (City) to sell on behalf of the San Francisco Unified School District (school district) and San Francisco City College \$140 million in general obligation bonds to fund facilities construction and improvement projects for various school sites in San Francisco. General obligation bonds are municipal bonds that are secured by property taxes. The school district's share of the total was \$90 million. The school district initially issued a 1999 bond series for approximately \$60 million, and later issued a 2003 bond series for approximately \$30 million.

The paid arguments against Proposition A in the voter handbook raised allegations of financial improprieties and mismanagement by the school district that were echoed in the media within a few years. The State of California responded to a growing lack of confidence expressed by state and local legislators by sending the State's Fiscal Crisis and Management Assistance Team (crisis team) to conduct a financial review of the school district. The mission of the crisis team is to help California's local educational facilities by providing school business services. The crisis team's report, a comprehensive fiscal assessment of the school district for the period July 1, 1999, through March 24, 2000, concluded that the school district was having great difficulty meeting basic industry and legal standards relative to its financial operations and that its management information system functioned at an "unacceptably low level". The report also contained 55 findings concerning the school district's internal financial controls. One of the crisis team's recommendations was that the school district hire an internal auditor. According to school district staff, the position was created, but has been vacant for several years.

In August 2000 the school district hired its current superintendent, who called in various accounting firms and referred matters to law enforcement agencies to investigate possible fraud at the school district and to make recommendations for improving internal controls. The law enforcement agencies' investigations resulted in criminal charges being filed against two staff in the school district's facilities department, one of whom pled guilty. The case against the other staff person is still pending. The facilities

department is responsible for construction and maintenance of the school district's buildings and grounds. The accounting firm that reviewed the school district's facilities department recommended in its April 13, 2001, report that the school district cease spending any bond funds for school construction because the school district lacked basic financial controls to prevent fraud. A brief moratorium on spending of bond funds did occur soon after, according to the school district's director of fiscal services. The school district did not spend any 1997 bond funds in July and August of 2001. However, beginning in September of 2001 the school district resumed spending bond funds.

Also during 2001, the school district's board of education and its superintendent submitted to the California Office of the Legislative Analyst and the Joint Legislative Audit Committee three progress reports on the school district's implementation of the crisis team's internal control recommendations. The final progress report, dated September 2001, showed that the school district had scored an average of 5.5 out of 10 in its progress towards implementing the recommendations for findings classified as material weaknesses. A material weakness in an internal control is defined as a weakness that prevents misstatements in financial statements from being detected within a timely period, by employees of an organization, in the normal course of performing their assigned functions. According to the report, a score of 6 indicates that elements of the standard are implemented, monitored, and becoming systematic. A score of 10 means that all elements of the standard are fully implemented, are being sustained with high quality, are being refined, and have a process for ongoing evaluation. For the crisis team's two findings specific to accounting for facilities projects, the final progress report reflected a score of 4 out of 10, which meant that staff is engaged in the implementation of most elements of the standard.

Each of the school district's independent audit reports for fiscal years 2000-01, 2001-02, and 2002-03 identified a number of areas where the school district could improve its financial controls over its accounting for categorical funds. Categorical funds are those from the federal or state government that are restricted to particular use for a particular student population. The auditors classified some of the findings as material internal control weaknesses. However, there were successively fewer findings each year, with eight in fiscal year 2000-01 and three in fiscal year 2002-03. One finding that has not changed in all three fiscal years is that the school district does not recruit, train, and retain qualified finance

staff. Another finding that has remained unchanged is that staff is not adequately supervised.

San Francisco Citizens' General Obligation Bond Oversight Committee Request for Audit

On March 3, 2003, the San Francisco Citizens' General Obligation Bond Oversight Committee (oversight committee) first asked the school district to account for the use of the \$90 million in bond proceeds. The oversight committee, consisting of nine public members, is responsible for informing the public about the expenditure of general obligation bond proceeds through active review and the publishing of regular reports. In a December 2003 letter to the City's Board of Supervisors, the oversight committee reported that in two appearances by the school district during the year, the school district had been unable to provide a complete budget and schedule for each of its bond projects. On April 22, 2004, the oversight committee resolved, after receiving another incomplete presentation from the school district about the status of its bond projects, to ask the Office of the Controller to conduct a review of the school district's financial controls and accounting systems for the use of its general obligation bond proceeds.

SCOPE AND METHODOLOGY

The purpose of our review was to determine whether the internal controls and accounting systems of the school district were reasonably sufficient to provide assurance that the school district is appropriately accounting for and reporting its bond proceeds. Our review covered only the school district's ability to account for and report on its 1997 general obligation bond issue of \$90 million. We did not review all bond revenues and expenditures and accordingly, we are not expressing an opinion on whether the expenditures were appropriate.

To perform our review, we compiled the school district's records of revenue and expenditures by project for the 1997 bond funds from its accounting system for fiscal years 1997-98 through 2003-04. We also reviewed its quarterly bond report prepared for the Board of Supervisors for the quarter ended June 30, 2004. The Board of Supervisors requested in September 1999 that the school district submit quarterly bond reports pertaining to 1997 bond expenditures. We examined on a sample basis expenditures reported in the school district's accounting records for fiscal year

2003-04 and traced them to invoices and vendor contracts to determine whether the expenditures were properly authorized and supported by source documents.

Also, we reviewed the final report submitted by the school district to the State Office of Public School Construction (office of school construction) for Sheridan Elementary School. The final report includes a detailed listing of all expenditures, including the portion of all of the related Sheridan Elementary School projects that were funded by the 1997 bond funds. Because the office of school construction performs a desk audit on closed projects, which includes an examination of a sample of paid invoices, we could, in reviewing a final report, obtain some assurance that the expenditures reported were for actual goods and services approved by the office of school construction. We also interviewed school district staff that work in the accounting, budget and facilities departments to learn about the school district's procedures for internal controls in each of those departments.

AUDIT RESULTS

THE SAN FRANCISCO UNIFIED SCHOOL DISTRICT NEEDS TO BETTER MANAGE ITS FINANCIAL REPORTING ON ITS BOND FUNDS

The San Francisco Unified School District did not adequately and accurately account for and report the receipt and use of its 1997 bond proceeds. When we compared the school district's accounting records to its July 1, 2004, quarterly bond report, we noted errors in both the accounting records and the quarterly bond report. We also noted that the school district duplicated \$381,000 of bond fund expenditures, underreported \$2.6 million in interest earnings, and does not keep its accounting records so that it can accurately report by school site how it used the 1997 bond funds.

The School District's Accounting Records Contain Errors and Cannot Provide Reports on Projects by Site

The school district made errors in accounting for approximately \$381,000 in bond project expenditures during fiscal year 1998-99 by recording the amounts twice, and underreported in its accounting records the interest income on unspent bond money held by the City's Office of the Treasurer and Tax Collector (treasurer) by more than \$2.6 million. Further, we noted that the school district's accounting system cannot provide reports on bond project expenditures by work site because school district staff did not always identify specific sites for nearly \$20 million in expenditures. The school district instead identified the expenditures as "miscellaneous" or attributed the expenditures to "various projects" or in some other way did not name the specific work site. We also identified approximately \$23.5 million dollars in adjustments to 1997 bond fund expenditures that the school district recorded as an increase or decrease to the 1997 bond fund balance in total, rather than adjusting the amounts charged to individual projects. As a result, the school district's accounting records do not accurately reflect the amounts spent by the school district on a project level.

The School District Overstated Expenditures in its Accounting Records by Approximately \$381,000

To compile the school district's 1997 bond fund transactions by project by fiscal year, we examined a number of accounting reports and other supporting documentation provided by the school district. For fiscal year 1998-99, we looked at two accounting reports that should have shown the same amount of total expenditures, but they did not. One report summarized expenditures based on journal type while the second report summarized the same expenditures based on voucher detail. The voucher detail is produced out of the accounts payable program, and should report the same information as the transaction detail by journal type.

The difference between the two accounting reports was approximately \$381,000. While the objectives of our audit did not include verifying the school district's expenditures, upon further investigation, we found fourteen transactions that the school district had recorded twice in its the accounting system that represent nearly all of the \$381,000 difference. According to the administrative analyst at the school district, if a posting error occurred, it would most likely have been during the first of two accounting system conversions undertaken since fiscal year 1997-98. However, school district staff could not locate the original documents from that time to confirm the reason for the difference between the two reports. We identified these errors because there was a difference in total journal entry amounts in two different sources of 1997 bond fund transactions that we were given by accounting staff for fiscal year 1998-99. We did not extend our analysis to determine if other errors of this type affecting other funds might have occurred, since this was not within the scope of our review. However, the school district's accounting records may contain other errors that we did not identify, and it should perform a more extensive analysis comparing its different accounting reports to establish whether it is consistent in recording expenditures.

The School District Misreported Interest Earnings and Interest Expense

The school district also did not properly report the interest that it earned on the unspent bond funds that have remained on deposit with the City's Office of the Treasurer and Tax Collector (treasurer). We found that the school district significantly

underreported in its accounting records the interest income on the 1997 bond funds. Although the district reported earning \$3,085,158 in interest income from the 1997 bond proceeds, the treasurer's records show that the school district earned \$5,742,294 since the City sold the first bonds on behalf of the school district.

Instead of reporting the full amount of the interest it earned from depositing the 1997 bond proceeds with the treasurer, the school district reduced the amount of interest that it reported on its income statements by deducting from interest earnings the interest expense that it incurred from negative fund balances it had for its 1988 and 1994 bond issues. The treasurer assessed the school district interest expense for overspending the amount of funds it had on deposit with the treasurer. By not reporting all the bond interest earnings, the school district has not accounted for the full amount of the proceeds from the 1997 bonds because it has not fully reported its gross proceeds, nor has it disclosed spending part of its interest earnings on shortages from other bond issues. The tax and nonarbitrage certificate for the bonds, issued by the City at the time that the bonds were sold, states that the school district will track separately all of the gross proceeds of the bonds, and that the proceeds will be used only for costs relating to specific bond projects. Tax and nonarbitrage certificates are the part of a bond transcript that explains how issuers of tax exempt bonds will ensure that the interest on those bonds will remain tax exempt to investors by complying with all of the U.S. Internal Revenue Service regulations that govern tax exempt interest.

The School District Made Lump Sum Accounting Adjustments Without Correcting Subsidiary Project Databases

The school district identifies in its accounting system the revenues and expenditures of different funds sources, such as the general fund and specific bond funds, by using different fund numbers. Each expenditure transaction is also identified by a project number in the accounting system. Most projects with facilities expenditures represent a type of repair or improvement. Most project titles also refer to a specific school site or other school district property. The school district's accounting system maintains expenditures by project number and title in a database. However, since fiscal year 1997-98, when the school district began its 1997 bond projects, the school district has replaced its database software two times. As a result, the school district recorded its expenditures for the 1997 bond projects in three different databases. Because it

did not record previous years' expenditures in succeeding databases, the school district cannot print one report on all of the expenditure activity for each 1997 bond project.

After the State's fiscal crisis team and a subsequent audit revealed shortcomings in the school district's capital improvements accounting, the school district's facilities department and accounting department staff engaged in a massive undertaking in fiscal year 2000-01 to reallocate approximately \$20.6 of total project costs incurred between fiscal years 1997-98 and 1999-2000. The costs were reallocated between the 1997 bond fund and other funds, such as the school district's capital facilities, deferred maintenance, and general funds. Because the adjustments included adjustments that moved costs out of the 1997 bond fund to other funds, as well as adjustments that moved costs out of other funds to the 1997 bond fund, the net reduction of 1997 bond fund expenditures was approximately \$18.4 million.

According to a letter dated February 14, 2003, to the U. S. Internal Revenue Service (IRS) from a law firm which provided services to the school district, the school district decided to make the adjustments because some of the expenditures paid for initially out of bond funds might be considered outside the scope of the bond projects as originally represented to the voters prior to the passage of the enabling bond initiative. Since nearly all of the funds raised from the sale of the first issue of bonds had been spent at that time, moving expenditures for some projects to other funds would leave money in the 1997 bond fund to complete the original projects.

Unfortunately, the school district did not update the accounting project databases to reflect the reallocation of those approximately \$20.6 million of expenditures because the adjustments proposed by the school district's independent auditors were lump sum journal entries to the fund balance of the 1997 bond fund in the school district's accounting records. Therefore, reports from the project databases still show as expenditures of the 1997 bond fund certain expenditures that have been determined by the school district to actually be expenditures of funds other than the 1997 bond fund. Conversely, reports from the project databases do not show as 1997 bond fund expenditures additional expenditures that were identified by the school district to actually be expenditures of the 1997 bond fund, rather than the other funds to which those other expenditures were originally charged. Further, the school district made additional adjustments to fund balance after fiscal year 2000-01 which increased to approximately \$23.5 the total amount of adjustments to 1997 bond fund expenditures that the school district

made directly to the general ledger fund balance without adjusting the affected projects in the project databases. The school district still has the journal adjustments for the specific expenditures associated with specific school district properties for the lump sum journal entries, and can use that information to correct its project databases.

The School District's Use of Non-Specific Project Titles Further Hampers Its Ability to Accurately Report on Its 1997 Bond Funds

The school district did not specifically identify the school projects for which the school district spent another \$20 million in bond proceeds. The school district's accounting staff did not identify these bond expenditures using project numbers that identified the specific school or other school district building on which the funds were spent. This occurred in some cases because facilities staff indicated on initial contract documents a project number that was not site-specific. Also, in past fiscal years, year-end adjustments to large "various site" projects were made by accounting staff, who did not allocate the expenditures that made up the year end adjustments to actual project sites. In addition to project numbers with non-specific project titles such as "Facilities Development and Management-Variou", there are also projects with titles that only state the type of work performed, such as "Technology". Further, the school district did not allocate at all its salaries and benefits expense of \$3,445,591 for the 1997 bond fund, nor could it provide any detail for some expenditure transactions.

In analyzing the school district's records, we were able to determine in many cases the actual school district property which received the benefit of costs charged to "various" or "miscellaneous" site project numbers by examining the school district's source documents. The school district, therefore, has the information to correct its records.

Although the school district maintains no written procedures in either the accounting or the facilities department that instructs staff to identify expenditures with specific school sites whenever possible, the person who currently performs the facilities accounting function within the accounting department stated that the facilities department no longer uses a single project number for work performed at multiple locations or school sites. However, there are still expenditures approved for payment that are coded to generic project numbers and not allocated to projects. Two such

examples of the use of a generic project number for fiscal year 2003-04 are payments to attorneys and the issuance costs for the second bond issuance. These expenditures were charged to a default project number, which is titled “Facilities Design & Construction”, and the school district did not report these expenditures in the quarterly bond report as a use of funds. If the school district chooses not to allocate shared costs, such as bond issuance costs or legal fees, to each school construction or improvement site, it should at a minimum use different project titles that reflect the purpose of the expenditures.

As of June 30, 2004, the school district’s accounting records, the July 1, 2004 quarterly bond report, and the City’s accounting records showed the amounts listed in Table 1. The City sold the 1997 bonds on behalf of the school district and has retained that part of the proceeds and interest earned on deposit in the City’s treasury that has not been withdrawn by the school district.

TABLE 1

**1997 Educational Facilities Bonds Fund
Differences Among School District’s Accounting Records, Quarterly Bond Report, and
City’s Accounting Records**

	School District Accounting Records at June 30, 2004	July 1, 2004 Quarterly Bond Report	City’s Accounting Records
Proceeds from bond sales	\$90,288,742	\$63,120,272	\$90,288,742
Interest earned on bond funds on deposit with City Treasury	3,085,158	733,426	5,742,294
Other revenue, primarily State matching funds.	5,034,688	4,169,402	(a)
Total bond funds spent (b)	<u>76,900,961</u>	<u>63,710,041</u>	(a)
Fund balance remaining at 6-30-04	\$21,507,627	\$ 4,313,059	(a)
Bond funds spent which were not allocated to a specific project site (c)	\$19,988,189	\$ 3,327,581	(a)

- (a) The City records only transactions that affect the school district’s cash on deposit with the City Treasury and does not maintain accounting records for the use of the bond funds.
- (b) The quarterly report shows \$63,710,041 on the sources and uses table, but shows \$67,320,703 as the total expenditures in the summary of project expenditures.
- (c) These amounts are included in the total for bond funds spent.

The School District's Quarterly Bond Report Is Inaccurate and Confusing

Our review of the July 1, 2004, quarterly bond report prepared for the Board of Supervisors revealed numerous errors and omissions. For example, the report is not updated to reflect the 2003 bond proceeds realized of \$30 million, or the costs of issuing this second bond series. Further, the report does not include all of the bond projects and related costs, contains numerous computational errors, and is overly complex and easily misinterpreted.

In compliance with a request from the City's Board of Supervisors, the school district produces a quarterly bond report for the Board of Supervisors containing the cumulative details of the sources and uses of its general obligation bond revenues and expenditures. According to the school district's director of design and construction, an employee in the school district's facilities department updates this report from each prior quarter using data from the accounting system for the 1997 bond projects recorded in the facilities department's database. The quarterly bond report is not prepared specifically for the use of the oversight committee. However, the school district submitted one of the quarterly bond reports to the oversight committee during 2003 as documentation of the status of the 1997 bond projects.

In fiscal year 2003-04, the school district's chief business officer supervised the business operations department, which includes the budget, facilities, and fiscal departments. Accounting functions at the school district are under the fiscal department. The facilities department is headed by the facilities executive director, who supervises the director of design and construction. The director of design and construction supervises the information systems administrator who prepares the quarterly bond report. The information systems administrator is to record the expenditures made each quarter for projects that have been identified by the facilities department as 1997 bond projects. However, our review revealed that he does not record expenditures for all the projects that have been paid with the proceeds from the bond funds as recorded in the school district's accounting system. We found that \$13,190,920 of expenditures in the accounting system had not been identified in the quarterly reports from fiscal years 1997-98 through 2003-04. According to the school district's director of fiscal services, the accounting department provides monthly reports to the facilities department on all bond fund expenditures.

The July 1, 2004, quarterly bond report submitted by the school district to the City does not include revenues for the \$30 million second bond issuance in 2003, and is therefore incomplete. As we discussed earlier, the school district's 1997 bond issue consisted of an initial \$60 million issue in 1999, and a subsequent \$30 million issue in 2003. We could not determine why the school district did not include the \$30 million in its July 2004 quarterly bond report. However, it appears that a more thorough review and reconciliation process is needed by the school district to identify such omissions. The report is only reviewed by the information system administrator's supervisor, who looks at expenditures for the projects that she knows to be active. According to staff in both the facilities department and the accounting department, nobody reconciles the information in the report to the information in the accounting system for the 1997 bond fund.

The structure of the school district's quarterly report is complex and may be misinterpreted. It features three multiple-page schedules of bond projects. The first schedule contains the budget and expenditure history of projects intended to be funded by the initial \$60 million issue, which was sold in June 1999. The second schedule contains budget and expenditure history for projects on which the school district spent bond funds, but which were not originally budgeted as projects for which the bond funds were to be used. The third schedule contains budget and expenditure history for projects intended to be funded by the second \$30 million issue, sold in June 2003, but for which no revenues were shown in the quarterly bond report.

Nearly all of the projects identified in the third schedule are for projects already identified in the first schedule. However, projects that appear on more than one schedule are sometimes reported at different stages of completion. For example, one project reported as complete on one schedule is reported as under design in another schedule. A different project is reported as under design on one schedule and on hold in another schedule. A third project is reported as complete in one schedule and on hold in another schedule.

Further, as shown in Table 1, only a small portion of the total interest earned on the bond funds that remained on deposit with the city treasury is reported in the quarterly bond reports, even though interest earnings are part of the total sources of revenue anticipated and presented as part of the budget in the quarterly reports.

The quarterly report schedules also contain many computational errors. For example, each of the schedules contains errors in the calculation of outstanding encumbrances, which, according to the quarterly report format, is the balance remaining after actual expenditures are subtracted from the budget for each of the three schedules mentioned above. It should be noted that the school district misuses the term “encumbrance”, which is defined as the obligated portion of an appropriation. Instead, the school district uses the term to indicate the difference between the amount budgeted and the amount expended. Nevertheless, in the third schedule, called “Proposed 2002 Bond Issuance”, the schedule shows \$2,037,380 as the outstanding encumbrances. The outstanding encumbrances actually should be \$20,297,206, based upon the actual expenditures reported in the schedule. However, the information in the quarterly report does not reconcile to the information in the accounting system, and as discussed above, there are also errors in the accounting system. The following table illustrates some of the computation errors we found in the July 1, 2004, quarterly bond report:

Table 2

Computation Errors in the Quarterly Bond Report Dated July 1, 2004				
Bond Report Column Heading	Series 1999 Bonds	Program Management Costs	Series 1999 (Additional Projects)	Proposed 2002 Bonds (a)
Revised Budget	\$49,610,269	\$1,827,279	\$12,039,575	\$25,812,999
Actual Expenditures	<u>47,614,904</u>	<u>1,873,323</u>	<u>12,083,860</u>	<u>5,515,793</u>
Revised Budget less Actual Expenditures calculated by auditor (b)	\$1,995,365	\$(46,044)	\$(44,285)	\$20,297,206
Outstanding Encumbrances, per report (b)	<u>2,032,663</u>	<u>0</u>	<u>(38,430)</u>	<u>2,037,380</u>
Error in Computation	\$37,298	\$46,044	\$5,855	\$(18,259,826)
(a)	The quarterly bond report refers to “Proposed 2002 Bond Issuance”; however, this series of bonds had actually been issued in June of 2003 and was therefore no longer “proposed”.			
(b)	The school district misuses the term “encumbrances” in the quarterly bond report, and amounts reported as “encumbrances” in the report do not refer to actual encumbered amounts in the school district’s budget, but rather to funds left in the revised budget as reported in the quarterly report.			

THE SCHOOL DISTRICT HAS INCOMPLETE POLICIES AND PROCEDURES AND LACKS CERTAIN INTERNAL CONTROLS OVER PROJECT EXPENDITURES

The school district has incomplete policies and procedures for accounting and reporting of projects and project expenditures. It also lacks certain internal controls that help to reduce errors, prevent fraud, and ensure that its staff correctly and accurately accounts for financial transactions. When we conducted our sample tests of expenditure transactions, we found five projects out of 25 total projects tested where the school district reported it expended 1997 bond fund proceeds. However, the school district did not include these expenditures in the quarterly bond reports because the school district does not require its staff to reconcile the information in its quarterly bond reports against its accounting records. Reconciliation is an important internal control to help ensure completeness and accuracy of financial information.

Furthermore, although the school district's facilities department has developed a project manual for the use of project management staff and others in the department, the manual mainly addresses methods for managing maintenance and construction contracts. However, the manual does not contain instructions for preparing the quarterly bond report and, according to the facilities department's director of design and construction, there are no written instructions for preparing the quarterly report at all in the department.

Although the accounting department and facilities department initiate, produce, and record information pertinent to both departments, communication of this information between the departments needs to improve. For example, even though the facilities department's project manual requires that the facilities executive director approve the source of funds for expenditures on each contract form, the contract forms for the five out of 25 projects that were not included in the July 1, 2004, quarterly bond report do not show that the facilities executive director has approved the funding source which paid for the expenditures. Poor communication prevents the facilities department from producing accurate reports, controlling its budget or engaging in effective long-term planning.

For three of these five unreported projects, facilities department staff originally instructed on the contract forms that expenditures for these projects would be paid out of a fund of developer's fees

that were collected by the school district. According to a school district staff member, the chief business officer froze the use of the developer fee fund, and a different fund had to be used for these three projects. However, school district staff can provide no documents showing that the executive director of the facilities department or his or her designee, approved the funding change. There was also no evidence that the facilities department had even been notified of the change. School district facilities finance personnel has persisted in changing the source of funds that facilities staff has designated on the contract forms despite the recommendation in 2001 by an accounting firm commissioned by the school district that stated the school district should “immediately restrict the Facilities Finance personnel’s ability to alter the source of funds.” Facilities Finance Personnel include the accounting and budget staff at the school district that process contract forms.

For the fourth of the five projects not reported on the July 1, 2004, quarterly bond report, the school district paid a law firm for professional services in connection with an Internal Revenue Service investigation of the school district’s 1997 bond funds. According to the Office of the City Attorney, it advised the school district that these fees are more appropriately characterized as operational costs which would not be payable from general obligation bond proceeds. The fifth project in our sample that had 1997 bond fund expenditures charged to it, according to the school district’s accounting records, but was not reported in the quarterly report, was a project to repair a roof at Lowell High School. In both cases, the funding source charged in the school district’s accounting records was not the same funding source approved by the facilities department executive director or his or her designee. Table 2 presents the five projects we identified which the school district did not report in its quarterly bond report.

Table 3

2003-04 Bond Fund Expenditures Omitted in July 1, 2004, Quarterly Bond Report				
	Project Title	Purpose of expenditure	Per School District Accounting Records	Per Quarterly Bond Report
1.	John Yehall Chin Elementary School	Architect/Engineering Fees	\$ 4,053	\$0
2.	Structural Engineers, Various	Architect/Engineering Fees	2,565	0
3.	Phase I - Burton High School	Repairs & Maintenance-Buildings	16,415	0
	Phase I - Burton High School	Architect/Engineering Fees	3,540	0
4.	Facilities Design & Construction	Consultant Fees	66,659	0
5.	Roof Replacement, Lowell High School	Construction	147,194	0

INFORMATION SUBMITTED TO THE STATE OF CALIFORNIA OFFICE OF PUBLIC SCHOOL CONSTRUCTION COULD NOT BE VERIFIED

The school district has many bond projects that are funded in part by the 1997 bond funds and in part by funds from the State of California. We reviewed the final report for Sheridan Elementary School, which was submitted by the school district to the State's Office of Public School Construction (office of school construction). In doing so, we found that the amount of total expenditures reported to the office of school construction as 1997 bond expenditures did not agree to the school district's accounting records for 1997 bond expenditures for those same projects. The school district's accounting records show \$6.1 million of 1997 bond fund expenditures for Sheridan Elementary School, while the school district reported \$4.8 million of 1997 bond fund expenditures on its final report to the office of school construction, a difference of \$1.3 million.

We were also unable, in some cases, to trace individual 1997 bond fund expenditures as reported to the office of school construction on the final report to the accounting records at the school district. Conversely, we found expenditures that were reported to the office of school construction as expenditures of funds other than the 1997 bond fund that were recorded in the accounting records as

expenditures of the 1997 bond fund. We also found that the final reports to the office of school construction are not signed by the chief business officer or by anyone in accounting. While the office of public construction does not require it, appropriate internal controls over reporting of financial information should include authorization by a finance manager that the financial information agrees with the financial records of the school district.

We did not review any transactions that were charged to funds other than the 1997 bond fund and were therefore not able to perform a full reconciliation of the final report to the office of school construction final report. However, we believe that these inconsistencies indicate that a thorough review of matching funds reported in final reports to the office of school construction should be undertaken by the school district. We noted that the report from the accounting firm that performed the school district's facilities review that the school district commissioned also recommended that the school district prepare a reconciliation report of the State revenues spent. According to the school district's state and local fund manager, this recommendation was never implemented.

THE SCHOOL DISTRICT HAS EXPERIENCED TURNOVER IN KEY ACCOUNTING AND FACILITIES POSITIONS

The school district has undergone significant turnover in its facilities, accounting, and budget departments. One outside accounting firm summarized in its April 13, 2001 report on the facilities review commissioned by the school district that the facilities department suffered from "lack of leadership, inadequate expertise, and existing staffing voids..." According to the school district's director of design and construction, there has been one chief operating officer and one acting chief operating officer for the school district since 2001. The school district has also had two different executive directors for the facilities department since 2001. The previous executive director, who left in September 2004, was in the position only about six weeks.

The school district has also recently lost its chief business officer and its budget director, both of whom held their posts for about one year. However, as of December 2004, the school district has hired a new chief financial officer and an executive director for the facilities department.

RECOMMENDATIONS

To ensure that the San Francisco Unified School District accurately accounts for and reports the use of proceeds from its 1997 bond issue, as well as generally accounting for all its capital projects, the school district should take the following actions:

- Adjust its accounting records for the \$381,000 error of duplicate bond expenditures.
- Correctly account for bond proceeds, including interest, and correctly account for all expenditures of the 1997 bonds.
- Identify and record the specific school sites for which 1997 bond fund expenditures were used by reflecting all lump sum journal entries in the accounting department's project database.
- Allocate all expenditures to project numbers with titles that disclose the name of the school district construction or improvement site. If the school district chooses not to allocate to projects such items as legal costs or bond issuance fees, then create project titles that disclose the purpose of these expenditures that benefit all projects.
- Accurately report the sources and uses of the 1997 bond funds in quarterly bond reports, using the reconciled data from the accounting department's project database.
- Work with the Mayor's Office of Public Finance and the Citizens' General Obligation Bond Oversight Committee to develop a mutually agreed-upon structure for the quarterly bond report that is understandable to readers.
- Write procedures for internal controls over accounting and reporting of facilities fund revenues and expenditures. Train staff on procedures and monitor compliance.
- Require the executive director of the facilities department to approve any changes on the initial contract action forms for any change to funds initiated by the budget or accounting departments.
- Reconcile the information reported in final reports to the State Office of Public School Construction to the corrected accounting department's project database and report correctly to the office if errors in final reports are discovered.
- Hire and retain qualified senior management staff in the accounting, facilities, and budget departments.

We conducted this review according to standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the scope section of this report.

Staff: Elisa Sullivan, Audit Manager
Deborah Gordon

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SAN FRANCISCO UNIFIED SCHOOL DISTRICT RESPONSE TO THE AUDIT:



Joseph C. Grazioli
Chief Financial Officer
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San Francisco Unified School District 135 Van Ness Avenue San Francisco California 94102-5299

January 21, 2005

Mr. Ed Harrington, Controller
San Francisco City & County
City Hall, Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Dear Mr. Harrington:

Enclosed for your review is the San Francisco Unified School District's response to your draft report concerning the review of the San Francisco Unified School District's \$90 million 1997 Bond proceeds.

The audit represented fiscal years 1997-98 through 2003-04, a six-year span. During this period, the District utilized three different project accounting systems and there was major turnover in senior management for both Facilities and Finance.

We now have a new team in place, responsible for Finance and Facilities, including two senior managers that are highly qualified, motivated and experienced. They are here in the District to provide outstanding service, follow policy guidelines and implement sound procedures.

They are both committed to the affairs of the Citizens' General Obligation Bond Oversight Committee assuring that the School District has sufficient internal controls and systems in place to account for the bond proceeds.

Thank you for your cooperation and support.

Sincerely

A handwritten signature in blue ink, appearing to read "Joseph C. Grazioli".

Joseph C. Grazioli
Chief Financial Officer

JCG:sm

**Response from the San Francisco Unified School
District (SFUSD) to the Office of the Controller's draft
report on the ability of SFUSD to account for and report
on the \$90 million 1997 General Obligation Bond as
requested by the Citizen's General Obligation Bond
Oversight Committee**

**Draft Report Dated: January 11, 2005
Draft Report Received: January 12, 2005
Response Submitted: January 21, 2005**

**SAN FRANCISCO UNIFIED SCHOOL DISTRICT
1997 G.O. BOND AUDIT RESPONSE SUMMARY**

- Posting errors most likely occurred during the first of two account system conversions undertaken since Fiscal Year 1997-98.
- The School District will attempt to account for the duplicate entries found by the Controller's Audit Team. We will perform a more extensive analysis comparing the District's different accounting reports to establish whether it is consistent in recording expenditures.
- Upon the Controller's recommendation, the District will restate fiscal years 2001 through 2004 to reflect the negative interest as interest expense rather than absorbing it into interest income.
- The District in 2000-01 reallocated \$23.5 million between the 1997 Bond Fund and Other funds. These adjustments were made by lump sum journal entries. The District with the help of the Controller's staff will attempt to associate the expenditures to individual projects affected.
- At the next Citizen's General Obligation Bond Oversight Committee, the District will recommend a new quarterly reporting format that will be user friendly and easy to follow. The report will be provided by project.
- Expenditures not allocated to projects such as legal fees and issuance costs will be included in the new reporting format.
- The District's Budget Office will acquire approval in writing for budget changes in the initial contract from the Facilities Department.
- In order to close out all the projects that have funding by the Office of Public School Construction (OPSC), the District shall reconcile all State-funded expenditures. OPSC has procedures, schedules and policies in place for this process. At the end of the funding process OPSC will audit the District's records.
- The District believes it now has a qualified and experienced team in place to supervise Facilities, Finance and Budget.
- The District will enhance its procedures for internal controls over accounting and the reporting of facilities fund revenues and expenditures. These procedures will be distributed to the committee within 90 days. The appropriate staff will be re-trained.
- The District will evaluate the need for a dedicated financial manager for the 1997 Bond Program. This individual would be charged with the responsibility of accurately reporting the financial information that will be included in the quarterly report.
- The District will evaluate the need for an internal auditor who will report directly to the Chief Financial Officer.
- The District has established appropriate financial procedures, reporting structure, and controls for the administration of its 2003 Prop A bond program. (See attached sample procedures and schedules) The District believes that the issues identified by the Controller's office related to the 1997 Bond program are not applicable to the 2003 Bond program.

Overstatement of Expenditures by Approximately \$381,000

- During fiscal year 1997-98, SFUSD transitioned between two distinct accounting systems. Because the transition did not occur exactly at year-end on June 30, 1997, data from the old database had to be manually entered into the new database in order to reflect the full 1998 fiscal year in the new database. During this process, it is believed that a limited number of transactions were duplicated in the accounts payable module, rendering it \$381,000 higher than the general ledger.
- SFUSD does not believe this discrepancy is material as it represents less than .5% of the 1997 General Obligation Bond proceeds total. However, the District is more than willing to consult with our external auditors to make an adjustment in the current year to rectify this prior year discrepancy.

Misreporting of Interest Earnings and Interest Expense

- The discrepancy between the City Treasurer's accumulated interest figure and the District's is due to an accounting process the District began in 2000-01 to deal with negative interest that the Treasurer allocated for older bond funds from 1988 and 1994 that had expenditures related to the 1997 bond. SFUSD netted the negative interest allocated on the older bond funds against the positive interest allocated on the 1997 bond funds. Upon the recommendation of the Auditor, SFUSD will restate fiscal years 2001 through 2004 to reflect the negative interest as income expense rather than absorbing it into interest income.

Lump Sum Adjustments

- SFUSD changed accounting systems and upgraded systems between 1997 and 2004. While this has created separate databases from which accounting data must be accessed, the Accounting Department does not maintain any other subsidiary **project** databases. The Facilities Department has a non-integrated project database (Revelations) and maintains project-tracking systems.
- It is important to distinguish between the accounting system and any independent project-tracking systems maintained outside of accounting because the respective data and processes for entry and reporting differ. SFUSD adheres to the State Accounting Code System (SACS) in the structure and use of account codes. Each transaction entered into the accounting system has a complete and accurate SACS code. Each field in the SACS code has a finite number of possible occupants determined by a master table. A specific field, entitled "ORG" is used to identify several factors, including facilities projects. Facilities projects are assigned 5-digit numbers by the Facilities Department that can relate to a project identifier such as site location. In addition, the 1997 bond fund projects are coded to a specific fund, 21 and resource, 90380.
- When a fiscal year is closed in the accounting system, all of its subsidiary modules are also closed. It becomes impossible to record adjusting entries back into subsidiary modules after a fiscal year is closed in the system. Therefore, the adjusting audit entries for fiscal years 1997-98 and 1998-99 that were determined and booked in 2000-01 had to be recorded to fund balance. The only manner in which prior-year adjustments can be reflected on a project basis for prior years is off-line by a manually maintained record, not in the accounting system itself.

Use of Non-Specific Project Titles

- This practice was suspended in 2003-04 on the recommendation of the Accounting Department. In addition, the Facilities Department has assigned a single project number to projects that involve multiple sites. In these cases, the Facilities Department has a contract and a single project number for multiple sites.
- The Accounting Department is tasked with entering transactions that are consistent with the coding provided. If a project number assigned by the Facilities Department is non-specific, the data in the accounting system for transactions containing those project numbers will be non-specific. If a contract and its related project number involve multiple sites, there is no way that the Accounting Department could determine how to allocate expenditures over these sites, nor which additional project numbers would be involved. This is in fact a desirable control and limit to the flexibility of the Accounting Department's authority.
- The "ORG" field can also be used to identify a school site or a department. In these cases, the ORG is a 3-digit number. If the Facilities Department codes an expense to its 3-digit ORG representing the department, the description for the transaction would read "Facilities Design and Construction". The coding of an expenditure to the departmental ORG is related to how the department's budgets are established. If Facilities chooses not to assign a unique project number for expenditures such as legal fees or issuance costs, those non-project allocated bond-related expenditures would have to be related to the bond in an off-line report.
- The SFUSD Accounting Department is not aware of any expenditure transactions reviewed by the auditor that did not have supporting documentation.

Reporting

- SFUSD provided the auditor with a procedures document relating to the processes of initiating contracts and paying invoices. The District believes that the refined set of procedures referred to below will ensure that reconciliation will be a critical part of internal controls practiced by SFUSD in the future.
- SFUSD is aware of concerns regarding critical vacancies and personnel turnover. However, the District would prefer to focus on the future rather than dwell on the past weaknesses and oversights. SFUSD has recently put two high-level managers in place: a Chief Financial Officer and a Chief of Facilities. In addition, SFUSD has recently hired a new Director of Budget Services. These individuals agree that any reports of facilities project revenues and expenditures should be reviewed and validated by the Accounting Department, including any reports to the GOBOC and the OPSC. This procedure and practice has been established recently for the 2003 Prop A Bond Program. SFUSD also realizes that there are concerns and issues regarding the quarterly reports. As such, SFUSD would like to propose adoption of a controlled and improved reporting process for the remaining 1997 General Obligation Bond funds, approximately \$21 million. Please refer to the attached description of reporting procedures and a sample of a report format.

Financial Procedures Related to the 2003 Prop A Bond Program

Initiate a Contract Action (ICA)

- ICAs are generated for every Contract, Order for Service (OSW) or Work Order by the Project Manager. These forms contain pertinent information, including a Contract or OSW number, a project number, a description of the scope of work, a fund source, and the dollar amount (see Attachment A).
- Formal contracts exceed \$15,000.00 in value and must be approved by the Board. A contract agreement and a Notice to Proceed are generated by the Contracts office for formal contracts. Informal contracts, those valued at less than \$15,000.00, do not require a formal bidding process nor Board approval.
- New Contract or OSW numbers are assigned by the Accounting Department's Administrative Analyst assigned to handle SFUSD Facilities contracts and payments. The numbers are consecutive, with distinct numbering systems used for each of the three types of arrangements.
- ICAs are fully executed when all internal signatures have been obtained. These include, in the following order, the signatures of the Project Manager, the Bond Program Manager, the Facilities system data input manager, the Budget Director, and the Director of Fiscal Services. In addition, the Certified Payroll Manager and the Director of the Contracts office initial off on the ICA once Board approval has been obtained and all of the necessary contract documents have been obtained from the vendor.
- The Facilities Department is responsible for generating Board agenda items for review and approval of formal contracts and modifications (W resolutions). Modifications to informal contracts, or OSW's, are also submitted to the Board if the total amount of the original OSW and modification(s) exceeds \$15,000.00. This process occurs after the ICA is generated by the Project Manager and logged into the project tracking system by the Bond Program Management Assistant.
- The Budget Analyst verifies compliance with fund usage. W resolutions are reviewed by the Budget Analyst before being presented to the Board for approval. Once Board approval has been obtained, a copy of the approved W resolution is attached to the ICA and gets forwarded by Facilities to the Budget Office. The Budget Analyst confirms the accounting SACs code string on the Board resolution, writes the string on the ICA, initials and dates the entry prior to obtaining the Budget Director's signature on the ICA. For informal contracts, the Budget Analyst determines the appropriate SACs code string, writes it on the ICA, initials and dates the entry prior to obtaining the Budget Director's signature.
- The Accounting Department receives the ICA after the Budget Office has signed off on the ICA and has loaded the budget into the PeopleSoft system. The Administrative Analyst assigned to Facilities will generate a purchase order in the PeopleSoft system for formal contracts once a copy of the contract agreement has been obtained from the Contracts office. Purchase orders for OSW's can be issued immediately upon receiving the ICA. The purchase order and the ICA then go to the Director of Fiscal Services for signature on the ICA, and to the Program Manager for signature on the purchase order.
- Since there are no contract agreements for OSW's, the purchase order serves as documentation between the District and the vendor regarding the scope of work and the

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amount. The Contracts office does not always issue modified contract agreements if there are change orders to a formal contract. In the case of OSW's and contract modifications, purchase orders are sent by Accounting to the vendor with a cover letter requesting their signature and return of the original document for the District's files.

Project Numbers

- Project numbers are assigned by the Facilities system data input manager. They are consecutive 5-digit numbers that occupy the last field in the account code string. Project data is retrieved by the use of the project number field from the PeopleSoft system. This data includes budgets, purchase orders (and hence encumbrances), payments (receipts and vouchers), and adjusting entries.

Invoices

- Invoices or payment requests are received and initially processed by the Project Manager. Each request is stamped with a multi-line format that allows information to be added directly on the invoice. The Project Manager fills in on the appropriate lines the contract and project numbers, and signs approval on the invoice before forwarding the invoice on to the Bond Program's management assistant. The Management Assistant verifies that all information is correct, logs the payment request into the project tracking system, and forwards the invoice to Accounting.
- The Accounting Department Administrative Analyst verifies the information on the invoice, confirms that there are sufficient monies in the contract budget to cover the payment request, and ensures that there are sufficient funds available to pay the invoice. The Administrative Analyst then adds the appropriate purchase order number, initials and date on the appropriate lines of the stamped format. If an ICA has not yet been received relating to a payment request, the invoice is held until the ICA is processed as described above, including obtaining the Program Manager's signature on a purchase order.
- Invoices are signed by the Director of Fiscal Services **before** they are signed by the Program Manager. This means that an invoice must return to the Bond Program before it can be processed by Accounts Payable. The Administrative Analyst makes copies of any invoices that are sent back to the Bond Program for the Program Manager's signature. The Administrative Analyst enters a date received onto each invoice, and notes the dates when invoices are returned to the Bond Program for signature.
- Once invoices have been signed by the Program Manager and returned to the Accounting Department, the Administrative Analyst can "receive" the payment amount against the purchase order, or encumbrance, in the PeopleSoft system. This is an interim step between encumbering funds with a purchase order, and vouchering a payment against that encumbrance. The receipt number is added next to the purchase order number on the invoice and logged onto a receipt record that is maintained for each fiscal year.
- For most contracts, the agreement stipulates that the District will retain a certain percentage of the contract amount until the project is completed as agreed and to the satisfaction of all necessary parties. For progress payments made during the course of such contracts, retention is set aside in a liability account on each voucher created for a

payment. The Administrative Analyst adds a calculation on the invoice indicating the amount to be paid, the amount to be retained, and the total which should match the amount received. In those cases where there is no retention, the Administrative Analyst stamps the invoice with "No Retention". Once the invoices are fully prepared, the Administrative Analyst makes full copies and forwards the invoices on to Accounts Payable for vouchering and payment.

- There are certain circumstances in which a purchase order might not be generated. Generating a purchase order would not be necessary if an ICA and a full payment request are received simultaneously by the Accounting Department, and either the vendor and/or the Director of Facilities is anxious for immediate payment. In this case, the Administrative Analyst is responsible for indicating the full and appropriate SACs code string on the invoice and instructing Accounts Payable to direct voucher the payment because there is no receipt number.

Bond Program Analysis and Reporting

- Twice monthly the Bond Program Financial Analyst prints MBSR reports by project number from the PeopleSoft system. The MBSR contains year-to-date budget, encumbrance, and expenditure data contained in the General Ledger. The Financial Analyst reconciles the MBSR reports to data input into the project tracking system by the Management Assistant. The Financial Analyst verifies that contract modifications are reflected in changes to budgeted amounts and encumbrances, payments are reflected in encumbrance and expenditure amounts, and the remaining balances in the PeopleSoft and the project tracking systems agree.
- On a quarterly basis, the Financial Analyst prepares a report for the Bond Program Oversight Committee that summarizes all year-to-date project encumbrances and expenditures by fiscal year, and provides an on-going analysis of total project expenditures to total project budgets.

Financial Auditing

- The Accounting Department's Principal Analyst assigned to Facilities audits the quarterly report prior to its publication to the Bond Program Oversight Committee. This process involves verifying that project figures in the report agree with the MBSR, that the figures in the summary tie to the individual project reports, and that the total budgets and cumulative fiscal year data presented for the Bond Program match the bond issuances to date.
- The Principal Analyst compares changes in fund balance to expenditures-to-date totals and resolves any discrepancies that might exist, including booking the appropriate adjusting entries and requesting that the Bond Program Financial Analyst submit a revised report for review. The Principal Analyst uses Trial Balances from the General Ledger to reconcile changes in fund balance to expenditures, and to reconcile the PeopleSoft system data to the quarterly report.
- The final quarterly report is approved by the Director of Fiscal Services, as well as by the Chief Financial Officer of the District before it is published to the Bond Program Oversight Committee.

Prop A 2003 Bond Program
Summary: Projects by Fund Source

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Fixed Budget Limit (FBL) \$ 179,672,296

Enc = encumbrance, or fiscal year budget
Exp = actual expenses-to-date

Prop A Bond Funds		Proj #	Project Budget	Fiscal Year 2004-05		Balance	Enc	Fiscal Year 2005-06		Balance	Total Enc-to-Date	Total Exp-to-Date	Total Project Budget Bal
Project				Enc	Exp			Enc	Exp				
SFUSD Programwide Expenses			11,428,454	1,500,000	516,142	881,856	-	-	-	-	1,500,000	516,142	9,411,312
Green Schoolyards	10766		2,000,000	-	-	-	-	-	-	-	-	-	2,000,000
School Of The Arts (SOTA)	10765		15,000,000	-	-	-	-	-	-	-	-	-	15,000,000
Future Bond Planning			2,000,000	45,000	30,354	14,646	-	-	-	-	45,000	30,354	1,924,646
Abraham Lincoln HS/Modernization	10766		21,347,733	-	558	(558)	-	-	-	-	-	558	21,347,174
Abraham Lincoln HS/Bungabawa	10767		10,107,134	-	-	-	-	-	-	-	-	-	10,107,134
Burbank HS	10768		19,131,933	-	-	-	-	-	-	-	-	-	19,131,933
Galileo HS	10771		19,445,735	-	-	-	-	-	-	-	-	-	19,445,735
George Washington HS	10750		31,605,888	-	1,288	(1,288)	-	-	-	-	-	1,288	31,604,577
John O'Connell HS	10763		1,443,300	-	-	-	-	-	-	-	-	-	1,443,300
Lincoln HS	10769		4,811,000	-	-	-	-	-	-	-	-	-	4,811,000
Mission HS	10770		31,503,289	-	993	(993)	-	-	-	-	993	993	31,592,295
Thurgood Marshall HS	10748		12,733,373	871,606	296,802	674,804	-	-	-	-	871,606	296,802	11,464,994
Thurgood Marshall HS/Improvements	10772		4,811,000	-	-	-	-	-	-	-	-	-	4,811,000
A.P. Giannini MS	10773		8,565,773	-	-	-	-	-	-	-	-	-	8,565,773
Everett MS	10774		13,177,776	-	-	-	-	-	-	-	-	-	13,177,776
Daria Davis MS	10764		1,395,674	-	148	(148)	-	-	-	-	-	148	1,365,528
Horace Mann MS	10751		8,508,750	854,773	175,091	479,712	-	-	-	-	854,773	175,091	7,678,916
James Denman MS	10775		12,882,296	-	-	-	-	-	-	-	-	-	12,882,296
Marina MS	10776		11,940,857	-	-	-	-	-	-	-	-	-	11,940,857
Alvarado ES	10759		1,238,843	191,794	18,632	173,162	-	-	-	-	191,794	18,632	1,038,416
Bret Herie ES	10752		2,957,578	216,604	90,861	125,743	-	-	-	-	216,604	90,861	2,660,113
Bryant ES	10753		1,495,129	121,842	22,893	98,948	-	-	-	-	121,842	22,893	1,351,304
Claire Lienthal (J-B)	10777		4,062,471	-	-	-	-	-	-	-	-	-	4,062,471
Clerendon ES	10754		4,754,317	335,318	62,868	272,348	-	-	-	-	335,318	62,868	4,395,029
Commodore Scott ES	10757		2,691,920	210,227	8,137	202,089	-	-	-	-	210,227	8,137	2,343,596
Dr. Charles Drew ES	10755		2,342,328	177,880	31,303	146,557	-	-	-	-	177,880	31,303	2,133,166
E.R. Taylor ES	10762		1,348,972	-	-	-	-	-	-	-	-	-	1,348,972
Harvey Milk CPA	10778		1,932,793	-	-	-	-	-	-	-	-	-	1,932,793
Hilcrest ES	10779		7,799,161	-	-	-	-	-	-	-	-	-	7,799,161
Leonard Flynn ES	10783		3,585,894	-	-	-	-	-	-	-	-	-	3,585,894
Malcolm X ES	10784		2,843,430	-	-	-	-	-	-	-	-	-	2,843,430
Rosa Parks ES	10760		2,937,847	252,309	24,396	227,912	-	-	-	-	252,309	24,396	2,661,142
S.F. Community ES	10781		3,087,588	-	-	-	-	-	-	-	-	-	3,087,588
Sherman ES	10758		763,214	171,986	44,921	127,065	-	-	-	-	171,986	44,921	546,308
Treasure Island ES	10756		4,890,891	351,261	74,523	276,538	-	-	-	-	351,261	74,523	4,474,008
West Portal ES	10780		2,677,880	-	-	-	-	-	-	-	-	-	2,677,880
Total Prop A Bond			295,000,000	5,200,579	1,402,083	3,796,496	-	-	-	-	5,200,579	1,402,083	288,397,338

Prop A 2003 Bond Program
Summary: Projects by Fund Source

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State Funds		Project		Fiscal Year 2004-05		Fiscal Year 2005-06		Total	Total	Total Project
Project	Budget	Enc	Exp	Balance	Enc	Exp	Balance	Enc-to-Date	Exp-to-Date	Budget Bal
Abraham Lincoln HS/Burgelows	10767	-	-	-	-	-	-	-	-	5,325,840
Thurgood Marshall HS	10748	-	-	-	-	-	-	-	-	5,458,604
Gloria Davis MS	10764	-	-	-	-	-	-	-	-	952,833
Horace Mann MS	10751	-	-	-	-	-	-	-	-	3,837,397
Alvarado ES	10759	-	-	-	-	-	-	-	-	2,377,551
Bret Harte ES	10752	-	-	-	-	-	-	-	-	1,029,881
Bryant ES	10753	-	-	-	-	-	-	-	-	801,276
Clarendon ES	10754	-	-	-	-	-	-	-	-	1,598,304
Commodore Stock ES	10757	-	-	-	-	-	-	-	-	1,273,804
Dr. Charles Drew ES	10755	-	-	-	-	-	-	-	-	1,011,321
E.R. Taylor ES	10782	-	-	-	-	-	-	-	-	3,242,242
Leonard Flynn ES	10783	-	-	-	-	-	-	-	-	2,410,147
Malcolm X ES	10784	-	-	-	-	-	-	-	-	1,467,641
Rosa Parks ES	10760	-	-	-	-	-	-	-	-	1,781,858
S.F. Community ES	10781	-	-	-	-	-	-	-	-	1,626,602
Sherman ES	10758	-	-	-	-	-	-	-	-	2,391,050
Treasure Island ES	10756	-	-	-	-	-	-	-	-	1,723,329
West Portal ES	10780	-	-	-	-	-	-	-	-	1,886,516
Total State Funds		-	-	-	-	-	-	-	-	34,853,336
PROGRAM TOTAL		5,200,579	1,402,063	3,788,496	-	-	-	5,200,579	1,402,063	323,250,674

Prop A 2003 Bond Program
Project: Lincoln HS Modernization
Project #: 10755

MBSR RPT DT: 12/30/04

Enc = encumbrance, or fiscal year budget
Exp = actual expenses-to-date

Fixed Budget Limit (FBL): \$ 12,579,677

Prop A Bond Funds		Project Budget	Fiscal Year 2004-05			Fiscal Year 2005-06			Total	Total	Total Project Budget Bal
Activity			Eng	Exp	Balance	Eng	Exp	Balance	Eng-to-Date	Exp-to-Date	
2nd Tier Architects		1,509,561	-	-	-	-	-	-	-	-	1,509,561
Surveyor(s)		30,000	-	-	-	-	-	-	-	-	30,000
Haz Mat Design & Monitoring		50,000	-	-	-	-	-	-	-	-	50,000
Design & Engineering		1,589,561	-	-	-	-	-	-	-	-	1,589,561
Plan Review/Approvals/Permits		75,585	-	-	-	-	-	-	-	-	75,585
Site Prep/Relocation Expense		698,147	-	-	-	-	-	-	-	-	698,147
Pre-Construction		773,732	-	-	-	-	-	-	-	-	773,732
Construction/FBL (Prop A)		12,579,677	-	-	-	-	-	-	-	-	12,579,677
Haz Mat Remediation		1,397,742	-	-	-	-	-	-	-	-	1,397,742
Construction Contingency		1,553,046	-	-	-	-	-	-	-	-	1,553,046
Construction		15,530,465	-	-	-	-	-	-	-	-	15,530,465
3rd Party CM Provider		976,419	-	-	-	-	-	-	-	-	976,419
Inspector of Record		377,390	-	-	-	-	-	-	-	-	377,390
Testing Labs		125,797	-	-	-	-	-	-	-	-	125,797
Other Consultants/Admin Support		251,594	-	-	-	-	-	-	-	-	251,594
Construction Management		1,733,200	-	-	-	-	-	-	-	-	1,733,200
Furniture/Fixtures/Equipment		251,594	-	-	-	-	-	-	-	-	251,594
Other District/Dept Expense		125,796	-	559	(559)	-	-	-	-	559	125,237
Other Costs		377,390	-	559	(559)	-	-	-	-	559	376,831
Project Contingency		1,343,385	-	-	-	-	-	-	-	-	1,343,385
Total Prop A Bond		21,347,733	-	559	(559)	-	-	-	-	559	21,347,174

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Prop A 2003 Bond Program Lincoln High School Modernization				Lincoln Mod Proj budget			
Project Budget for Encumbrances				REVISED			
				1/14/05			
SFUSD Proj # 10766	BUDGETED		FY 04/05	FY 05/06	FY 06/07	FY 07/08	Total
FUNDING SOURCES	AMOUNT						%Total
Prop A Bonds	21,347,733		1,556,000	18,483,000	655,000	653,733	21,347,733 1.000
Prop 55 State Bonds	-		-	-	-	-	-
TOTAL FUNDING	21,347,733		1,556,000	18,483,000	655,000	653,733	21,347,733 1.000
EXPENSES		%FBL					
2nd Tier Architects	1,509,561	0.120	1,132,171	377,390	-	-	1,509,561 0.071
Surveyor(s)	30,000	0.002	30,000	-	-	-	30,000 0.001
Haz Mat Design & Monitoring	50,000	0.004	50,000	-	-	-	50,000 0.002
Subtotal Design & Engineering	1,589,561	0.126	1,212,171	377,390	-	-	1,589,561 0.074
Plan Review/Approvals/Permits/Etc.	75,585	0.006	75,585	-	-	-	75,585 0.004
Site Preparation/Relocation Expense	898,147	0.055	-	898,147	-	-	898,147 0.033
Subtotal Pre-Construction	773,732	0.062	75,585	898,147	-	-	773,732 0.036
Fixed Budget Limit	12,579,677	1.000	-	12,579,677	-	-	12,579,677 0.589
Hazardous Materials Remediation	1,387,742	0.111	-	1,387,742	-	-	1,387,742 0.065
Construction Contingency	1,553,046	0.123	-	1,553,046	-	-	1,553,046 0.073
Subtotal Construction	15,530,465		-	15,530,465	-	-	15,530,465 0.727
3rd Party CM Provider	978,419	0.078	-	978,419	-	-	978,419 0.046
Inspector of Record	377,390	0.030	-	377,390	-	-	377,390 0.018
Testing Labs	125,797	0.010	-	62,898	62,898	-	125,797 0.006
Other Consultants/Administrative Support	251,594	0.020	-	75,478	75,478	100,637	251,594 0.012
Subtotal Construction Management	1,733,200	0.138	-	1,494,186	138,376	100,637	1,733,200 0.081
Furnishings/Fixtures/Equipment	251,594	0.020	-	75,478	75,478	100,637	251,594 0.012
Other District/Department Expense	125,797	0.010	-	37,739	37,739	50,319	125,797 0.006
Subtotal Other Costs	377,390	0.030	-	113,217	113,217	150,956	377,390 0.018
Project Contingency	1,343,385	0.107	266,677	266,677	403,015	403,015	1,343,385 0.063
PROJECT TOTAL	21,347,733		1,556,433	18,482,582	654,609	654,609	21,347,733 1.000
FY end available to encumber			(433)	485	876	0	
assumptions:							
design start date 10/1/04							
construction start date 10/1/05							
construction finish date 6/30/08							



GROUP DESCRIPTION:

Fund: 21 BUILDING FUND
Resource: 90390 2003 SCH FAC PROP 39 BOND
Org: 10766 Bond Program_A Lincoln HS

FMS Budget Status Report - FY 2005 Detail

For Resource: 90390 2003 SCH FAC PROP 39 BOND - by Org

As of December 30, 2004

Report ID: 0112_0046_1001010

Run Date: 12/30/04

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DATE	OBJECT	FUNCTION	REQ. #	WARRANT ID	DESCRIPTION	BUDGETED	ENCUMBRANCE	EXPENDITURE	AVAILABLE
Object: 6000 Group:									
11/20/04	6220 - Other Costs - Building	Cost 0000 - Functions 8500		200339	FORD GRAPHICS			535.50	
06/01/05	6000 - Construction - Underfund	Cost 0000 - Functions 8500			See Item Budget	1,598,365.00			
Total for Fund: BUILDING FUND Resource: 2003 SCH FAC PROP 39 BOND						1,598,365.00	0.00	558.59	1,597,806.41
						1,598,365.00	0.00	558.59	1,597,806.41

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cc: Mayor
Board of Supervisors
Civil Grand Jury
Budget Analyst
Public Library