SAN DIEGO TAXPAYERS EDUCATIONAL FOUNDATION

School Bond Transparency In San Diego County

August 2019

OVERVIEW AND INTENT

Since 1988, the San Diego Taxpayers Educational Foundation (SDTEF) has conducted research on issues relevant to taxpayers, such as measuring the transparency and accountability of public institutions leveraging taxpayer dollars. Taxpayers should be able to quickly determine if school district officials have carried out the new schools, classroom upgrades, and security improvements promised to voters at the time of a facilities bond measure proposal.

By compiling the existence of that information since its first release in 2013, this report is intended to serve as a tool that San Diego County school districts with active bond programs can use in the ongoing process of improving transparency. The Transparency Report Card, then, summarizes the information made available by school districts and its Independent Citizen Oversight Committee and assigns each district a percentage grade.

SDTEF must note that the Transparency Report Card <u>only makes note of the existence of the criteria examined and does not comment on the quality of the material available or the ease of access.</u> While there are many criteria that go into making a school facilities bond program effective, the scope of this study focuses solely on transparency, defined as the accessibility of information that makes it possible for taxpayers to assess the performance of school facility bond programs. Our recommendations at the end of the report, however, suggest how to improve these aspects of a district's bond program.

Overall, our findings show a general improvement in region-wide transparency. The average transparency grade of ICOCs has increased slightly from 90.6% in 2018 to 91.8% in 2019. Of the twenty-three school districts with active bonds, only two failed to meet at least 70% of the criteria examined. Twenty out of twenty-three school districts (87%) met over 85% of the categories, which is the same as 2018. Twelve districts had perfect scores, representing a 4-district increase from last year.

FINDINGS

Currently, thirty school districts in San Diego County have an active facilities bond program, but we have current scoring data on twenty-three. These are the thirty districts with current bonds:

Grade	District
N/A	Alpine Union School District
N/A	Borrego Springs Unified School District
A+	Cajon Valley Union School District
A+	Cardiff School District
A-	Carlsbad Unified School District
A+	Chula Vista Elementary School District
D+	Dehesa School District
N/A	Del Mar Union School District
C-	Encinitas Union School District
A+	Escondido Union School District
F	Fallbrook Union High School District
A	Grossmont Union High School District
A-	Grossmont-Cuyamaca Community College District
A-	Lakeside Union School District
A	Lemon Grove School District
A+	MiraCosta Community College District
N/A	Mountain Empire Unified School District
A	National School District
A	Oceanside Unified School District
A+	Palomar Community College District
A+	San Diego Community College District
A+	San Diego Unified School District
A+	San Dieguito Union High School District
A+	San Marcos Unified School District
N/A	Santee School District
A+	Solana Beach School District
N/A	South Bay Union School District
A+	Southwestern Community College District
B+	Sweetwater Union High School District
N/A	Vista Unified School District

After the 2018 election cycle, seven districts were given the authority to issue bonds to fund school renovations after voters approved their bond proposals. These districts are: Alpine Union School District, South Bay Union School District, Mountain Empire Unified School District, Santee School District, Del Mar Union School District, Borrego Springs Unified School District, and Vista Unified School District. While SDTEF has included them in its Transparency Report Card and summary report, it will begin scoring their performance in 2020 to allow for the issuance of bonds and the construction of projects.

SDTEF was also interested in continuing its dialogue on the standards of Performance and Financial Audits by observing auditors' trends. In all but one case, we found that the independent

auditor that executes the performance audit is the same auditor responsible for the financial audit. The following list outlines the firms that conducted the required third-party independent audits, with a frequency tally for each:

Christy White Associates	• • • •
Clifton Larson Allen LLP	• • •
Crowe LLP	•
Moss Adams	•
Nigro & Nigro, PC	•
The Pun Group	•
Vavrinek, Trine, Day & Co. LLP	• • • • • •
Wilkinson Hadley King & Co. LLP	• • • • • • • • •

There is still ample room for improvement. First, for a second consecutive year, SDTEF has concerns about the inability of districts' ICOCs to update all of its bond-related materials in a timely manner, as districts should be diligent in the sharing of information with taxpayers. While SDTEF will always foster a collaboration with the districts, it has serious concerns about the authenticity of the districts' transparency as they update their materials, where our findings should not act as a notice to comply. To avoid this in the future, SDTEF might consider docking points from districts who significantly change their websites to meet our criteria after we notify them of our initial findings.

Another area of concern is with the school districts' bond performance audits, which do not measure more than law compliance and often offer no further recommendations for the oversight committee and bond program to improve. To provide districts with specific guidance in regard to Performance Audits standards, the San Diego County Taxpayers Association (SDCTA) amended its "Oversight Committee Best Practices" in May 2019. These updates have shaped two new criteria of the Transparency Report Card that will go into effect in 2020. The first is a recurring criterion, "**Performance Audits meet SDCTA Standards**," which districts have failed to meet several times in the past, but that will be counted in their scores during the next iteration of this study. The second means to ensure the involvement of the oversight committee in the auditing process and is further explained in the Recommendations section of this report.

RECOMMENDATIONS

With these considerations in mind, SDTEF offers four recommendations to best address continuing school bond transparency concerns.

Recommendation #1: Review the recently amended SDCTA Standards on Performance Audits and pass a resolution requiring specific elements of oversight during the performance auditing process.

As was the case in 2017 and 2018, most of the districts' audits fail to truly evaluate the performance of a school district's facilities bond program. A performance audit's aim should not be to evaluate financial compliance with law. Instead, a performance audit should aim to increase accountability in the actual construction process.

After conducting the development of best practices on Performance Audit through a public process, SDCTA developed two new criteria that will be incorporated into the Transparency Report Card in 2020 and that it recommends the districts review and implement to keep or increase their scores:

(1) **Performance Audits meet SDCTA Standards:** Performance audits are in line with SDCTA's Oversight Committee Best Practices requirements.

The performance audit scope should align with the construction progress to measure the effectiveness of the bond program. In order to assist the oversight committee, SDCTA proposes the scope of work for the Performance Audit must include a review of **at least** the following:
- Current Bond Program Management Program/Plan
- Construction Project Delivery Methods and Performance Analysis
- Review of Project Budgets and Program Performance and Forecasting
- Evaluation of Overall Transparency of Bond Program

(2) **Did the oversight committee pass a resolution on Performance Audits?:** Did the oversight committee pass a resolution requiring the following elements of the Performance and/or the Financial Audit:
- That the District conduct a Performance Audit that considers the appropriate scope and ways to improve Program effectiveness and efficiency;
- That a member of the oversight committee is involved in the auditor selection process and in the development of the audit's scope of work; and
- That the oversight committee review the Performance and Financial Audits before they are presented to the Board?

Recommendation #2: Update all information on the oversight committee's website on a regular basis, including posting up-to-date agendas, minutes, financial and performance audits, and annual reports.

Access to up-to-date information remains vital to transparency. Districts should frequently update all website materials to reflect the most accurate information. Audits and financial

reports should be available in a timelier fashion, as they should take no longer than a few months to prepare. Similarly, project status updates should be regularly provided— not just as budget updates, but construction progress with expected timelines for completion as well. While it is the practice of SDTEF to provide an initial assessment of our findings to the districts, this should not serve as a reminder to share all of this information with taxpayers.

Recommendation #3: Adjust oversight committees' websites for easier navigation.

Simply including all of the recommended information such as financial audits and meeting minutes does not guarantee transparency. Instead, an ideal ICOC website would organize these files by type and date in separate links, so that any interested party could easily find the information available. All files are important, but they are often not easy to differentiate between, especially when uploaded with a nondescript file name. **Cajon Valley Union School District** has consistently showcased exemplary organization of its ICOC website. These districts stand out for having a website with a user-friendly interface in which all information is categorized and presented separately for better navigation.

Recommendation #4: Use the best-established oversight committees as models when starting an oversight committee.

In order to properly establish themselves, new school districts and their ICOCs should turn not only to the San Diego County Taxpayers Association's "Oversight Committee Best Practices," but should also look toward the most transparent established ICOCs as models for success. By following the already established methods that have proven successful in other school districts, such as the proper and timely dissemination of information that districts like Grossmont-Cuyamaca Community College District, Cajon Valley Union School District, and San Diego Community College District have shown, new ICOCs can more easily establish themselves as transparent.

On the District's ICOC Website	
Committee Bylaws	A link to the committee bylaws is available on the ICOC website.
Member Information	A list of the names of all ICOC members is available on the ICOC website.
Meeting Agendas and Minutes	Links to the most up-to-date meeting minutes and agendas are available on the ICOC websites.
Additional Meeting Materials	Links to attachments, appendices, presentations, and other additional materials for every ICOC meetings are available on the ICOC website.
Annual Reports	A link to the Annual Reports is available on the ICOC website.
Performance Audits	A link to separate Performance Audits is available on the ICOC website, or under a separate heading within the Financial Audits.
Financial Audits	A link to the Financial Audit is available on the ICOC website.
Project List	All projects currently being funded by the bond are listed on the ICOC website.
Project Descriptions	A brief written description of each project can be found on the ICOC website.
Project Progress	The current status and plan of action for each project can be found on the ICOC website.
Bond Background	A brief description of the bond, for what it is intended, when it was passed, and its amount can be found on the ICOC website.
Contact Information	The school district phone number and an email address of the ICOC point of contact is listed on the ICOC website.
Vacancies listed	Any committee vacancies, expected vacancies, or lack of vacancies are listed on the ICOC website.
Number of Vacancies	The number of current ICOC committee vacancies is listed on the ICOC website. While this is not a scored criterion, SDTEF recommends having no vacancies when possible.
2018 Reports Available	The 2018 Audits and Annual Reports are available on the ICOC website. This criterion must be met in order to meet the criteria listed below.

On the 2018 Annual Report and/or Audits	
Budget Overview	A breakdown of how the budget was allocated for the past year is found in the annual report or audit.

Program Status Updates	An explanation of the current status of the bond program is found in the annual report or audit.
Detailed Discussion of Projects	A detailed discussion about what was accomplished in the past year and future plans for bond projects are found in the annual report
Basic Financial Information	Basic financial information can be found in the audit in accordance with general auditing standards.
Expenditures Itemized by Project/Site	All expenditures are itemized by project within the Financial Audit.
Prop 39 Required Audit Findings	Audits fulfill the requirements set forth by Proposition 39.
Additional Recommendations	There is a separate heading within the Audit called "Additional Recommendations," or a clear list of recommendations by the Auditor is easily found within the Audit.
Detailed ICOC Member Information	Section includes member's name and position, as well as contact information for at least one member.
Project Progress Report	The current status of all projects, further work that needs to be completed, and a general timeline for expected completion can be found in the annual report or audit.
Audits Performed by Third Party	Audits are performed by an independent auditor in accordance with the law.
Performance Audits meet SDCTA Standards *	Performance audits are in line with SDCTA's Oversight Committee Best Practices requirements.
Did the oversight committee pass a resolution on Performance Audits? *	Did the oversight committee pass a resolution requiring the following elements of the Performance and/or the Financial Audit: ● That the District conduct a Performance Audit that considers the appropriate scope and ways to improve Program effectiveness and efficiency; ● That a member of the oversight committee is involved in the auditor selection process and in the development of the audit's scope of work; and ● That the oversight committee review the Performance and Financial Audits before they are presented to the Board?

*This criterion is not included in the 2019 Transparency Score but **WILL** be included in the 2020 Transparency Score, as amended during the 2019 Bond Transparency working group.

* Proposition recently passed or in between bond issuances
** Information is available in other documentation
*** Incomplete or needs updating
^ No annual reports have been issued to date

[1] Wilkinson Hadley King & Co. LLP
[2] Wilkinson Hadley King & Co LLP
[3] Wilkinson Hadley King & Co LLP
[4] Wilkinson Hadley King & Co. LLP
[5] Clifton Larson Allen LLP
[6] Christy White and Associates
[7] Vavrinek, Trine, Day & Co. LLP
[8] Wilkinson Hadley King & Co. LLP

[9] Clifton Larson Allen
[10] Crowe LLP
[11] Wilkinson Hadley King & Co. LLP
[12] Christy White Associates
[13] Christy White and Associates
[14] The Pun Group
[15] Nigro & Nigro PC
[16] Wilkinson Hadley King & Co. LLP

[17] Christy White and Associates
[18] Vavrinek Trine Day & Co
[19] Wilkinson Hadley King & Co LLP
[20] Moss Adams (Performance), Vavrinek, Trine and Day (Financial)
[21] Vavrinek Trine Day & Co
[22] Vavrinek Trine Day & Co
[23] Wilkinson Hadley King & Co