

## AUDIT OF PROPOSITION BB MODERNIZATION PROJECTS

### EXECUTIVE SUMMARY

The County of San Diego's Office of Audit and Advisory Services (OAAS) has completed an audit of the Sweetwater Union High School District's Modernization Project funded with the sale of Proposition BB general obligation bonds. Proposition BB is a \$187 million bond measure for the modernization of the Sweetwater Union High School District's schools approved by voters in November 2000. The audit was performed per the request of the County of San Diego's Grand Jury.

The following briefly summarizes the audit findings.

#### ***Inadequate Planning for Modernization Projects –***

Initial planning conducted by the Sweetwater Union High School District (District) to produce estimated costs for the completion of identified repair, modernization, and overcrowding needs at each school site was not based on a detailed analysis of factors that affect modernization project costs. Consequently, the District issued a Facilities Improvement Plan (FIP) that did not present an accurate description of the funding needed for its implementation. As a result, the District is incurring additional planning expenses to produce a more accurate Long-Range Facilities Master Plan (LRFMP). The following example illustrate issues identified in this area:

- The FIP provides a cost estimate of \$9.3 million for the modernization of the Chula Vista Middle School (CVMS). However, the District already spent over \$8.6 million on the first modernization phase (1A) of CVMS and has not yet completed several significant items listed in the FIP, including the addition of a covered lunch and physical education area, and upgrade of student restrooms. It is evident that completion cost of all of the items listed in the FIP will be well beyond the original estimate of \$9.3 million.
- Locker facility improvements made at CVMS during phase 1A were not adequate to accommodate all students, as a result, the facility will not be used until additional lockers are added during phase 1B of the modernization project.

#### ***Incomplete Replacement of Structures Destroyed by Fire at Chula Vista Middle School –***

The District has not replaced all of the structures damaged by a fire at its Chula Vista Middle School in February 2000. Although the District built new classrooms, the District has not replaced the school's cafeteria or provided a structure that meets the requirements of California Education Code section 17573 which states "The governing board of every school District shall provide a warm, healthful place in which children who bring their own lunches to school may eat the lunches." The school has placed some benches and a temporary shelter in a designated outdoor area for students to eat their lunches. However, the temporary facilities do not appear sufficient to accommodate all of the students.

***Composition of the Oversight Committee Could Hinder the Committee's Effectiveness –***

The District allowed the spouse of one of the members of the Board of Trustees to serve as a member of the Proposition BB Bond Oversight Committee. Although this practice does not violate any regulations applicable to the school District, it does not provide the best environment for Committee members. Some committee members have expressed concern over their ability to engage in frank and open discussion because of the direct relationship of one of the committee members and one of the Board members.

This report includes specific recommendations for each finding.

**Evaluation of the Sweetwater School District's Response**

Based on our review of the District's response to our draft report, the District substantially agrees with our findings. However, the District's response does not fully address all findings and recommendations for improvement. Specifically, the District's response to finding #1 "Inadequate Planning for Modernization Projects" does not address the auditors' primary concern, which was the inadequacy of estimated completion costs presented to the District's Board of Trustees, District Staff, and the Public through the District's Facilities Improvement Plan and other communications.

The District's response to finding #2 "Incomplete Replacement of Structures Destroyed by Fire at Chula Vista Middle School" does not fully address the auditors' finding and recommendation. Although the District indicates that it had actively pursued designs for a permanent cafeteria/multipurpose facility prior to the Grand Jury's investigation, the District does not clearly indicate the current status of its efforts to pursue a design for the new structure. More important, the District does not indicate when it plans to begin and complete construction for this facility. (A copy of the District's response is included at the end of the report.)

**INTRODUCTION AND BACKGROUND**

At the request of the County of San Diego Grand Jury, the OAAS conducted an audit of the Sweetwater Union High School District's management of modernization projects funded by Proposition BB. The audit focuses on identifying planning activities for establishing priorities for the modernization projects and whether expenditures for the modernization projects were consistent with the intent of Proposition BB, and whether they were properly monitored and controlled. We also considered whether the District used insurance payments related to the fire at Chula Vista Middle School appropriately.

**OVERVIEW OF THE SWEETWATER UNION HIGH SCHOOL DISTRICT**

The Sweetwater Union High School District serves approximately 38,000 students in grades 7-12 and 41,000 adult learners in the south San Diego county communities of Bonita, Chula Vista, East Lake, Imperial Beach, National City, Otay Mesa, San Ysidro/south San Diego. It is the largest secondary school system in California.

## APPENDIX

### Audit of Proposition BB Modernization Projects

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Founded in 1920, the District encompasses one junior high school, ten middle schools, eleven senior high schools, one continuation high school, four adult schools, and a Career Awareness/Regional Occupation Program (ROP) Center. Annual enrollment has increased one to four percent during the last decade and approximately 80 percent of the students come from ethnically diverse backgrounds. Over one-half speak a language other than English at home and about one quarter are limited-English proficient.

A five-member board of trustees governs the District and establishes policies, and the District's Superintendent implements board policies and manages daily operations. Sweetwater's annual budget is approximately \$280 million and has approximately 4,000 full and part-time employees.

### PROPOSITION BB OVERVIEW

In November 2000, voters in the Sweetwater Union High School District approved a \$187 million bond measure called Proposition BB. Money from the bond was for the repair and renovation of 19 middle and high schools in the District. The improvements were to be made in six phases, beginning with Chula Vista Middle, Sweetwater High, Mar Vista High, and to begin construction of High School #12 in Otay Mesa. In March 2001, the District received \$38 million from the first sale of Proposition BB general obligation bonds.

#### Proposition BB Ballot Measure

To relieve overcrowding, repair local schools and improve safety conditions for students in the Sweetwater Union High School District, serving the communities of Bonita, Chula Vista, Imperial Beach, National City, San Ysidro and portions of San Diego, shall the District repair and upgrade school facilities, adding classrooms; improving fire alarms; removing asbestos; upgrading electrical wiring; renovating water and sewer lines; improving heating and ventilation systems; renovating restrooms; and replacing worn roofs by issuing \$187 million of bonds, at interest rates within the legal limit?

### PROJECT SCOPE

Audit areas reviewed and discussed in this report include:

- Assessment of the Proposition BB modernization project planning effort.
- Appropriateness of Prop BB bond expenditures.
- Activities of the Prop BB Bond Oversight Committee.
- Disposition of Insurance Payments related to the fire at Chula Vista Middle School.

### METHODOLOGY

We implemented a multi-faceted methodology to perform our audit. The following bullets briefly highlight the methods that were used to accomplish audit objectives.

- Completed a high-level survey of the District's organizational structure, modernization project planning and management, and administration of Prop BB funds and expenditures.
- Reviewed and performed limited test work of source documentation including applicable legal statutes and codes, policies and procedures, forms and internal

- documentation, financial records, contracts, and other relevant documentation related to the District's modernization project, bond management and accounting practices.
- Conducted multiple interviews with District officials and administrative staff, including school principals and school administrative staff.
- Performed interviews and discussions with several external groups including members of the Proposition BB Bond Oversight Committee, the County of San Diego Grand Jury, County Counsel, Certified Public Accountants hired by the District to audit Proposition BB expenditures, Insurance representatives, and the State Legislative Counsel Office.

## **AUDIT FINDINGS**

### **FINDING I: Inadequate Planning for Proposition BB Modernization Projects**

#### **BACKGROUND**

The Sweetwater Union High School District (District) began planning activities for modernization projects funded with Proposition BB proceeds several months prior to the placement of Proposition BB in the ballot for the November 2000 general election. Initial planning for the modernization projects to be funded with proceeds from the sale of Proposition BB general obligation bonds began in February 2000 and was based on an expectation that a \$275 million bond measure would be placed on the ballot. When District officials learned that polling figures indicated public support for a smaller bond measure, the estimated modernization budget for each school site was scaled back, but it appears that the list of modernization needs identified for each school site was not.

#### **FINDINGS & OBSERVATIONS**

The Sweetwater Union High School District (District) did not conduct adequate planning to ensure that it presented the District's Board of Trustees and the public with accurate estimates of completion costs for modernization projects funded with proceeds from the sale of Proposition BB general obligation bonds. In July 2000, the District released a Facilities Improvement Plan (FIP) that contained incomplete estimates of the cost to implement identified repair and modernization needs at each school site. On May 16, 2000 the District executed contracts with an architectural firm for services related to the modernization of the Chula Vista Middle School, Sweetwater High School, and Mar Vista High School. These three schools were selected for the first of six modernization phases in the District modernization plan. The architects conducted planning activities as required in the contract. However, they were required to align the scope of modernization projects to a target budget set by the District for each project.

According to District officials, estimated costs presented in the FIP were rough estimates of the construction costs based on the square footage of school facilities. These estimates were not based on detailed analyses of specific factors that have a direct

impact on the extent of modernization and repair needs per school such as the demographics of student population and projected enrollment and capacity requirements for each school. Appendix A shows the breakdown of the Proposition BB funding allocated to each school site in the FIP, including allocations for new construction projects and temporary classrooms for use during modernization. Further, the FIP states that "The Board of Trustees will consider placing a \$187 million bond measure before the voters in the Sweetwater District to fund the specific improvements outlined." This statement implies that the \$187 million from the sale of Proposition BB general obligation bonds would suffice to cover the cost of construction and other services necessary to address specific repair, renovation and overcrowding needs identified for each school site. However, implementation of the FIP will require more than the \$187 million from the sale of BB bonds.

In March 2001, the District made the first sale of Proposition BB bonds for \$38 million. Appendix B shows that the District allocated over \$32 million from these funds and additional funding from other sources to the phase 1 modernization projects. It also shows that the District planned to complete the work in two stages—phase 1A and phase 1B. Moreover, Appendix B shows total expenditures for phase 1A and 1B projects as of March 2003, and the level of funding remaining for the completion of the projects. Further, Appendix C shows that the level of funding remaining does not appear to be sufficient to complete all of the repairs and improvements identified for the three schools in the FIP. In light of the above, the District is conducting additional planning to develop more accurate estimates for modernization costs.

District officials engaged a second architectural firm to lead another planning effort for the modernization of the District's schools. District officials anticipate that a "Long-Range Facilities Master Plan" (LRFMP) will be presented to the District's Board of Trustees during the July 26, 2003 meeting. We have not reviewed the LRFMP because it had not been finalized prior to the conclusion of our fieldwork; however, according to District officials, the LRFMP will include phase 1B for the three schools included in the first Proposition BB modernization projects and subsequent Proposition BB modernization projects. Further, implementation of the LRFMP will require more than the \$187 million from the sale of general obligation bonds.

### **RECOMMENDATION**

While the District appears to have adopted planning methodologies that would result in more accurate estimates of the cost to implement identified modernization needs at each school site, the OAAS recommends District officials to consider taking additional action to further strengthen and improve its efforts to inform the community on the status of modernization projects funded with proceeds from the sale of Proposition BB general obligation bonds.

Specifically, the District should consider expanding on its periodic updates to the public. The District could issue reports of bond expenditures; modernization project status; and estimated project timelines to the oversight committee that could be made available to interested community members. These updates can also be provided to school administrative and teaching staff that have direct contact with parents and the

community. By strengthening communication with the community regarding the status of modernization projects, the District could benefit from increased support for ongoing and future modernization projects.

**FINDING II: Incomplete Replacement of Structures Destroyed by Fire at Chula Vista Middle School**

**BACKGROUND**

We reviewed records related to the loss of property sustained by the District during a fire that consumed one of the building structures of the Chula Vista Middle School, and the use of money received from the District’s insurer for the settlement of a related claim filed by the District.

Insurance	\$	2,781,542.36
Expenditures		(530,432.47)
Balance	\$	2,251,109.89

Source: Sweetwater Union High School District

In February 2000, a fire destroyed one of the buildings at the Chula Vista Middle School. The fire was fed by a natural gas pipeline and consumed a building that housed the school’s cafeteria, the teachers’ lounge, the school’s home economics room, and an art room. The District received a settlement of \$2.7 million from the insurance company, and it used part of the insurance settlement money to demolish the damaged structure and for clean up. The remaining funds were deposited in the Building Fund and were added to the school’s modernization budget.

**FINDINGS**

The District has not replaced the Chula Vista Middle School’s (CVMS) cafeteria that was lost in the February 2000 fire. Students at CVMS are currently eating their lunches at a temporary outdoor area and are sometimes subjected to an unhealthy environment while eating their lunch. The audit team conducted a site visit of the school and observed that the outdoor lunch area has benches but does not have tables. A tarp has been erected as shelter, but does not appear to be sufficient to accommodate the approximately 100 students at each lunch break. Even with the canvas shelter, the outdoor area is inadequate for the students because it does not offer them enough protection from the environment (sun, rain, or bird droppings and bird strafing). As such, the District is noncompliant with California Education Code 17573 which states “The governing board of every school District shall provide a warm, healthful place in which children who bring their own lunches to school may eat the lunches.”

District officials have stated that the insurance money was not enough to build a new cafeteria. However, the settlement amount received by the District to replace the cafeteria was based on a detailed analysis from construction experts retained by the insurance company, who estimated that it would cost \$2,182,437 to replace the cafeteria. The insurance company decided to close the case and issue a settlement payment when the District decided not to replace the cafeteria as it was prior to the fire. The Districts new vision as part of the modernization project was to build a multipurpose

structure, which would include an area that could be used as a cafeteria, classrooms and meeting rooms. According to District officials, this multipurpose building, that was to include a cafeteria, was not a priority in the initial phase of the school's modernization project.

Staff and faculty at CVMS have indicated that a cafeteria is a priority for their school. For example, at a project planning meeting on 5/23/02 with District officials, the District's architect, and CVMS staff and faculty, the staff and faculty inquired about using "all of the modernization funds to build a new cafeteria." However, the architect responded by saying that "it was not possible to use all of the modernization funds to build a new cafeteria building." The District has not identified a new cafeteria as a top priority and it is uncertain whether the District will include a cafeteria or multipurpose facility in the next phase of the CVMS modernization project.

The District has been criticized by the public and its own staff for modernizing the school's administration building first and for not replacing the cafeteria. According to a local news television report, new construction at the school included an administration building and replacement of classrooms lost in the fire. The news program noted that the administration needed updated utility lines and therefore was determined to be a priority. Other District officials have given different reasons why the extension to the administration building was given priority. Specifically, a District's spokesperson was cited in a local newspaper as saying that "the renovated and expanded administration building isn't just for the comfort of the principal. It is the welcoming center for parents and community members." The District did not maintain detailed records of its initial planning activities nor its specific reasons for giving priority to the administration building over the cafeteria.

### **RECOMMENDATIONS**

The Sweetwater Union High School District should replace the cafeteria with an adequate structure that provides students with a warm and healthy place to eat lunch as required by the State's Education Code.

### **FINDING III: Composition of the Bond Oversight Committee Could Hinder the Committee's Effectiveness**

The audit team reviewed the process used by the District to form an oversight committee responsible for advising the District's Board of Trustees on matters related to the expenditure of Proposition BB bond revenues. The audit team concluded that the District's activities on this matter are aligned with all applicable laws and regulations. Nevertheless, the audit team recommends that District officials consider strengthening the oversight committee member selection process.

**BACKGROUND**

The District is not required to follow current State guidelines for establishing oversight committees for modernization projects because the District board elected to proceed with the Proposition BB bond measure in accordance to the California Constitution, Article XIII A, Sec. 1 subd. (b)(2), which requires the Bond measure to receive a 2/3 vote from District voters. By receiving the 2/3 vote, the District is not required to adhere to the "new" rules outlined in subdivision (b)(3) in Section 1 of Article III A, which would have required the District to follow specific bond oversight committee requirements. Although the District is not required to have an oversight committee, it has elected to have one anyway, and has created its own set of guidelines to govern the oversight process. For the initial selection of the Proposition BB Bond Oversight Committee, each member of the District's Board of Trustees was asked to nominate a community member

**FINDING**

The District allowed the spouse of a Board member to serve in the Proposition BB Bond Oversight Committee. The selection of the initial members of the oversight committee was done before the District established its guidelines. According to the committee's Chairman, each initial committee member was selected by a Board member through an informal process. Although the District is not breaking any laws because a spouse of a Board member is serving on the oversight committee, such a relationship could inhibit the committee's ability to engage in open and frank discussions and diminish the effectiveness of the oversight committee because of the direct relationship of one of its members to a member of the District's Board of Trustees. In fact, some committee members have expressed these concerns to the Audit Team.

**RECOMMENDATION**

The District should revise its policy for the Bond Oversight Committee member selection process to ensure that situations which can be perceived as inappropriate by the community are avoided.

**COMMENDATION**

The office of Audits and Advisory Services commends and sincerely appreciates the courtesies and cooperation extended by the Sweetwater Union High School District management and staff.

**AUDIT TEAM**

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