

**AGENDA ITEM**

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**DATE** July 25, 2012

**PURPOSE**

Grand Jury Report No. 1208: School Board Oversight Committees, Raising the Bar

The attached report addressing Grand Jury Report No. 1208: School Board Oversight Committees, Raising the Bar, is presented to the Board for direction in submitting the District's response.

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## **Background**

On May 21, 2012, the District received a copy of Grand Jury Report No. 1208, "School Bond Oversight Committees, Raising the Bar" from the Contra Costa County Grand Jury. This report presented sixteen findings and twelve recommendations in response to bond oversight provided by thirteen Contra Costa County education districts.

Pursuant to California Government Code §933.5(a) and §933.5(b), the District is required to report on each finding and recommendation. For each finding, the District is required to report one of the following responses:

- (1) The respondent agrees with the finding.
- (2) The respondent disagrees with the finding.
- (3) The respondent partially disagrees with the finding.

In the case of responses (2) and (3), the District is to specify the portion of the finding that is disputed and is to include an explanation of the reasons why this finding is in dispute. Following is the District's response to each recommendation and finding.

## **FINDINGS**

### **Finding 1**

*The Grand Jury commends the many citizens who serve on bond oversight committees and devote considerable time and effort to the task, without any compensation.*

#### **Response**

We agree with this finding and support the commendation as fourteen citizens of our county have served on the District's Bond Oversight Committee since it was formed in 2002.

### **Finding 2**

*Ballot language that is overly general in identifying specific projects, and fails to indicate priorities and at least a realistic estimate of project costs, impedes meaningful and effective oversight and accountability.*

#### **Response**

We partially disagree. The ballot language provided in the Contra Costa Community College District's (CCCCD) 2002 and 2006 bond project lists specifies projects by each District location which reflect the priorities of the District and its colleges. However, no cost estimates are included in the language. Construction costs can fluctuate, and as state matching funds may not always be available to supplement bond funding, this can impede and change project plans and cost estimates, which may not allow for all projects listed in the bond language to be completed. The exclusion of the estimates in the language has not impeded oversight and accountability as project estimates have been routinely given to the Bond Oversight Committee for items funded on the list.

### **Finding 3**

*Bond proceeds are sometimes used to provide General Fund relief in various ways, which even if lawful, may not have been fully disclosed to voters in the ballot language.*

#### **Response**

We disagree. In the CCCCCD, no bond funds have been used to supplement the general fund in any way. All monies have been and will continue to be used on construction

projects as is the intent of both bonds passed by the voters. The general fund is used primarily for direct support of District programs and services.

#### **Finding 4**

*District boards have an inherent conflict of interest in selecting, and in some cases, having the power to remove with or without cause, the members of the oversight committee who are required to oversee the district's spending of bond funds.*

##### **Response**

We disagree. The CCCCCD Governing Board is responsible for selecting members from the community for the District's Bond Oversight Committee pursuant to Education Code §15278(a). Given this statutory responsibility, as well as the responsibility of the Governing Board to ensure to the public that the District is effectively expending bond funds pursuant to language approved by the voters, there is no conflict of interest.

#### **Finding 5**

*Districts do not consistently reach out to the legally-mandated organizations, to local professional associations, community groups, or to district residents generally, to seek independent, qualified and motivated nominees for their bond oversight committees.*

##### **Response**

We disagree. The District sends notification letters to local professional organizations and community groups seeking membership. In addition, when a vacancy occurs, an announcement is placed on the website inviting applicants to apply.

#### **Finding 6**

*There does not always appear to be a consistent and transparent process for interested persons to be nominated, apply for, and be appointed to membership on oversight committees, or disclosure of any previous employment by, or other prior involvement or business relationship with, the district.*

##### **Response**

We partially disagree. Our past process provided that committee members were nominated by Governing Board members, the Chancellor, or college Presidents. Dialogue over the candidate's qualifications would occur during Governing Board meetings. The process has been revised to include an application process. Applicants must disclose any prior relationship with the District or conflict of interest. All applications received are then forwarded to the Governing Board for review and appointment.

#### **Finding 7**

*Districts do not consistently provide timely, adequate and independent training or resources materials for members of their bond oversight committee that explain their role, duties and functions, or provide training in the skills needed to analyze the kinds of financial data that bond oversight committee members are asked to review.*

##### **Response**

We partially disagree. The District has a document which clearly explains the policies and procedures of the District's Bond Oversight Committee. Committee members are provided information that explains their roles and responsibilities, and financial information is provided and explained as needed by staff. Brown Act training is also provided for members. The District does believe, however, that it can provide more training and materials for members, as needed and requested, in order to assist committee members in their duties and responsibilities.

**Finding 8**

*Although all oversight committees have bylaws, they do not appear to include or take into account "best practices" recommended by independent groups.*

**Response**

We disagree. As an ongoing practice, the District reviews its policies and procedures and makes changes, as needed, to reflect current practices and law. This review includes policies and procedures related to the Bond Oversight Committee. The Governing Board approved an update of the oversight committee policies and procedures in its May 23, 2012, meeting.

**Finding 9**

*The public websites required to be maintained by districts for their bond oversight committee are not always easily located or navigable.*

**Response**

We disagree. The District's website has multiple paths of access to the Bond Oversight Committee minutes, agendas, and other related information. Links are provided on the District webpage, the District Committees link, and on the Facilities Planning webpage, all of which are intuitive locations to look for links to a committee that oversees bond funded construction.

**Finding 10**

*The websites required to be maintained by districts for their bond oversight committees are not always timely or complete in posting agenda materials, minutes, reports and other required items.*

**Response**

We disagree. We routinely post agenda packets on the District's Bond Oversight Committee's webpage at least 72 hours in advance of each meeting. Agenda packets include the draft minutes from the previous bond oversight committee meeting waiting to be approved, as well as the Bond Oversight Committee reports.

**Finding 11**

*Financial reports furnished to oversight committees by the districts are not always complete and comprehensive enough to allow meaningful and effective review and oversight.*

**Response**

We disagree. The quarterly reports provided to the District's Bond Oversight Committee contains budget, scope, and schedule information, as well as a narrative status update for each project. This report was revised to its current format in 2007 with extensive input from the Bond Oversight Committee members as they expressed dissatisfaction with the previous format. Members have commented that they appreciate the way the information is presented, and appreciate recent additions to the report that make the finances even more visible and understandable.

**Finding 12**

*Financial data and reports are not always furnished to oversight committees early enough to allow time for thorough review prior to meetings.*

**Response**

We disagree. Financial data and other reports are provided to Bond Oversight Committee members seven days in advance of scheduled meetings. Documents are mailed directly to members so that they have ample time for review of the materials before the meeting.

### **Finding 13**

*Districts do not typically afford their oversight committees an opportunity to provide input into defining the scope and content of the district's required annual performance audit.*

#### **Response**

We partially disagree. The scope of the District audit is determined by past audit findings and required review of the District's compliance with state and federal law and generally accepted accounting principles. However, if there was a particular area of concern from the Bond Oversight Committee that needed review as a part of the bond performance audit, the District could request that the area(s) of concern be included as a part of the annual performance audit.

### **Finding 14**

*The performance audits provided by some districts to the oversight committees are so limited in scope and conclusory as to prevent meaningful and effective oversight.*

#### **Response**

We disagree. The performance audits conducted on the District's bond program are not limited in scope and conclusory. The District takes the audit of bond funds very seriously and has made the bond audit concurrent with the formal audit conducted annually by a professional auditing firm. Representatives from the firm provide valuable assurance to the Bond Oversight Committee that bond funds have been expended consistent with the ballot language. In addition, the audit firm sends a partner to the Bond Oversight Committee meeting to report on its findings and to answer any questions the committee may have.

### **Finding 15**

*The annual reports required to be issued by bond oversight committees are not always timely, and vary significantly in their style, scope and content.*

#### **Response**

We disagree. The annual Bond Oversight Committee report has been provided in January of each year since at least 2008, and outside of minor changes in graphics and in the layout of the report, the scope and content for the report has not changed. Additionally, the District also provides a Spanish language version of the report.

### **Finding 16**

*Although not legally required for parcel taxes, some districts have provided voters with detailed project lists in the ballot materials, and then appointed oversight committees to oversee the district's use of these funds. The Grand Jury commends and endorses this practice as promoting voter transparency and fiscal accountability.*

#### **Response**

We agree and endorse this finding as a good business practice.

## **RECOMMENDATIONS**

In addition, as required by §933.05(b) of the California Government Code, the District is providing its reply to each of the report's twelve recommendations. For each recommendation, the District is required to respond by stating one of the following actions:

- (1) The recommendation has been implemented, with a summary describing the implemented action.
- (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

- (3) The recommendation requires further analysis. This response should explain the scope and parameters of the analysis or study, and a time frame for the matter to be prepared for discussion. This time frame shall not exceed six months from the date of the publication of the Grand Jury report.

**Recommendation 1**

*A district's ballot language should inform voters of all intended uses of bond funds, the specific projects to be undertaken, the schools where the projects will be undertaken, the district's initial projections, and a realistic estimate of project costs.*

**Response**

This recommendation has not yet been fully implemented, but will be implemented in the future, if required. The bond language on the District's two previous ballots provided specific projects that would be constructed or improved at each site. Individual project cost estimates, however, were not provided in the ballot language since this was not a standard format or requirement. Nevertheless, the cost estimates used to develop the overall bond program are rough programmatic evaluations of project scopes based on cost estimates at the time of the measure. Those costs could change based upon future market conditions. This recommendation would need to be addressed in future ballot measure information, if required.

**Recommendation 2**

*A district should disclose and explain in the ballot language if, and in what ways, bond funds will be used to provide General Fund relief for the district.*

**Response**

The recommendation has been implemented as the District does not use bond funds for general fund relief. If the District were to propose this in the future, it would note this in the ballot language.

**Recommendation 3**

*In recruiting candidates for appointment to oversight committees, a district should seek nomination from the groups required to be represented on the committee by Education Code § 15282(a).*

**Response**

The recommendation has been implemented. The District seeks representation on the Bond Oversight Committee consistent with the specific groups noted in Education Code §15282(a).

**Recommendation 4**

*A district should consider ways to recruit independent, qualified and motivated applicants from the community, including announcements in local media, district newsletters, solicitations to local civic and professional groups, and mailing postcards to residents to solicit applications when the ballot materials are mailed.*

**Response**

This recommendation has been implemented. The District uses email, postal mailings, flyers and the internet to inform the public about Bond Oversight Committee openings. The District will continue to use these and other affordable notification systems to ensure that it gets interested, motivated, and qualified community members to serve on the committee.

### **Recommendation 5**

*A district should require all candidates for bond oversight committees to submit written applications listing their background, qualifications, a statement of interest, and disclosure of any prior employment by, or prior involvement or business relationship, with the district.*

#### **Response**

This recommendation was fully implemented, effective June 1, 2012.

### **Recommendation 6**

*A district should make available to committee members, for their consideration in creating committee bylaws and operating procedures, copies of:*

- *California League of Bond Oversight Committee recommended Best Practices*
- *San Diego County Taxpayers Association "Oversight Committee Best Practices" guide*
- *California Coalition for Adequate School Housing "Proposition 39 – Best Practices Handbook"*
- *Little Hoover Commission 2009 Report "Bond Spending: Expanding and Enhancing Oversight"*
- *California League of Cities "A Guide to the Ralph M. Brown Act"*
- *State Controller's Office 2011 Audit Report on the Los Angeles Community College District's bond construction program*

#### **Response**

This recommendation has not yet been implemented, but will be implemented in the future. All materials referenced in the report will be made available to Bond Oversight Committee members for review by no later than January 1, 2013.

### **Recommendation 7**

*A district should ensure that websites for their oversight committees are prominently displayed on their homepages, are easily navigable, and include current and complete postings of all required items.*

#### **Response**

This recommendation has been implemented. The District's website has multiple paths of access to the Bond Oversight Committee's information. One can access information through the District home page, the District Committee web link, and the Facilities Planning webpage.

### **Recommendation 8**

*A district should provide oversight committees with complete, detailed and comprehensive financial data relating to the expenditure of bond revenues, showing the amount of funds originally budgeted and allocated for each project, amounts expended to date and amount committed to each project, percentage completion of each project, and all approved or anticipated change orders.*

#### **Response**

This recommendation would require further analysis. This recommendation requires details that could be very confusing for committee members. A review will be conducted no later than November 21, 2012.

### **Recommendation 9**

*A district should provide financial data and reports to committee members sufficiently prior to meetings to permit meaningful and effective review and oversight.*

#### **Response**

This recommendation has been implemented. Reports and data are provided to Bond Oversight Committee members seven days in advance of the meeting to give them sufficient time to prepare for scheduled meetings.

### **Recommendation 10**

*A district should afford their bond oversight committees an opportunity to provide input in defining the scope and content of the required annual performance audit.*

#### **Response**

The recommendation has not yet been implemented, but will be implemented in the future. The audit scope and content is in practice defined by law, generally accepted accounting principles, and as required to follow up on previous audit findings. Input will be solicited from the Bond Oversight Committee for the 2013 audit cycle.

### **Recommendation 11**

*The district's annual independent performance audits should be detailed and comprehensive enough in scope, including a review of procurement practices, to allow the committee to identify waste and to evaluate the cost effectiveness of the district's construction and facilities improvement program.*

#### **Response**

This recommendation has been implemented. The District's annual independent performance audit conforms to the guidelines set forth in governmental accounting standards, the language of Proposition 39, and the California Constitution. The auditors sampled nearly 40 percent of non-payroll expenses in the bond program during the latest performance audit, providing assurance to the Bond Oversight Committee that bond expenses were being sufficiently reviewed. Additionally, the performance audit inspected salaries charged to the bond to verify that they were in accordance with the language of the measures and not for general administration or operations. Finally, procurement practices are reviewed in the overall District audit, which includes review of bid documents and procedures.

### **Recommendation 12**

*A district should request that its oversight committees issue timely, comprehensive and informative reports, which should be posted on the district's website, along with a final, closing report when the bonds have been spent and the committee's work completed.*

#### **Response**

This recommendation has been implemented. Comprehensive and informative reports are posted to the website as a standard practice for the District. Staff members coordinate extensively with the Bond Oversight Committee to ensure that the committee's annual report is both timely and widely available. Additionally, detailed quarterly reports, with financial, scope, and schedule information, is also available on the committee website. However, the Bond Oversight Committee has not issued a final, closing report because neither of the current bonds has been exhausted. Once funds are exhausted in those bonds, a report will be completed and shared with the Bond Oversight Committee.