

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

**PROPOSITION 39, GENERAL OBLIGATION BONDS
(MEASURE R, NOVEMBER 2001)
PERFORMANCE AUDIT**

June 30, 2003

MT. SAN ANTONIO COMMUNITY COLLEGE DISTRICT

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
The Citizens' Oversight Committee
Mt. San Antonio Community College District
1100 North Grand Avenue
Walnut, CA 91789

Chairman

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Partners

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Principal

JERI A. WENGER

Senior Managers

TIMOTHY D. EVANS

PHEBE M. MCCUTCHEON

ARVEE ROBINSON

COLLEEN K. TAYLOR

We have examined the Mt. San Antonio Community College District's compliance with the performance requirements for the Mt. San Antonio Community College District's General Obligation Bonds 2001 Election, Series A ("Bonds") for the fiscal year ended June 30, 2003, under the applicable provisions of Section 1(b)(3)(c) or Article XIII A of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the Mt. San Antonio Community College District's compliance with those requirements. Our responsibility is to express an opinion on the Mt. San Antonio Community College District's compliance with such requirements thereof based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about Mt. San Antonio Community College District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Mt. San Antonio Community College District's compliance with specified requirements.

In our opinion, the Mt. San Antonio Community College District complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2003.

Vicenti, Lloyd & Stutzman LLP
VICENTI, LLOYD & STUTZMAN LLP

October 2, 2003



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OBJECTIVES

The objectives of our Performance Audit were to:

- Document the expenditures charged to the Mt. San Antonio Community College District General Obligation Bonds Series A Building Fund (hereinafter referred to as the “Building Fund”) established for the Bonds and the net Bond proceeds deposited into the Building Fund.
- Determine whether all expenditures from July 1, 2002 through June 30, 2003, charged to the Building Fund, have been made in accordance with the bond project authorization approved by the voters through the approval of Measure R in November 2001 (“Bond Projects”).
- Note any incongruities or system weaknesses and provide recommendations for improvement.
- Provide the District Board and the Measure R Citizens’ Oversight Committee with a performance audit as required under the requirements of the California Constitution and Proposition 39.

SCOPE OF THE AUDIT

The scope of our Performance Audit covered the period from July 1, 2002 through June 30, 2003. The expenditures tested included all object and project codes associated with the Bond Projects. The propriety of expenditures for capital projects and maintenance projects funded through other state or local funding sources were not included within the scope of our audit. Expenditures incurred subsequent to June 30, 2003 were not reviewed or included within the scope of our audit.

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BACKGROUND INFORMATION

On November 6, 2001, \$221 million in general obligation bonds were authorized by an election held within the Mt. San Antonio Community College District. A Citizens Oversight Committee was appointed in December 2001 to comply with the California Constitution and Education Code. The purpose of the Committee is to inform the public at least annually regarding the appropriate use of the bond proceeds. On May 1, 2002 the first series of bonds in the amount of \$40 million was issued. The total proceeds from the bond issuance were received by the District (less the original bond issuance costs) and are to be used to finance the construction, acquisition, furnishing and equipping of District facilities. California Constitution, Article 13A, Section 1(b)(3)(c) requires an annual performance audit be conducted to insure that funds have been expended only on the specific projects publicized by the District.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure summary reports and detail prepared by the District for the fiscal year ended June 30, 2003 for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Proposition 39/Measure R funding. We performed the following procedures:

- We reviewed the Campus Master Plan Bond Project publicized list of intended projects.
- We selected a sample of expenditures in the fiscal year ending June 30, 2003 and reviewed supporting documentation to ensure that funds were properly expended on the specific projects outlined on the publicized list and met the requirements for bidding, if applicable.
- We compared total project expenditures to budgets to determine if there were any expenditures in excess of appropriation.
- We verified that funds were generally used for the construction, acquisition, furnishing and equipping of District facilities and we verified that funding was not used for salaries of school administrators or other operating expenses of the District.

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RESULTS OF PROCEDURES

The District put forward 17 projects for use with the bond funding. The District has incurred cumulative total costs of \$18,384,576 through June 30, 2003 of which \$15,089,882 were expended during fiscal year ended June 30, 2003. The projects are outlined below:

	<u>Budget</u>	<u>Actual Costs for Fiscal Year End June 30, 2003</u>	<u>Actual Costs through June 30, 2003</u>
• Project 1 – Science Laboratories	\$ 20,000,000	\$ 798,867	\$ 1,899,278
• Project 2 – Workforce Training Center	7,200,000	88,555	279,536
• Project 3 – Campus-wide Energy Conservation Program	11,626,000	6,552,611	6,552,631
• Project 4 – Off-Campus Learning Centers	8,133,675		388
• Project 5 – Agricultural Science	16,500,000	1,057,329	1,117,577
• Project 6 – Child Development Center/ Early Childhood Learning Lab	6,400,000		
• Project 7 – Campus Classroom Improvements	10,817,936	232,257	232,257
• Project 8 & 9 – Business/Computer Lab Remodel and Technology Center	16,600,000		
• Project 10 – Design and Online Technology Center	10,000,000		
• Project 11 – Physical Education/ Wellness Facility	16,500,000	481,779	575,715
• Project 12 – Campus Center	13,300,000	43,500	48,750
• Project 13 – Student Support Services Renovations	2,000,000	173,475	218,856
• Project 14 – Welding/Air Conditioning Programs	3,000,000	209,443	279,287
• Project 15 – English as a Second Language Building	9,000,000	607,123	811,666
• Project 16 – Health Careers Center	10,100,000	683,764	902,459
• Project 17 – Campus-wide Improvements	<u>59,822,389</u>	<u>4,161,179</u>	<u>5,466,176</u>
	<u>\$221,000,000</u>	<u>\$15,089,882</u>	<u>\$18,384,576</u>

Each of the projects has been given a specific project identification number within the District's Building Fund. Budgets for each project are included in the financial reporting system and actual expenditures are matched against this budget.

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RESULTS OF PROCEDURES (continued)

The following outlines results of testing related to material expenditures incurred as of June 30, 2003. Projects with insignificant expenditures and projects with no activity for the audit period were not included.

Construction management costs have been incurred and shared by all projects. Other costs incurred included the following:

Project 1 – Science Laboratories

Current year expenditures were incurred for architectural consulting and plan check fees for the new Science Building as well as leases and installation of temporary facilities for the Natural Science division office. Expenditures appear appropriate to the project.

Project 2 – Workforce Training Center

Current year expenditures were incurred for architectural and engineering services for the development of the design of the Center and other construction documents. Expenditures appear appropriate to the project.

Project 3 – Campus-Wide Energy Conservation Program

Current year expenditures were incurred for the construction of a cogeneration plant and for the installation of a campus-wide air distribution system. Expenditures appear appropriate to the project.

Project 5 – Agricultural Science

Current year expenditures were incurred for reconstruction of the beef units and equipment shed. Expenditures appear appropriate to the project.

Project 7 – Campus Classroom Improvements

Current year expenditures were incurred for the lease and installation of temporary classroom facilities during renovation of permanent classrooms. Expenditures appear appropriate to the project.

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RESULTS OF PROCEDURES (continued)

Project 11 – Physical Education/Wellness Facility & Athletic Fields

An architect was retained to develop a plan for improving the athletic fields as well as expanding parking adjacent to the baseball field. Expenditures appear appropriate to the project.

Project 13 – Student Support Services Renovation

An architect was retained to provide design services for the renovation of the student Services Center. Expenditures were also incurred to provide temporary facilities for programs relocated out of the Natural Sciences building (Building #23). Expenditures appear appropriate to the project.

Project 14 – Welding/Air Conditioning Programs

An architect was retained to provide services for the construction of a classroom building for Welding and Air Conditioning Programs. Expenditures appear appropriate to the project.

Project 15 – ESL Building

An architect was retained to provide services for the construction of a new ESL Building. Expenditures were also incurred for plan check fees. Expenditures appear appropriate to the project.

Project 16 – Health Careers Center

An architect was retained to provide services for the construction of a new Health Careers Building. Expenditures were also incurred for plan check fees. Expenditures appear appropriate to the project.

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RESULTS OF PROCEDURES (continued)

Project 17 – Campus-Wide Improvements

Campus-wide improvement project has been sub-divided into nine specific projects. Significant expenditures were incurred in the following:

- 17b. ADA compliance – Expenditures were incurred for the addition of an elevator in English/Math and Social Sciences Building (Building #26A). Expenditures appear appropriate to the project.
- 17e. Campus-wide infrastructure – Expenditures were incurred related to signage, landscape, telecommunications and sewer, water, electrical and drainage planning. Expenditures appear appropriate to the project.
- 17f. Campus-wide improvements – Expenditures were incurred for modular furniture and carpeting for the Fiscal Services Department. An architect was retained to provide design services for the art complex renovation. These expenditures appear appropriate to the project. See the Management Comments and Recommendations section for recommendations related to the accountability of these costs.
- 17g. Music Expansion – Expenditures were incurred for architectural plans to provide expanded space for the music program. Expenditures appear appropriate to the project.
- 17h. Building 23 Renovation - An architect was retained to provide architectural and engineering services. Expenditures were also incurred for the relocation of Building 23. Expenditures appear appropriate to the project.
- 17i. Classroom Facility North of Science Building – Expenditures were incurred to provide temporary classroom facilities. Expenditures appear appropriate to the project.

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RESULTS OF PROCEDURES (continued)

Project 17 – Campus-Wide Improvements

- 17j. Construction Support – All construction support costs have been segregated and included in this project. Support expenditures included the purchase of equipment and supplies to be used by construction management. This project cost center is also used for amounts paid to the construction management firm for staff services for clerical accounting and special projects related to the bond for both the fiscal services and purchasing departments. Current year expenditures included the preparation of an environmental impact report, master plan revisions and estimating services. These expenditures appear appropriate for use with bond funds. In addition, the cost related to the performance audit of the bond fund was recorded in this project. This expenditure has been determined by the District's legal counsel to be appropriate. See the Management Comments and Recommendations section for recommendations related to the accountability for these costs.

CONCLUSION

Based upon our procedures performed, we found that for the items tested, the Mt. San Antonio Community College District has properly accounted for the expenditures of the funds held in the Building Fund and that such expenditures were made on authorized bond projects except as otherwise noted in the accompanying schedule of management comments. Further it was noted that the funds held in the Building Fund and expended by the District were not expended for salaries of school administrators or other operating expenditures. Our audit does not provide a legal determination on Mt. San Antonio Community College District's compliance with those requirements.

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MANAGEMENT COMMENTS AND RECOMMENDATIONS

Project Accountability

Management Comment: California Constitution, Article 13A, Section 1(b)(3) outlines accountability requirements that must be met as a condition of compliance. These include the requirement to provide a list of the specific school facilities projects to be funded and to verify through an annual independent audit that funding is expended only on the specific projects listed. During our audit of expenditures charged to the various sub-projects included in Project 17 – Campus-Wide Improvement, we experienced some difficulty in associating specific expenditures with specific projects identified within this project group as publicized on the bond project list. This occurred primarily with those expenditures incurred to provide the required facilities, equipment and supplies for use by the project management vendor including support costs paid to the vendor for project accounting. The expenditures in question were recorded in project 17j - Construction Support as the District has elected not to allocate these costs to specific projects. The web site has not been updated to outline the intended use of the \$1.8 million dollar budget in project 17j or the various campus wide improvements intended to be used by the \$4.5 million dollar budget in project 17f.

Recommendation: As the Campus Wide Improvement project (project 17f) is a rather broad based project description, we recommend that the publicized project list be revised as specific projects are identified and approved for use with bond funding. In addition, we recommend that project 17j – Construction Support be added to the published list. This will then accurately report to the public all projects that will be undertaken. This recommendation would also apply to any major revisions made to any other projects already outlined in the publicized list.