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August 26, 2003

Board of Education
Chino Valley Unified School District
5130 Riverside Drive
Chino, CA 91710

EXECUTIVE SUMMARY:

In accordance with the requirements of Proposition 39 and Measure M, we have conducted a Performance "Audit" – Agreed-Upon Procedures of the Measure M Bond Fund. We conducted our Performance "Audit" – Agreed-Upon Procedures in accordance with generally accepted government auditing standards and limited our work to those areas specified in the agreed-upon procedures report for the period ending June 30, 2003.

The Measure M Bond Program is charged with the building and modernization of schools listed in the original bond documents. During the period ending June 30, 2003, our firm conducted a Performance "Audit" – Agreed-Upon Procedures which is a systematic process of objectively obtaining and evaluating evidence regarding the performance of an organization, program, function or activity. Evaluation is made in terms of its economy and efficiency of operations, effectiveness in achieving desired results and compliance with relevant policies, laws and regulations, for the purpose of ascertaining the degree of correspondence between performance and established criteria and communicating the results to interested users. The Performance "Audit" – Agreed-Upon Procedures function provides an independent, third-party review of management's performance and the degree to which the performance of the entity meets pre-stated expectations.

We found that although there are some opportunities for improvement, the Facilities/Planning Department and to a lesser extent, the Business/Operations department is generally well-managed, effective and efficient as it relates to Measure M. The most significant recommendations are:

RECOMMENDATIONS:

1. The District needs additional project management and project oversight. The District currently has seven construction and modernization projects underway. In addition, there are five additional modernization projects that are in the planning stage. The Facilities/Planning department should have more personnel at their disposal to complete these projects efficiently. We recommend that the District immediately hire an independent project manager that is under the direction of the District that can assist both Dr. Anderson and Richard Kroll with the projects under construction. This independent project manager can be compensated from the bond proceeds and would be involved in the projects until Measure M funds have been fully expended.

RECOMMENDATIONS: *(Continued)*

2. The District does not have a master contract with B.E. McMurray, the construction manager on construction projects. Mr. Robert Olin and two of his staff provide overall construction management and perform the bidding process as it relates to construction projects. These services are provided before a separate contract is issued for the construction management of the specific project. The District and B.E. McMurray need to formalize a contract that spells out compensation, cost reimbursement, services provided and length of contract.
3. The District has a policy to pre-qualify contractors over a certain dollar amount. This process was suspended after the passage of Measure M, in an attempt to speed up the process of contract award and construction. We recommend that this process be immediately re-instituted. The process of pre-qualification may have to be reviewed to verify the threshold is appropriate. The use of the pre-qualification process is endorsed by Dr. Anderson, Richard Kroll and Robert Olin, of B.E. McMurray.
4. We observed that there are a limited number of bidders and one bidder in some categories for the new school construction. For the District to obtain the best prime contractor and best possible price, they should obtain at least five to six bids per category. With the combination of pre-qualification and five to six bidders per category, the District will not experience bids spreads and contract with the best prime contractor available.
5. The District needs to obtain community buy-in regarding the spending of Measure M funds. We did not observe information that the stakeholders of the district have sufficient information regarding the projects that their tax dollars are being used to build. We recommend that the district consider small modernization projects at as many schools as possible to indicate to the stakeholders that their money is being spent in their neighborhoods. The Bond Oversight Committee could also attend PTA meetings and assist in the district in getting the "word out". The District may also want to improve the information that is contained on the website.
6. The District should consider public signage at every school site that has or will have Measure M funds spent. The sign should indicate that this is your bond funds at work and to thank the community for their support. You may also list the district website on the sign, for concerned citizens to obtain more information concerning the bond program.
7. The Bond Oversight Committee needs to work more closely with District representatives and the Board of Education. Buy-in for the community will start with the Bond Oversight Committee. We would recommend that more District personnel attend the Bond Oversight Committee meetings to demonstrate their commitment to the building process. In return, the Bond Oversight Committee should restrict their involvement to that of oversight. The details regarding building and funding of projects is the duty of the District, with the approval of the Board of Education. Communication is the key to a productive process with common goals.

RECOMMENDATIONS: *(Continued)*

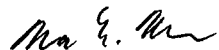
8. The District should consider updating the "Facilities Assessment Report". This report was created and adopted by the Board of Education in preparation of the bond issue. It is a working plan for new construction and modernization of schools within the district. It could be modified to update the status of the project that is currently under construction and provide some priority for future projects. If possible, we would recommend that a one page executive summary or some type of modification would allow for the report to be more informative.
9. The overall program of communications is in need of improvement. Proper communications are not happening between the District, construction manager, Bond Oversight Committee and Board of Education. We feel all parties should make a commitment to strengthen the communications process. A meeting with one representative from each area in a joint meeting where ego's can be left at the door, misunderstandings can be resolved. Each committee is hoping they are keeping the other committee informed, but the perception is that they are hiding information.

In closing, we should point out that any deficiencies noted by the auditors exist in the context of a basically effective and efficient program. In some cases, corrective action has been initiated by the District. We have attached Exhibit A, which summarizes the results of the survey, which were sent to the Bond Oversight Committee, Board of Education and Vendors. Our firm would like to acknowledge the helpful assistance that was provided by District personnel. Dr. Paul Anderson, Assistant Superintendent of Facilities/Planning is to be commended for his diligence and expertise.

Should you have any questions regarding the enclosed report, please do not hesitate to call.

Very truly yours,

GLENN M. GELMAN & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS



Warren E. Hennagin, C.P.A., M.S.-Tax
Director

WEH:tam

Exhibit A

Survey Results

1. Responses received 73% Oversight Committee, 60% Board of Education and 56% Vendors.
2. Only 75% of the Oversight Committee and 67% of the Board of Education believe the community outreach regarding Measure M is adequate.
3. Only 75% of the Oversight Committee, but 100% of the Board of Education believe that Measure M funds are being spent on projects identified in the ballot language.
4. Only 75% of the Oversight Committee, but 100% of the Board of Education believe that Measure M funds are being spent appropriately.
5. 88% of the Oversight Committee and 67% of the Board of Education believe that the stakeholders are aware of what Measure M funds are used for.
6. None of the media's listed provided awareness of Measure M.
7. 100% of the Oversight Committee and 67% of the Board of Education believe that the district staff is knowledgeable and informed regarding facilities needs and issues.
8. 88% of the Oversight Committee and 67% of the Board of Education feel that the district is communicating effectively with stakeholders regarding Measure M.
9. 88% of the Oversight Committee and 100% of the Board of Education feel that the district is communicating effectively.
10. 80% of the Vendors know that the projects have been funded by Measure M.
11. All of the Vendors believe the bidding and pre-qualification process was appropriate.
12. All of the Vendors believe in the multi-prime construction process.
13. All of the Vendors believe that questions and submittals are dealt with timely by the construction manager.
14. Only 70% of the Vendors believe that questions and submittals are dealt with timely by the district.
15. Only 60% of the Vendors believe that the district is knowledgeable and informed about construction needs and issues.
16. Only 75% of the Vendors believe that the construction manager and the district have approved and processed billings timely.