PROGRAM AUDIT OF THE CALIFORNIA CLEAN ENERGY JOBS ACT

Audit Report

PROPOSITION 39 PROGRAM

Chapter 29, Statutes of 2013

July 1, 2016, through June 30, 2017

BETTY T. YEE

California State Controller

July 2018

BETTY T. YEE
California State Controller

July 13, 2018

Kate Gordon, Chair
Citizens Oversight Board
1516 9th Street, MS-19
Sacramento, CA 95814

Dear Ms. Gordon:

The State Controller's Office (SCO) audited a selection of completed projects of the California Clean Energy Jobs Act for the period of July 1, 2016, through June 30, 2017.

As of June 30, 2017, 69 local educational agencies (LEAs) reported $41,016,640 in completed project costs and 36 community college districts (CCDs) reported $12,786,264 in completed project costs. From the list of completed projects, we selected for audit 16 LEAs and four CCDs, with reported expenditures of $20,389,253. Our audit found that:

- Seven LEAs sole-sourced a portion of their project costs, resulting in unallowable costs of $557,645;
- Twelve LEAs and three CCDs did not identify the projected energy savings in the awarded contracts;
- Two LEAs applied the Proposition 39 funding to project costs incurred prior to the eligibility period, resulting in unallowable costs of $277,987 ($335,222 less $57,235 that was also sole-sourced); and
- Four LEAs submitted their final project completion reports after the deadline.

We also reviewed the oversight practices of the California Energy Commission (CEC) and found that it improperly reviewed and approved an LEA's Energy Expenditure Plan, resulting in an overpayment of funds to that LEA.

This final audit report identifies seven LEAs that sole-sourced a portion of their project costs, which is a violation of Public Resources Code (PRC) section 26235(c). In addition, this final audit report identifies two LEAs that applied the Proposition 39 funding to project costs incurred prior to the eligibility period, which is a violation of the CEC's Program Implementation Guidelines.

PRC section 26240(h)(1) states that "The Superintendent of Public Instruction shall require local education agencies to pay back funds if they are not used in accordance with state statute or regulations."

Findings 1 and 3 of this report are apportionment-significant. If you disagree with these two findings, you have 30 days from the date the U.S. Postal Service delivered this report to request a summary review of any apportionment-significant audit findings on the grounds of substantial compliance. In addition, you have 60 days from delivery of this letter – or 30 days following the conclusion of a summary review, with regards to the finding included in that review – to file a formal appeal of any apportionment-significant audit findings on any one or more of the grounds set forth in Education Code (EC) section 41344(d). The request for a summary review or formal appeal should be submitted to the following address:

Executive Officer
Education Audit Appeals Panel
770 L Street, Suite 1100
Sacramento, California 95814

If you have any questions regarding the summary review process or the appeal process, please see the Education Audit Appeals Panel (EAAP) website (www.eaap.ca.gov) or call EAAP at (916) 445-7745.

LEAs working to resolve audit exceptions may request structured repayment plans under EC section 41344. To request a repayment plan, the LEA must submit a letter to the California Department of Education (CDE) within 90 days of receipt of this letter; within 30 days of withdrawing or receiving a determination of a summary review if there is no appeal; or within 30 days of withdrawing or receiving a final determination regarding an appeal pursuant to EC section 41344(a). More information on repayment plans can be found on the CDE's website (http://www.cde.ca.gov/fg/au/ag/resolution.asp) or by contacting the CDE, School Fiscal Services Division, Categorical Allocations and Management Assistance Unit, at (916) 327-0538.

If you have any questions, please contact Jim L. Spano, CPA, Assistant Division Chief, by telephone at (916) 323-5849.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/rg

cc: Tom Torlakson, Superintendent of Public Instruction
California Department of Education
Kimberly Tarvin, Director of Audits and Investigations
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Tammy Airheart, Assistant Superintendent, Business Services
Kings County Office of Education
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Lake County Office of Education
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Garry Bousum, Associate Superintendent, Business Services
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Jean Gardner, Senior Director, Fiscal Services
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Audit Report

Summary

The State Controller's Office (SCO) audited a selection of completed projects of the California Clean Energy Jobs Act for the period of July 1, 2016, through June 30, 2017.

As of June 30, 2017, 69 local educational agencies (LEAs) reported $41,016,640 in completed project costs (Schedule 1) and 36 community college districts (CCDs) reported $12,786,264 in completed project costs (Schedule 2). From the list of completed projects, we selected for audit 16 LEAs and four CCDs, with reported expenditures of $20,389,253. Our audit found that:

- Seven LEAs sole-sourced a portion of their project costs, resulting in unallowable costs of $557,645;
- Twelve LEAs and three CCDs did not identify the projected energy savings in the awarded contracts;
- Two LEAs applied the Proposition 39 funding to project costs incurred prior to the eligibility period, resulting in unallowable costs of $277,987 ($335,222 less $57,235 that was also sole-sourced); and
- Four LEAs submitted their final project completion reports after the deadline.

We summarized the audit results separately for the 16 LEAs and four CCDs that were selected for audit in the Appendix of this report.

We also reviewed the oversight practices of the California Energy Commission (CEC) and found that it improperly reviewed and approved an LEA's Energy Expenditure Plan (EEP), resulting in an overpayment of funds to that LEA.

Background

The California Clean Energy Jobs Act was created with the approval of Proposition 39 (Chapter 29, Statutes of 2013) in the November 2012 statewide election. The statute changed the corporate income tax code and allocates projected revenue from the General Fund to the Clean Energy Job Creation Fund for five fiscal years, beginning with fiscal year (FY) 2013-14. Under the initiative, it is estimated that up to $550 million is available annually to be appropriated by the California State Legislature for purposes of funding eligible projects that create jobs in California while improving energy efficiency and expanding clean energy generation.

Senate Bill 73 establishes that 89% of the funds deposited annually into the Clean Energy Job Creation Fund be made available to LEAs for energy efficiency and clean energy projects and 11% be made available to CCDs for energy efficiency and clean energy projects.

An eligible energy project is an installation at or modification to a school site that improves energy efficiency or expands clean energy generation. Energy efficiency measures include heating, ventilation, and air

conditioning (HVAC) system retrofits and various interior and exterior retrofits; clean energy generation measures include photovoltaic (solar) panels. All facilities within the LEA are eligible for Proposition 39 program funding.

Citizens Oversight Board

Proposition 39 also established the Citizens Oversight Board (COB) to review expenditures, audit the Clean Energy Job Creation Fund, and maintain transparency and accountability of the fund. Members of the COB are appointed by the California Treasurer, Attorney General, and State Controller with two ex officio members from the CEC and the California Public Utilities Commission (CPUC).

California Department of Education

The CDE is responsible for administering awards to LEAs that serve grade K-12 students. CDE awards funds based on the following formula:

- 85% based on average daily attendance (ADA) reported as of the second principal apportionment for the prior fiscal year (P-2); and
- 15% based on the number of students eligible for free and reduced-priced meals in the prior year.

These funds may be used by LEAs for energy efficiency and clean energy projects, as well as related energy planning, energy training, and energy management. LEAs are required to submit an EEP to the CEC for consideration and approval. An EEP includes a technical description and project specifications for the proposed eligible energy measures. Funds are released to the LEA only after the CEC approves the EEP.

LEAs with 1,000 or fewer prior-year ADA are eligible to receive both the current year and the following year funding in the current year. LEAs that select this option do not receive a funding allocation in the following year.

LEAs whose first year of eligibility was FY 2013-14 also had the option of requesting a portion of that year's award allocation for energy planning activities without submitting an EEP to the CEC. The energy planning funds can be spent only on the following four activities:

- Energy audits and energy surveys/assessments
- Proposition 39 program assistance
- Hiring or retaining an energy manager
- Energy-related training

Any unused energy planning funds must be applied toward implementing energy projects from the LEA's approved EEP.

California Energy Commission

The CEC is the primary state agency responsible for energy policy and planning. Public Resources Code (PRC) section 26235(a) requires the CEC to establish guidelines in consultation with the State Superintendent of Public Instruction the Chancellor of the California Community Colleges, and the CPUC.

On December 19, 2013, the CEC adopted the Proposition 39 Program Implementation Guidelines. These guidelines provide direction to LEAs on the types of awards and the required proposals, explain the screening and evaluation criteria, describe the standards to be used to evaluate project proposals, and outline the award process.

Included in Proposition 39 Program Implementation Guidelines is a savings-to-investment ratio (SIR) calculation. To be approved for Proposition 39 funding, the eligible energy project must achieve a SIR above 1.0. For example, for every dollar invested in the eligible energy project, the LEA must accrue over $1.00 in savings. The SIR calculation is based on the present value of the savings divided by project installation costs, subtracting rebates and other grant funding sources. The Proposition 39 Program Implementation Guidelines also include a formula for estimating job creation benefits, which is a criteria outlined in PRC section 26235(e)(10).

The CEC also developed an EEP Handbook that includes step-by-step instructions to assist LEAs in completing all the required forms.

California Community Colleges Chancellor's Office

The California Community Colleges Chancellor's Office (CCCCO) is the state agency that oversees the California Community Colleges District system. The CCCCO is responsible for distributing Proposition 39 funding to individual CCDs. The funds may be used by CCDs for energy efficiency and alternative energy projects, along with related improvements and repairs, that contribute to reduced operating costs and improved health and safety conditions in the community college system.

The CCCCO developed its Energy Project Guidance to assist CCDs with implementing projects to meet the Proposition 39 requirements. Projects must be consistent with the State's energy loading order, which guides the State's energy policies and decisions according to the following priority order: 1) decreasing electricity demand by increasing energy efficiency and reducing energy usage in periods of high demand or cost, 2) meeting new energy supply needs with renewable resources, and 3) meeting new energy generation needs with clean fossil-fuel generation.

CCDs have been pursuing and implementing energy efficiency and renewable energy projects for many years through such programs as the CPUC-administered California Community Colleges/Investor Owned Utilities Energy Efficiency Partnership. This public-private partnership has been working on behalf of CCDs since 2006 and has aggressively reduced energy usage, resulting in over $12 million in costs savings for the community college system.

Audit Authority

Government Code (GC) section 12410 and PRC section 26210 provides the legal authority to conduct this audit.

GC section 12410 states that the Controller shall superintend the fiscal concerns of the State and audit the disbursement of any state money for correctness, legality, and for sufficient provisions of law for payment.

The SCO's interagency agreement with the COB, pursuant to PRC section 26210(d)(2), commissions the SCO to review a selection of projects completed to assess the effectiveness of the expenditures in meeting the objectives of the California Clean Energy Jobs Act.

Objectives, Scope, and Methodology

On June 15, 2016, we entered into an agreement with the COB to conduct an audit to assess the CEC's controls over implementation and administration of the Clean Energy Job Creation Fund to ensure that the funds were accounted for and spent in accordance with applicable statutes. In addition, we were tasked to audit a selection of completed projects (80% LEA projects and 20% CCD projects) to determine whether the energy projects were consistent with the Clean Energy Job Creation Fund's program guidelines. We selected 16 LEAs and four CCDs for audit. We did not audit their financial statements.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To achieve our audit objectives for the LEA K-12 Proposition 39 Award Program, we:

- Reviewed the CEC's Proposition 39 Program Implementation Guidelines and EEP Handbook to ensure compliance with the applicable provisions of the PRC;
- Reviewed the controls established by the CEC to ensure the completeness of the EEPs, annual project expenditure reports, and close-out project completion forms submitted by LEAs; and,
- Selected 16 of 69 LEAs with project costs totaling $17,415,829 and determined whether:
    - Planning funds were expended in accordance with program requirements or applied towards implementing eligible energy projects approved by the CEC;
    - The LEA submitted an expenditure plan to the CEC consistent with its priority of eligible projects;
    - The CEC approved the expenditure plan in compliance with the CEC's Proposition 39 Program Implementation Guidelines and EEP Handbook;
    - The approved EEP included:
        - A signed utility data release form from the LEA allowing the

CEC to access both historical and future utility billing data;

- The benchmarking process established by the CEC to determine a prioritized plan for the implementing eligible energy projects;
- Any one of the three methods available to LEAs to identify eligible energy projects (these include an energy survey; an American Society of Heating, Refrigerating and Air-Conditioning Engineering (ASHRAE) Level 2 energy audit; or Data analytics);
- A SIR that adheres to the cost-effectiveness determination set forth by the CEC; and
- A job-creation benefits estimation that adheres to the formula set forth by the CEC.

- The final report to the CEC contained the information outlined in PRC section 26240(b)(1) through 26240(b)(7);
- The LEA did not use a sole source process to award funds;
- The LEA had a signed contract that identified project specifications, costs, and projected energy savings;
- The LEA supported project costs; and
- The LEA paid back the funds if the project was torn down, remodeled, or deemed surplus and sold prior to the payback of the project.

Errors found in the samples selected were not projected to the intended population.

To achieve our audit objectives for the CCD Proposition 39 Program, we:

- Selected four of 36 CCDs with completed project costs totaling $2,973,424 and determined whether:
  - The CCD submitted a Proposition 39 Funding Application to the CCCCO, and the CCCCO approved the application consistent with its Proposition 39 Implementation Guidelines;
  - The CCD submitted a Call for Projects form that identified projects as energy efficiency or renewable energy generation;
  - The Proposition 39 Close-out Project Completion Form and the Annual Project Expenditure Report submitted to the CCCCO contained the following information:
    - The estimated amount of energy saved, accompanied by specific energy consumption and utility bill cost data for the individual facility where the project is located;
    - The nameplate rating of the new clean energy generation method installed;
    - The number of trainees resulting from the project;
    - The amount of time between awarding financial assistance and completing the project or training activities;

        - The entity's energy intensity before and after project completion as determined from an energy rating or benchmark system; and
        - The number of direct full-time equivalent employees created by each project and the average number of months or years of utilization of each of these employees.
    - The CCD did not use a sole source process to award funds;
    - The CCD had a signed contract that identified project specifications, costs, and projected energy savings;
    - The CCD supported project costs; and
    - The CCD paid back the funds if the project was torn down, remodeled, or deemed surplus and sold prior to the payback of the project.

Errors found in the samples selected were not projected to the intended population.

Conclusion

Our audit found instances of noncompliance with the requirements outlined in the Objectives, Scope, and Methodology section. These instances are quantified in the accompanying Schedule 1 (Total Completed Proposition 39 Program Costs for Local Educational Agencies) and Schedule 2 (Total Completed Proposition 39 Program Costs for Community College Districts), and described in the Findings and Recommendations section of this report.

We selected 16 LEAs and four CCDs with completed projects for audit. These 20 LEAs and CCDs reported total completed project costs of $20,389,253 ($17,415,829 for LEAs and $2,973,424 for CCDs). Our audit found that:

- Seven LEAs sole-sourced a portion of their project costs, resulting in unallowable costs of $557,645;
- Twelve LEAs and three CCDs did not identify the projected energy savings in the awarded contracts;
- Two LEAs applied the Proposition 39 funding to project costs incurred prior to the eligibility period, resulting in unallowable costs of $277,987 ($335,222 less $57,235 that was also sole-sourced); and
- Four LEAs submitted their final project completion reports after the deadline.

We also reviewed the oversight practices of the CEC and found that the CEC improperly reviewed and approved an LEA's EEP, resulting in an overpayment of funds to that LEA.

Follow-up on Prior Audit Findings

We previously conducted an audit of 20 LEAs and CCDs with completed projects between December 19, 2013, and June 30, 2016. Our audit report, issued on June 30, 2017, found that:

- Four LEAs sole-sourced either a portion or all of their project costs;
- Twelve LEAs and three CCDs did not identify the projected energy savings in the awarded contracts; and
- One LEA applied its Proposition 39 funding to ineligible project costs incurred prior to the eligibility period.

The 20 LEAs and CCDs identified in the prior audit are not the same 20 LEAs and CCDs selected for the current audit; however, we found that both audits identified the same issues.

Views of Responsible Officials

We discussed our audit results with the CEC and the 16 LEAs and four CCDs selected for testing during audit fieldwork, and via email at the end of the audit. All responses have been included in the attached Appendix and Attachments A through H.

Restricted Use

This report is solely for the information and use of the COB, the CDE, the CEC, the CCCCO, Cambrian Elementary School District, Central Union Elementary School District, Clovis Unified School District, Del Mar Union Elementary School District, Hacienda La Puente Unified School District, Harmony Union Elementary School District, Lakeside Union Elementary School District, Learning Works Charter School, Los Angeles Community College District, Lucerne Elementary School District, Merced Community College District, Mountain Elementary School District, Mueller Charter School, Napa Valley Unified School District, Oasis Charter Public School, Palomar Community College District, Price Charter Middle School, Tustin Unified School District, Twin Rivers Unified School District, West Valley-Mission Community College District, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

July 13, 2018

Schedule 1—
Total Completed Proposition 39 Program Costs for Local Educational Agencies
July 1, 2016, through June 30, 2017

	Local Educational Agency	Program Implementation	Planning Funds [1]	Total	Amount Unallowable	Reference [2]
Completed projects selected for audit:						
1	Cambrian Elementary School District	$ 241,687	$ 17,028	$ 258,715	$ (17,028)	Finding 1
2	Central Union Elementary School District	459,657	-	459,657	-	Finding 2
3	Clovis Unified School District	3,304,710	20,300	3,325,010	(297,981)	Findings 1 – 4
4	Del Mar Union Elementary School District	855,825	-	855,825	-	Finding 2
5	Hacienda La Puente Unified School District	5,078,045	335,367	5,413,412	-	
6	Harmony Union Elementary School District	59,450	15,452	74,902	(17,705)	Findings 1, 2
7	Lakeside Union Elementary School District	183,406	54,610	238,016	-	Finding 2
8	Learning Works Charter School	112,040	17,767	129,807	(1,068)	Findings 1, 2
9	Lucerne Elementary School District	225,689	40,937	266,626	-	Finding 2
10	Mountain Elementary School District	143,017	8,000	151,017	-	Finding 2
11	Mueller Charter School	336,771	-	336,771	-	Finding 2
12	Napa Valley Unified School District	3,523,180	-	3,523,180	(399,341)	Findings 1, 3
13	Oasis Charter Public School	95,930	4,450	100,380	(94,980)	Findings 1, 2, 4
14	Price Charter Middle School	508,141	7,529	515,670	(7,529)	Finding 1
15	Tustin Unified School District	705,750	-	705,750	-	Findings 2, 4
16	Twin Rivers Unified School District	1,061,091	-	1,061,091	-	Findings 2, 4
Total, completed projects selected for audit		16,894,389	521,440	17,415,829 [3]	(835,632)	
Completed projects not selected for audit:						
1	Alta Vista Elementary School District	204,553	-	204,553		
2	Bonita Unified School District	531,009	130,000	661,009		
3	Brawley Union High School District	459,688	119,570	579,258		
4	Buttonwillow Union Elementary School District	258,021	18,199	276,220		
5	Chino Valley Unified School District	355,829	211,144	566,974		
6	Chula Vista Elementary School District – Arroyo Vista Charter School	93,894	-	93,894		
7	Chula Vista Elementary School District – Chula Vista Learning Community Charter School	57,652	-	57,652		
8	Chula Vista Elementary School District – Discovery Charter School	53,899	-	53,899		
9	Cuyama Joint Unified School District	212,168	53,042	265,210		
10	Delta Elementary Charter School	50,914	35,000	85,914		
11	Dunsmir Elementary School District	224,495	33,900	258,395		
12	Elverta Joint Elementary School District	162,276	53,327	215,603		
13	Escalon Unified School District	589,225	21,781	611,006		
14	Escondido Union High School District	1,556,121	105,000	1,661,121		
15	Exeter Unified School District	567,581	54,000	621,581		
16	Fammatre Elementary School	251,861	3,764	255,625		
17	Farnham Charter School	250,141	8,414	258,555		
18	Feaster (Mae L.) Charter School	222,732	-	222,732		
19	Gonzales Unified School District	551,026	-	551,026		
20	Horicon Elementary School District	75,000	-	75,000		
21	Howell Mountain Elementary School District	12,600	213	12,813		
22	Huntington Beach City School District	1,326,586	-	1,326,586		
23	Inyo County Office of Education	71,324	-	71,324		
24	Kings River Union Elementary School District	266,807	15,828	282,635		
25	Kit Carson Union Elementary School District	262,280	11,800	274,080		
26	La Habra City School District	496,159	1,469	497,628		
27	Lennox School District	1,198,672	-	1,198,672		

Schedule 1—(continued)

Local Educational Agency	Program Implementation	Planning Funds [1]	Total	Amount Unallowable	Reference [2]
Completed projects not selected for audit (continued):					
28 Los Angeles Leadership Academy	58,460	57,700	116,160		
29 Making Waves Academy	286,440	9,000	295,440		
30 Mt. Shasta Union Elementary School District	197,429	-	197,429		
31 Novato Charter School	50,060	-	50,060		
32 Oak Valley Union Elementary School District	240,441	3,775	244,216		
33 Palmdale Elementary School District	4,451,934	215,000	4,666,934		
34 Paso Robles Joint Unified School District	35,057	15,000	50,057		
35 Placer Hills Union Elementary School District	114,810	-	114,810		
36 Pleasant View Elementary School District	233,056	58,264	291,320		
37 Pomona Unified School District	663,967	338,310	1,002,277		
38 Reef Sunset Unified School District	644,732	42,250	686,982		
39 Rescue Union Elementary School District	788,175	-	788,175		
40 Riverside Unified School District	1,268,653	-	1,268,653		
41 Round Valley Unified School District	255,078	24,547	279,625		
42 Salmon Creek Charter School	201,821	20,844	222,665		
43 Sartorette Charter School	250,301	8,414	258,715		
44 Sherman Thomas Charter School	97,632	6,200	103,832		
45 Sierra Montessori School	77,940	-	77,940		
46 Snelling Merced Falls Union Elementary School District	93,325	6,620	99,945		
47 Stellar Secondary Charter High School	61,204	15,301	76,505		
48 Terra Bella Union Elementary School District	256,000	64,000	320,000		
49 Traver Joint Elementary School District	198,931	-	198,931		
50 Washington Unified School District	540,122	-	540,122		
51 Waugh Elementary School District	199,248	-	199,248		
52 Weed Union Elementary School District	100,983	-	100,983		
53 Weimer Hills Charter School	101,229	9,593	110,822		
Total, completed projects not selected for audit	21,829,542	1,771,269	23,600,811		
Total completed projects	$ 38,723,930	$2,292,709	$41,016,640		

[1] The planning funds are requested directly from CDE before an EEP is submitted.

[2] See the Findings and Recommendations section.

[3] We tested 100% of the costs reported, totaling $17,415,829, for the 16 LEAs selected for audit.

.Schedule 2—
Total Completed Proposition 39 Program Costs for Community College Districts
July 1, 2016, through June 30, 2017

	Community College District	Program Implementation	Amount Unallowable	Reference [1]
Completed projects selected for audit:				
1	Los Angeles Community College District	$ 989,106	$ -	Finding 2
2	Merced Community College District	598,664	-	
3	Palomar Community College District	668,282	-	Finding 2
4	West Valley-Mission Community College District	717,372	-	Finding 2
Total, completed projects selected for audit		2,973,424 [2]	-	
Completed projects not selected for audit:				
1	Allan Hancock Joint Community College District	$ 494,316		
2	Barstow Community College District	73,327		
3	Cabrillo Community College District	245,788		
4	Cerritos Community College District	536,748		
5	Chaffey Community College District	24,743		
6	Citrus Community College District	326,779		
7	Contra Costa Community College District	51,185		
8	Desert Community College District	228,812		
9	El Camino Community College District	415,936		
10	Gavilan Joint Community College District	316,977		
11	Imperial Community College District	134,739		
12	Kern Community College District	493,592		
13	Lake Tahoe Community College District	58,412		
14	Long Beach Community College District	419,727		
15	Los Rios Community College District	735,178		
16	MiraCosta Community College District	678,122		
17	Monterey Peninsula Community College District	203,557		
18	Mt. San Jacinto Community College District	368,277		
19	Napa Valley Community College District	176,537		
20	North Orange County Community College District	493,202		
21	Ohlone Community College District	238,618		
22	Palo Verde Community College District	91,160		
23	Rancho Santiago Community College District	759,640		
24	Riverside Community College District	173,212		
25	San Bernardino Community College District	381,753		
26	San Joaquin Delta Community College District	203,943		
27	San Luis Obispo County Community College District	203,859		

Schedule 2—(continued)

Community College District	Program Implementation	Amount Unallowable	Reference [1]
Completed projects not selected for audit (continued):			
28 Sequoias Community College District	254,914		
29 Sierra Joint Community College District	148,785		
30 Solano Community College District	457,476		
31 Sonoma County Junior College District	194,711		
32 West Hills Community College District	228,815		
Total, completed projects not selected for audit	9,812,840		
Total completed projects	$ 12,786,264		

[1] See the Findings and Recommendations section.

[2] We tested 100% of the costs reported, totaling $2,973,424, for the four CCDs selected for audit.

Findings and Recommendations

FINDING 1—
Seven LEAs sole-sourced a portion of their project costs

We found that seven LEAs sole-sourced a portion of their project costs, totaling $557,645, as follows:

Local Educational Agency	Amount
1. Cambrian Elementary School District	$ 17,028
2. Clovis Unified School District	20,300
3. Harmony Union Elementary School District	17,705
4. Learning Works Charter School	1,068
5. Napa Valley Unified School District	399,035 [1]
6. Oasis Charter Public School	94,980
7. Price Charter Middle School	7,529
Total	$557,645

[1] For Napa Valley Unified School District, we found that of the $399,035 that was sole-sourced, $57,235 was also incurred prior to the eligibility period (see Finding 3).

These seven LEAs did not provide documentation to support that they considered other vendors when awarding contracts.

PRC section 26235(c) states, in part, "A community college district or LEA shall not use a sole source process to award funds pursuant to this chapter."

We have interpreted the requirement to "not use a sole source process to award funds," as the need to use a competitive process. Competitive processes promote competition, prevent favoritism, and make the procurement process transparent.

For the Proposition 39 Program, LEAs hired contractors to perform critical functions for energy upgrades. Despite program guidelines and requirements, these LEAs used noncompetitive processes to award contracts and thus did not ensure the cost-effectiveness of these services.

Recommendation

We recommend that:

- LEAs use competitive processes when awarding contracts that will be paid for with Proposition 39 funds; and
- The CDE take appropriate action in response to funds paid to LEAs that do not meet the requirement not to use a sole-source process.

LEAs' Response

We notified the seven LEAs of this finding during audit fieldwork and at the end of the audit via email. The individual LEA responses are included in Appendix.

FINDING 2—
12 LEAs and three CCDs did not identify the projected energy savings in the awarded contracts

We found that 12 LEAs and three CCDs did not identify the required projected energy savings in the awarded contracts, as follows:

Local Educational Agency

1. Central Union Elementary School District
2. Clovis Unified School District
3. Del Mar Union Elementary School District
4. Harmony Union Elementary School District
5. Lakeside Union Elementary School District
6. Learning Works Charter School
7. Lucerne Elementary School District
8. Mountain Elementary School District
9. Mueller Charter School
10. Oasis Charter Public School
11. Tustin Unified School District
12. Twin Rivers Unified School District

Community College District

13. Los Angeles Community College District
14. Palomar Community College District
15. West Valley-Mission Community College District

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

We found that many of the awarded contracts state that energy savings will be realized; however, the contracts do not identify the amount of projected energy savings, as the contractor does not control the building operations, weather, or changes to the hours of operation of the facilities.

In our discussions with the agencies during audit fieldwork, many commented that the approved energy plans and board documents included the required projected energy savings amounts. We agree that these documents included the projected energy savings amounts; however, the guidelines require the projected energy savings amounts to be included in the awarded contract.

Recommendation

We recommend that the LEAs and CCDs comply with PRC section 26206(d) and identify the projected energy savings in their awarded contracts.

LEAs' and CCDs' Response

We notified the 12 LEAs and three CCDs of this finding during audit fieldwork and at the end of the audit via email. Their individual responses are included in Appendix.

FINDING 3—
Two LEAs applied the Proposition 39 funds to project costs incurred prior to the eligibility period

We found that two LEAs applied their Proposition 39 funds to project costs incurred prior to December 19, 2013, resulting in ineligible costs of $335,222, as follows:

Local Educational Agency	Amount
1. Clovis Unified School District	$ 277,681
2. Napa Valley Unified School District	57,541 [1]
Total	$ 335,222

[1] For Napa Valley Unified School District, we found that of the $57,541 incurred prior to the eligibility period, $57,235 was also sole-sourced (see Finding 1).

The CEC Program Implementation Guidelines state, in part:

> Proposition 39 funding may be used only to pay for eligible energy projects installed on or after December 19, 2013, the date guidelines were approved at the Energy Commission's business meeting … If eligible energy projects are implemented prior to the Proposition 39 Guidelines approval date, those eligible energy projects are not eligible for retroactive Proposition 39 funding.

Clovis Unified School District

We reviewed the invoices from Knorr Systems, Inc. and Nadar, Inc., for the purchase and installation of variable frequency drive equipment at eight swimming pools in the district, and found that the equipment was purchased and shipped to the district on October 31, 2013.

We also reviewed Nadar, Inc.'s pay request. We confirmed that it was dated and signed by the vendor on December 20, 2013. The pay request showed that 73% of the work had been completed at that time. We confirmed that the work at only two schools (Clovis West High and Clovis East High) was incomplete at the time the pay request was signed by the vendor.

Therefore, we found that the entire amount (for the purchase of the equipment and its installation at all school sites except Clovis West High and Clovis East High), totaling $277,681, was incurred prior to December 19, 2013, and is ineligible for Proposition 39 funding.

Napa Valley Unified School District

We reviewed the LEA's financial transactions report for FY 2013-14, and found that Proposition 39 funding was used to pay for expenditures incurred prior to December 19, 2013, totaling $57,541 ($26,568 to Quattrocchi Kwok Architects [QKA]; $30,000 paid to Récolte Energy; $667 to GSM Landscape Architects, Inc.; and $306 to Napa Electric).

The LEA initially coded these transactions to Fund 35, Resource Code 7710, as approved by the Board of Education during meetings in September and October 2013. However, on March 11, 2014, the LEA

reversed these transactions and re-coded them to Fund 40, Resource Code 6230 (Proposition 39).

Recommendation

We recommend that:

- LEAs use Proposition 39 funds only for eligible efficiency measures that are implemented after December 19, 2013; and
- The CDE take appropriate action in response to funds paid that are not eligible for Proposition 39 funding.

LEAs' Response

We notified the two LEAs of this finding during audit fieldwork and at the end of the audit via email. The individual LEA responses are included in Appendix.

FINDING 4—
Four LEAs submitted their final project completion reports after the deadline

We found that four LEAs submitted their final project completion reports after the deadline. LEAs are required to submit final project completion reports to the CEC 12 to 15 months after their EEPs are completely installed. An EEP is considered complete when the LEA has completed all measures in the approved EEP.

The following table identifies the number of months that the final reports were submitted after the project was completed:

Local Educational Agency	Months
1. Clovis Unified School District	31
2. Oasis Charter Public School	19
3. Tustin Unified School District	18
4. Twin Rivers Unified School District	29

PRC section 26240(b) states, in part:

> As a condition of receiving funds from the Job Creation Fund, not sooner than one year but no later than 15 months after an entity completes its first eligible project with grant, loan, or other assistance from the Job Creation Fund, the entity shall submit a report of its project expenditures to the Citizens Oversight Board….To the extent practical, this report shall also contain information on any of the following:
>
> 1. The total final gross project costs before deducting any incentives or other grants and the percentage of total project costs derived from the Job Creation Fund.
> 2. The estimated amount of energy saved, accompanied by specified energy consumption and utility bill cost data for the individual facility where the project is located, in a format to be specified by the Energy Commission.
> 3. The nameplate rating of new clean energy generation installed.
> 4. The number of trainees.

5. The number of direct full-time equivalent employees and the average number of months or years of utilization of each of these employees.
6. The amount of time between awarding of the financial assistance and the completion of the project or training activities.
7. The entity's energy intensity before and after project completion, as determined from an energy rating or benchmark system…

Recommendation

We recommend that LEAs comply with PRC section 26240(b) and submit their final reports no later than 15 months after project completion.

LEAs' Response

We notified the four LEAs of this finding during audit fieldwork and at the end of the audit via email. The individual LEA responses are included in Appendix.

FINDING 5—
CEC did not properly review one EEP

We found that one of the 16 EEPs was improperly reviewed and approved by the CEC, resulting in an overpayment of funds. Specifically, the CEC did not consider total project costs and leveraged funds when reviewing and approving the EEP.

In January 2015, Learning Works Charter School submitted an EEP requesting $112,040 in Proposition 39 funding. When reviewing the EEP, the CEC did not consider that project costs totaled $91,331 and leveraged funds (e.g., rebates and grants) totaled $26,363, and it approved the EEP for $112,040. The EEP should have been approved for $64,968, which is a difference of $47,072, as follows:

Project costs	$ 91,331
Less: leverage funds	(26,363)
EEP approval amount	64,968
Less: amount paid	(112,040)
Overpayment	$ (47,072)

The error occurred because the EEP was submitted on spreadsheets that were not manually checked for accuracy. This error was corrected during the audit fieldwork.

PRC section 26235(f) states:

> The Superintendent of Public Instruction shall not distribute funds to an LEA unless the LEA has submitted to the Energy Commission, and the Energy Commission has approved, an expenditure plan that outlines the energy projects to be funded. An LEA shall utilize a simple form expenditure plan developed by the Energy Commission. *The Energy Commission shall promptly review the plan to ensure that it meets the criteria specified in this section and in the guidelines developed by the Energy Commission.* [Emphasis added]

Recommendation

We recommend that the CEC:

- Properly review all EEPs for accuracy before approval for payment; and
- Implement policies and procedures to ensure the accuracy of all EEP reviews.

CEC's Response

We informed the CEC of this finding via email on June 15, 2018. Drew Bohan, Executive Director, responded by letter on July 5, 2018. The CEC's response letter is included in Attachment A.

The CEC's response to the finding is as follows:

> Funding made available by the Proposition 39: California Clean Energy Jobs Act (Proposition 39 K-12 program) has provided California schools with a tremendous opportunity to invest in energy efficiency improvements and on-site clean energy generation. The California Energy Commission (CEC) has processed 2,141 applications involving 7,298 school sites, awarding total of $1.491 billion to California schools. The energy efficiency and renewable energy measures approved help schools save energy, reduce greenhouse gases, reduce energy costs, create jobs, and improve the classroom learning environment for students and educators.
>
> The Energy Commission appreciates the opportunity to respond to the State Controller's Office's (SCO) findings regarding the July 1, 2016, through June 30, 2017, audit of the Proposition 39: California Clean Energy Jobs Act Program. The SCO found that one of the 16 energy expenditure plans (EEP) selected for audit was improperly reviewed and approved by the Energy Commission, resulting in the authorization of an overpayment of funds by the California Department of Education (CDE) in the amount of $47,072.
>
> The EEP in question, Learning Works Charter School, was submitted to the Energy Commission in early 2015, and reviewed using a spreadsheet application, not the current online form (PEPS). This EEP required extensive work by the Energy Commission's compliance project manager with many iterations and revisions. In the spreadsheet application, some changes made to the EEP did not automatically update the calculations, resulting in the oversight and ultimately, the error in requested funds.
>
> Errors such as this are identified and corrected when the entity submits its annual report. In this case, an overpayment was never made to the Learning Works Charter School by CDE, the Energy Commission identified and corrected the overpayment authorization and reallocated the funds appropriately for uses allowed under Proposition 39. In addition, the program was updated to use an online application instead of a spreadsheet to ensure the grant amount requested cannot exceed total project cost, less rebates and other non-repayable funds. The Energy Commission is also conducting a comprehensive re-evaluation of all EEPs to verify accurate authorization of funds.
>
> We look forward to working with SCO on the next audit.

SCO Comment

We informed the CEC of the overpayment issue during the audit. The CEC worked with the LEA to amend the EEP and the Final Project Completion Report to the reduced amount of $64,968. Subsequently, the LEA submitted, and the CEC approved, another EEP to spend the remainder of the funds. Had these changes not been identified or corrected during the audit, the LEA would have been overpaid by $47,072. We updated the finding to reflect that the error was corrected during the audit fieldwork.

Appendix—
Audit Results by Local Educational Agencies and Community College Districts

Local Educational Agencies

Cambrian Elementary School District 20

Central Union Elementary School District 22

Clovis Unified School District 24

Del Mar Union Elementary School District 28

Hacienda La Puente Unified School District 30

Harmony Elementary School District 31

Lakeside Union Elementary School District 33

Learning Works Charter School 34

Lucerne Elementary School District 36

Mountain Elementary School District 37

Mueller Charter School 38

Napa Valley Unified School District 39

Oasis Charter Public School 42

Price Charter Middle School 44

Tustin Unified School District 46

Twin Rivers Unified School District 48

Community College Districts

Los Angeles Community College District 50

Merced Community College District 52

Palomar Community College District 53

West Valley-Mission Community College District 55

Cambrian Elementary School District
Proposition 39 Program

Background

The CEC approved Cambrian Elementary School District's EEP for $241,687, which was used to implement the following renewable energy generation measures:

School Site	Proposition 39 Share Used at School Site	Renewable Generation Measures	Reported Annual Cost Savings
Cambrian District Office	$ 120,843	Solar panels	$ 24,270
Bagby Elementary	120,844	Solar panels	49,428
Total	$ 241,687		$ 73,698

With these renewable energy generation measures, the district reported a combined SIR of 1.36 and the creation of 1.02 direct job-years.

The district also received $17,028 in planning funds directly from the CDE, which was used for program assistance.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issue:

Sole-sourced funds

We found that the district sole-sourced its ASHRAE energy audit services, totaling $17,028 ($8,614 for Bagby Elementary and $8,414 for the district office).

The district did not provide SCO with any documentation to support that it considered other vendors when awarding the contract to Environmental Building Strategies (EBS). Therefore, we find that the district sole-sourced its Proposition 39 contract.

PRC section 26235(c) states, in part, "A community college district or LEA shall not use a sole source process to award funds pursuant to this chapter."

Recommendation

We recommend that:

- The district comply with PRC section 26235(c), which requires that LEAs not use a sole-source process to award funds; and
- The CDE take appropriate action in response to funds paid to LEAs that do not meet the requirement not to use a sole-source process.

District's Response

We informed the district of the audit finding via email on June 19, 2018. Irma Manzo, Interim Chief Financial Officer, responded via email on June 26, 2018, as follows:

> The district utilized a competitive RFP [Request for Proposal] process for the solar construction contract per Government Code 4217.10, RFP for inspection services, CM and architectural services per Government Code 53069, which were performed in full compliance with the statutes. However, this audit finding appears to be technically correct per Public Resource Code 26235(c) for the $45,149 for the ASHRAE energy audit services required by the program. Per the Public Contract Code 20111(a), professional services below $86,000 did not require competitive processes and we were in compliance in that regard. EBS was highly qualified, knowledgeable and highly recommended by other Districts. We would plead that this is a strict interpretation of the statute when it comes to contracting for minor professional services i.e. below $86,000. When the ASHRAE audit was conducted, the program was relatively new and there was no prior history or lessons learned to guide us. The handbooks and guidance material were largely in development and the statutes were in frequent revision. We did our best to comply with the intent for competitive processes for the project, however in this case we only had one audit proposal that only amounts to 1% of the entire solar project. The ASHRAE level II audit was a requirement of the Prop 39 program to determine projects eligible for the program. Although its findings developed projects eligible for Prop 39 funding, its findings were not used for establishing eligibility for the solar project. The established calculators were utilized instead for establishing solar eligibility for Prop 39 funding. The results of the ASHRAE audit are of value to the District, and are being utilized for planning other energy initiatives in the District, many of which would have been eligible as well. We believe we were in substantial compliance with the statute.

SCO Comment

Our finding and recommendation remain unchanged.

The district acknowledges that the finding may be "technically correct," yet states that the SCO is applying a "strict interpretation of the statute." The scope of our audit is to ensure compliance with state statutes and regulations. Therefore, we found that the district did not comply with PRC section 26235(c), which requires that LEAs not use a sole-source process to award funds.

Central Union Elementary School District
Proposition 39 Program

Background

The CEC approved Central Union Elementary School District's EEP for $459,657, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Akers Elementary	$ 30,181	HVAC controls	$ 11,780
Central Elementary	359,899	Lighting and HVAC controls	14,868
Stratford Elementary	69,577	HVAC controls	5,460
Total	$ 459,657		$ 32,109

With these energy efficiency measures, the district reported a combined SIR of 1.19 and the creation of 2.57 direct job-years.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issue:

Projected energy savings not identified in the contract

We reviewed the district's contract with Indoor Environmental Services (IES) and determined that the contract does not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that the district comply with PRC section 26206(d), which requires that contracts identify the projected energy savings.

District's Response

We informed the district of the audit finding via email on June 14, 2018. Andrea Affrunti, Assistant Superintendent of Business, Facilities, and Financial Services, responded by letter on June 21, 2018. The district's response letter is included in Attachment B.

The district's response to this finding is as follows:

> The District included the projected energy savings as an attachment to the Board Resolution that was officially approved by the Board. The District did not have a clear understanding that the projected energy savings was required to be included with the contract itself and was

confident that IES included all the required information in the contract based on their knowledge and experience.

SCO Comment

Our finding and recommendation remain unchanged.

The district indicates its confidence that IES included the required information in the awarded contract based on their knowledge and experience. We reviewed the awarded contract with IES and did not see the required projected energy savings. Furthermore, PRC section 26206(d), not the Board Resolution, requires that the projected energy savings be included in the awarded contract.

Clovis Unified School District
Proposition 39 Program

Background

The CEC approved Clovis Unified School District's EEP for $3,304,710, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Clovis Gym & Dance	$ 20,096	Lighting – interior fixture retrofit	$ 4,397
Clovis North High	57,484	Variable frequency drives (VFD)	27,348
Clovis West High	108,577	VFD and interior lighting retrofits	27,047
Buchanan High	48,004	VFD	28,249
Clovis East High	30,947	VFD	25,739
Clovis High	786,084	VFD and HVAC replacement	37,394
Dry Creek Elementary	457,111	Lighting and HVAC controls	19,914
Sierra Vista	181,149	Lighting – interior and exterior retrofit, light-emitting diode exit signs	24,598
Tarpey Elementary	511,948	Lighting and HVAC controls	26,786
Temperance-Kutner	410,250	HVAC controls	16,631
Clark Intermediate	257,013	VFD, lighting, and HVAC controls	17,049
Kastner Intermediate	26,301	VFD	9,415
Valley Oak Elementary	383,342	Lighting and HVAC controls	16,695
Alta Sierra	26,404	VFD	14,478
	$3,304,710		$ 295,740

With these energy efficiency measures, the district reported a combined SIR of 1.68 and the creation of 18.51 direct job-years.

The district also received $20,300 in planning funds directly from the CDE, which was used for screening and audits.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issues:

Sole-sourced funds

We found that the district sole-sourced its contract with CLEAResults for data analytic audits, and with Lawrence Nye Carlson Associates (LNCA) for HVAC energy calculations and costs study. The district stated that it did not consider other vendors when it awarded these contracts because CLEAResults and LNCA were the only companies providing these types of services at the time; however, the district did not provide documentation to support this claim. Therefore, we find that the district sole-sourced its Proposition 39 planning fund expenditures, totaling $20,300.

PRC section 26235(c) states, in part, "A community college district or LEA shall not use a sole source process to award funds pursuant to this chapter."

Proposition 39 funds applied to project costs incurred prior to the eligibility period

We reviewed invoices from Knorr Systems, Inc. and Nadar, Inc. for the purchase and installation of swimming pool VFD equipment at eight school sites in the district, and found that the equipment was purchased and shipped to the district on October 31, 2013. Additionally, a pay request from Nadar, Inc., signed by the contractor on December 20, 2013, shows that 100% of the equipment had been installed at six locations, and only the work at two remaining locations (Clovis West High and Clovis East High) had not been completed by that date. Therefore, we find that all costs, totaling $277,681, for the purchase of VFD equipment and its installation at six locations, were incurred prior to December 19, 2013, and are ineligible for Proposition 39 funding.

The CEC Program Implementation Guidelines state:

> Proposition 39 funding may be used only to pay for eligible *energy projects installed on or after December 19, 2013*, the date guidelines were approved at the Energy Commission's business meeting … If eligible energy projects are implemented prior to the Proposition 39 Guidelines approval date, those eligible energy projects are *not eligible* for retroactive Proposition 39 funding.

Projected energy savings not identified in the contracts

We reviewed the district's contracts with Harris Construction Co., Inc; David A. Bush, Inc.; Mark Wilson Construction, Inc.; and Hull Marketing LLC, and determined that the contracts do not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Final project completion report submitted after the deadline

The district's final report was submitted in October 2017, which is 31 months after the reported project completion date of March 2015.

PRC section 26240(b) states, in part:

> As a condition of receiving funds from the Job Creation Fund, not sooner than one year but no later than 15 months after an entity completes its first eligible project with grant, loan, or other assistance from the Job Creation Fund, the entity shall submit a report of its project expenditures to the Citizens Oversight Board.

<u>Recommendation</u>

We recommend that:

- The district comply with PRC section 26235(c), which requires that LEAs not use a sole-source process to award funds; PRC section 26206(d), which requires that contracts identify the projected energy

savings; and PRC section 26240(b), which requires that LEAs submit a final report no later than 15 months after project completion;

- The district use Proposition 39 funds only for eligible energy efficiency measures that are implemented on or after December 19, 2013; and
- The CDE take appropriate action in response to funds paid to LEAs that do not meet the requirement not to use a sole-source process, or are not eligible for Proposition 39 funding.

District's Response

We informed the district of the audit findings via email on June 15, 2018. On June 19, 2018, Kyle Ellis, Coordinator, Budget and Finance, responded via email disagreeing with Finding 1 (sole-sourced funds) and Finding 4 (final project completion report submitted after the deadline). The district did not respond to Finding 2 and Finding 3.

The district's response to the Finding 1 and Finding 4 is as follows:

Sole-sourced funds

> Attached are copies of annual UPCCAA [Uniform Public Construction Cost Accounting Act] Resolution Language from 2011-2018 in which district is stating UPCCAA in our best interest as noted in Public Contract Code 22019. UPCCAA takes $15,000 Public Works limit to $45,000. Best interest could align with best value outlined in Prop 39. District elected to be a UPCCAA district a few years prior to start of Prop 39 program. … Therefore, the district believes that the supporting documentation demonstrates compliance and annuls the amount to be refunded due to sole sourcing.

Final project completion report submitted after the deadline

> The timeline outlined below does not align with the timeline CUSD has for the Phase I EEP. Please see the attached for the district's timeline for Phase I EEP.

SCO Comment

Our findings and recommendations remain unchanged.

UPCCAA refers to public works; the expenditures at issue are audit services, which do not fall under "public works" definition. Furthermore, the district did not provide documentation to support that CLEAResults and LNCA are UPCCAA vendors.

The district's timeline for Phase I EEP shows that 17 months passed between the time that the district received funds in November 2015 and the district completed its Final Report in May 2017. We reviewed the Final Report submitted to the CEC, and used the date printed on the report, October 20, 2017, as the submission date. The statute requires that final reports be submitted "no later than 15 months after an entity completes its first eligible project." The CEC's Program Implementation Guidelines also state that "LEAs must report between 12 and 15 months after the

completion of all eligible energy projects on an energy expenditure plan." Therefore, the 12 and 15 month timeline began after the projects were all completed, on March 20, 2015, and not when the district received funds.

Del Mar Union Elementary School District
Proposition 39 Program

Background

The CEC approved Del Mar Union Elementary School District's EEP for $855,825, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
District Office	$ 5,913	Interior lighting retrofits	$ 1,436
Sycamore Ridge	37,311	HVAC controls and interior lighting retrofits	9,980
Ocean Air	9,404	HVAC controls	2,355
Del Mar Heights	30,605	HVAC controls and interior lighting retrofits	6,882
Del Mar Hills	20,534	HVAC controls and interior lighting retrofits	5,225
Carmel Del Mar	711,970	HVAC controls and interior lighting controls	18,794
Ashley Falls Elementary	2,560	HVAC controls	2,022
Sage Canyon	28,124	Interior lighting retrofits	6,076
Torrey Hills	9,404	HVAC controls	2,026
	$ 855,825		$ 54,797

With these energy efficiency measures, the district reported a combined SIR of 1.34 and the creation of 4.79 direct job-years.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issue:

Projected energy savings not identified in the contract

We reviewed the district's contract with Balfour Beatty Construction, LLC and determined that the contract does not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that the district comply with PRC section 26206(d), which requires that contracts identify the projected energy savings.

District's Response

We informed the district of the audit finding via email on June 7, 2018. Mark Pong, Director of Finance, responded by letter on June 15, 2018. The district's response letter is included in Attachment C.

The district's response to this finding is as follows:

> The District contracted with an energy/engineering consultant to perform energy audits and to assist with submitting the Proposition 39 energy expenditure plan. The Board of Trustees were presented with the results of the energy audits, planned energy efficiency measures, and projected energy savings to be included in the submitted energy expenditure plan.
>
> The District contracted with Balfour Beatty Construction, LLC to implement some of the planned energy efficiency measures. Because the measures were part of a larger school modernization contract, the projected energy savings that was prepared by the independent third party consultant was not included in the contract with Balfour Beatty Construction, LLC.
>
> Since completion of the projects, the District has performed multiple energy savings verifications. The District feels that it has operated within the spirit of the program guidelines to achieve projected energy efficiency.

SCO Comment

Our finding and recommendation remain unchanged.

While we recognize that the district operated within the spirit of the program, the scope of our audit is to ensure compliance with state statutes and regulations, which require that the projected energy savings be identified in the awarded contract.

Hacienda La Puente Unified School District
Proposition 39 Program

Background

The CEC approved Hacienda La Puente Unified School District's EEP for $5,078,045, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
La Puente High School	$ 1,136,514	Lighting retrofit and controls	$ 46,831
Los Altos High School	726,483	Lighting retrofit and controls	43,989
Glen A. Wilson High School	1,476,843	Lighting retrofit/controls and HVAC controls	118,274
William Workman High	1,738,205	Lighting retrofit/controls and HVAC controls	108,410
	$ 5,078,045		$ 317,504

With these energy efficiency measures, the district reported a combined SIR of 1.18 and the creation of 28.44 direct job-years.

The district also received $335,367 in planning funds directly from the CDE, which was used for screening and audits.

Audit Results

We audited the Proposition 39 program costs and found that all costs reported are in compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook.

District's Response

We informed the district via email on June 14, 2018, that all costs reported for Hacienda La Puente Unified School District are in compliance with the program guidelines. Mark Hansberger, Director of Facilities, responded via email on June 14, 2018, to thank us for our assistance in the audit process.

Harmony Union Elementary School District
Proposition 39 Program

Background

The CEC approved Harmony Union Elementary School District's EEP for $59,450, which was used to implement the following renewable energy generation and energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Harmony Elementary	$ 59,450	Lighting retrofit, HVAC controls, and solar panels	$ 5,142
	$ 59,450		$ 5,142

With these renewable energy generation and energy efficiency measures, the district reported a combined SIR of 1.47 and the creation of 0.29 direct job-years.

The district also received $15,452 in planning funds directly from the CDE, which was used for screening and audits, program assistance, an energy manager, and training.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issues:

Sole-sourced funds

We found that the district sole-sourced its contract with Persinger Architects for energy management services and architectural services. The district did not provide documentation to support that it considered other vendors when it awarded the contract to Persinger Architects. Therefore, we find that the district sole-sourced its Proposition 39 contract, totaling $17,705.

PRC section 26235(c) states, in part, "A community college district or LEA shall not use a sole source process to award funds pursuant to this chapter."

Projected energy savings not identified in the contract

We reviewed the district's lighting and HVAC contracts with O'Rourke Electric, Inc., and determined that neither contract identifies the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that:

- The district comply with PRC section 26235(c), which requires that LEAs not use a sole-source process to award funds; and PRC section 26206(d), which requires that contracts identify the projected energy savings; and
- The CDE take appropriate action in response to funds paid to LEAs that do not meet the requirement not to use a sole-source process.

District's Response

We informed the district of the two audit findings via email on June 19, 2018. We did not receive a response from the district.

Lakeside Union Elementary School District
Proposition 39 Program

Background

The CEC approved Lakeside Union Elementary School District's EEP for $183,406, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Lakeside Elementary	$ 183,406	HVAC system and lighting retrofits	$ 8,290
	$ 183,406		$ 8,290

With these energy efficiency measures, the district reported a combined SIR of 1.18 and the creation of 0.84 direct job-years.

The district also received $54,610 in planning funds directly from the CDE, which was used for screening and audits, program assistance, an energy manager, and training.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issues:

Projected energy savings not identified in the contract

We reviewed the district's contract with IES and determined that the contract does not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that the district comply with PRC section 26206(d), which requires that contracts identify the projected energy savings.

District's Response

We informed the district of the audit finding via email on June 7, 2018. We did not receive a response from the district.

Learning Works Charter School
Proposition 39 Program

Background

The CEC approved Learning Works Charter School's EEP for $112,040, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Learning Works Charter School	$ 112,040	HVAC system and lighting retrofit	$ 3,115
	$ 112,040		$ 3,115

With these energy efficiency measures, the charter school reported a combined SIR of 1.22 and the creation of 0.63 direct job-years.

The charter school also received $17,767 in planning funds directly from the CDE, which was used for program assistance.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issues:

Sole-sourced funds

We found that the charter school sole-sourced its contract with Kenneth Kashima Electrical Service Company, for the interior lighting retrofit.

The charter school did not provide the SCO with any documentation to support that it considered other vendors when awarding the contract to Kenneth Kashima. Therefore, we find that the charter school sole-sourced its Proposition 39 contract, totaling $1,068.

PRC section 26235(c) states, in part, "A community college district or LEA shall not use a sole source process to award funds pursuant to this chapter."

Projected energy savings not identified in the contract

We reviewed the charter school's contract with Kenneth Kashima and found that the contract does not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that:

- The charter school comply with PRC section 26235(c), which requires that LEAs not use a sole-source process to award funds; and PRC section 26206(d), which requires that contracts identify the projected energy savings; and
- The CDE take appropriate action in response to funds paid to LEAs that do not meet the requirement not to use a sole-source process.

Charter School's Response

We informed the charter school of the two audit findings via email on June 14, 2018. Patrick Tomoko, Financial Manager, responded via email on June 25, 2018, disagreeing with the audit results.

The charter school's response to the findings is as follows:

Sole-sourced funds

> At the time, the vendor Kenneth Kashima was already working on site on existing renovation projects. Based on the small scale of this particular project, a separate vendor was not acquired.

Projected energy savings not identified in the contract

> An extensive energy audit was conducted by UC Davis back in December 2014. The audit provided project energy savings based on existing equipment, square footage and utility data and this was communicated to vendors to prepare quotes.

SCO Comment

Our findings and recommendations remain unchanged.

We agree that the sole-source dollar finding is small; however, PRC section 26235(c) does not identify a monetary threshold below which an LEA would be exempt from compliance. In addition, PRC section 26206(d) refers specifically to the awarded contract and not the energy audit.

Lucerne Elementary School District
Proposition 39 Program

Background

The CEC approved Lucerne Elementary School District's EEP for $225,689, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Lucerne Elementary School	$ 225,689	HVAC system and lighting retrofits	$ 13,290
	$ 225,689		$ 13,290

With these energy efficiency measures, the district reported a combined SIR of 1.17 and the creation of 1.26 direct job-years.

The district also received $40,937 in planning funds directly from the CDE, which was used for screening and audits, an energy manager, and training.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issue:

Projected energy savings not identified in the contract

We reviewed the district's contract with IES and determined that the contract does not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that the district comply with PRC section 26206(d), which requires that contracts identify the energy savings.

District's Response

We informed the district of the audit finding via email on April 4, 2018. We did not receive a response from the district regarding this finding.

Mountain Elementary School District
Proposition 39 Program

Background

The CEC approved Mountain Elementary School District's EEP for $143,017, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Mountain School	$ 143,017	HVAC system, lighting retrofits, and plug loads	$ 9,920
	$ 143,017		$ 9,920

With these energy efficiency measures, the district reported a combined SIR of 1.15 and the creation of 0.71 direct job-years.

The district also received $8,000 in planning funds directly from the CDE, which was used for screening and audits, and program assistance.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issue:

Projected energy savings not identified in the contract

We reviewed the district's contract with Mynt Systems and determined that the contract does not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that the district comply with PRC section 26206(d), which requires that contracts identify the projected energy savings.

District's Response

We informed the district of the audit finding via email on March 15, 2018. Diane Morgenstern, Superintendent, responded by letter on March 15, 2018, explaining that the district was previously unaware of the need to identify projected energy savings in the contract, and that they have taken steps to ensure that future contracts contain the required information. The district's response letter is included in Attachment D.

Mueller Charter School
Proposition 39 Program

Background

The CEC approved Mueller Charter School's EEP for $336,771, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Mueller Charter School	$ 336,771	Lighting retrofit and controls	$ 44,718
	$ 336,771		$ 44,718

With these energy efficiency measures, the charter school reported a combined SIR of 1.33 and the creation of 1.52 direct job-years.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issue:

Projected energy savings not identified in the contract

We reviewed the charter school's contract with Ameresco and determined that the contract does not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that the charter school comply with PRC section 26206(d), which requires that contracts identify projected energy savings.

Charter School's Response

We informed Chula Vista Elementary School District of the audit finding via email June 7, 2018. Carolyn Scholl, Facility Planning Manager, responded via email on June 8, 2018, stating that the omission was an oversight and the projected energy savings should have been identified in the contract.

Napa Valley Unified School District
Proposition 39 Program

Background

The CEC approved Napa Valley Unified School District's EEP for $3,523,180, which was used to implement the following renewable energy generation measures:

School Site	Proposition 39 Share Used at School Site	Renewable Generation Measures	Reported Annual Cost Savings
Napa Education Center	$ 1,000,000	Solar panels	$ 105,180
Vintage High School	1,523,180	Solar panels	271,600
Napa High School	1,000,000	Solar panels	97,256
	$ 3,523,180		$ 474,036

With these renewable energy generation measures, the district reported a combined SIR of 1.39 and the creation of 14.8 direct job-years.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issue:

Sole-sourced funds

The district contracted QKA for design of the photovoltaic systems; Recolte Energy for project development, oversight, and evaluation services; and GSM Landscape Architects, Inc. for consultation services. The district did not provide documentation to support that it considered other vendors when it awarded the contracts to QKA, Recolte Energy, and GSM Landscape Architects, Inc. Therefore, we find that the district sole-sourced these contracts, totaling $399,035.

PRC section 26235(c) states, in part, "A community college district or LEA shall not use a sole source process to award funds pursuant to this chapter."

Proposition 39 funds applied to project costs incurred prior to the eligibility period

We reviewed the district's financial transactions report for FY 2013-14, and found that Proposition 39 funding was used to pay for expenditures incurred prior to December 19, 2013, totaling $57,541 ($26,568 to QKA; $30,000 paid to Recolte Energy; $667 to GSM Landscape Architects, Inc.; and $306 to Napa Electric).

The district initially coded these transactions to Fund 35, Resource Code 7710, as approved by the Board of Education during meetings in September and October 2013. However, on March 11, 2014, the district

reversed these transactions and re-coded them to Fund 40, Resource Code 6230 (Proposition 39).

The CEC Program Implementation Guidelines state:

> Proposition 39 funding may be used only to pay for eligible energy projects installed on or after December 19, 2013, the date guidelines were approved at the Energy Commission's business meeting … If eligible energy projects are implemented prior to the Proposition 39 Guidelines approval date, those eligible energy projects are not eligible for retroactive Proposition 39 funding.

Recommendation

We recommend that:

- The district comply with PRC section 26235(c), which requires that LEAs not use a sole-source process to award funds;
- The district use Proposition 39 funds only for eligible energy efficiency measures implemented on or after December 19, 2013; and
- The CDE take appropriate action in response to funds paid to LEAs that do not meet the requirement not to use a sole-source process.

District's Response

We informed the district of the audit finding via email on June 13, 2018. Jennifer Gibb, Facility Financial Analyst, responded by letter on June 25, 2018. The district's response letter is included in Attachment E.

The district's response to these findings is as follows:

> It appears initially to us as through there may have been an error in coding our expenditures to Resource 6230. We continue to gather all information related to this. We are also reviewing the process in which the district hired the two consultants. Both of these consultants had been involved with the District for many years with projects at a variety of sites, as well as the initial project planning and approval process by our Board of Education. We will need to find just when that was that they were brought on board and by what process. We are reasonably confident that each of these consultants have been involved in an RFP process for services that they have been providing the District for many years.
>
> When the District made a decision to begin exploring solar operations we looked to see who was available and found there was very limited knowledgeable people that understood solar and its application. In the process, we found a businessperson in Napa Valley whom had been working in the commercial area of solar for many years and had served on state boards and appeared before the Public Utilities Commission on possible regulations related to the solar industry. After contacting the commercial clients that the company had, many of whom were in the Napa Valley, the District made the decision to request a proposal from Recolte Energy.
>
> As to the architect we looked around and found that an architect who had extensive experience on a variety of projects with NVUSD had as one of their principals Aaron Jobson, who had been selected to serve on the state

committee that as assisting school districts in their application process for solar. So the district went to QKA to ask if Mr. Jobson was available to assist us in the application process and found that he was working with several individuals at the state level who were assisting through his committee development of solar systems throughout the state.

We now remember that GSM Landscaping (GSM) was brought into the project, after it was well along, in terms of construction, when we realized that one of the columns for the solar panels was going to have to go into a memorial garden, that if not relocated would have to be removed and disposed of. Wanting not to offend staff that has passed away and had been recognized through the planting of a rose or a tree, we asked GSM to design a new garden location and the process in which the roses and trees could be moved and continue to live.

In closing, the District believes that it will be able to provide documentation that will show a thorough process was involved in retaining QKA and Recolte Energy. We additionally acknowledge that though we hired GSM that was clearly a clerical mistake and now in reflection we realize we should have never charged those expenses to Prop 39.

SCO Comment

Our findings and recommendations remain unchanged.

Although the district may have gone through RFP process in the past with QKA and Recolte Energy, the district did not provide us with documentation to support that a competitive process was completed prior to awarding the Proposition 39 contracts to QKA and Recolte Energy.

Oasis Charter Public School
Proposition 39 Program

Background

The CEC approved Oasis Charter Public School's EEP for $95,930, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Oasis Charter Public School	$ 95,930	Lighting retrofits, HVAC system, and plug loads	$ 6,604
	$ 95,930		$ 6,604

With these energy efficiency measures, the charter school reported a combined SIR of 1.22 and the creation of 0.54 direct job-years.

The charter school also received $4,450 in planning funds directly from the CDE, which was used for screening and audits, and program assistance.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issues:

Sole-sourced funds

The charter school contracted with Highlands Energy for lighting retrofits and HVAC measure implementation. The charter school did not provide documentation to support that it considered other vendors when it awarded the contract to Highlands Energy. Therefore, we find that the charter school sole-sourced the contract, totaling $94,980.

PRC section 26235(c) states, in part, "A community college district or LEA shall not use a sole source process to award funds pursuant to this chapter."

Projected energy savings not identified in the contract

We reviewed the contract with Highlands Energy and determined that the contract does not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Final project completion report submitted after the deadline

The charter school's final report was submitted in May 2017, 19 months after the reported project completion date of October 2015.

PRC section 26240(b) states, in part:

> As a condition of receiving funds from the Job Creation Fund, not sooner than one year but no later than 15 months after an entity completes its first eligible project with grant, loan, or other assistance from the Job Creation Fund, the entity shall submit a report of its project expenditures to the Citizens Oversight Board.

Recommendation

We recommend that:

- The charter school comply with PRC section 26235(c), which requires that LEAs not use a sole-source process to award funds; PRC section 26206(d), which requires that contracts identify the projected energy savings; and PRC section 26240(b), which requires that LEAs submit a final report no later than 15 months after project completion; and
- The CDE take appropriate action in response to funds paid to LEAs that do not meet the requirement not to use a sole-source process.

Charter School's Response

We informed the charter school of the audit findings via email on April 6, 2018. We did not receive a response from the charter school.

Price Charter Middle School
Proposition 39 Program

Background

The CEC approved Price Charter Middle School's EEP for $508,141, which was used to implement the following renewable energy generation measures:

School Site	Proposition 39 Share Used at School Site	Renewable Generation Measures	Reported Annual Cost Savings
Price Charter Middle School	$ 508,141	Solar panels	$ 79,118
	$ 508,141		$ 79,118

With these renewable energy generation measures, the charter school reported a combined SIR of 1.46 and the creation of 2.13 direct job-years.

The charter school also received $7,529 in planning funds directly from the CDE, which was used for program assistance.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issues:

Sole-sourced funds

We found that the charter school sole-sourced its energy audit services, totaling $7,529. The charter school did not provide documentation to support that it considered other vendors when awarding the contract to EBS.

PRC section 26235(c) states, in part, "A community college district or LEA shall not use a sole source process to award funds pursuant to this chapter."

Recommendation

We recommend that:

- The charter school comply with PRC section 26235(c), which requires that LEAs not use a sole-source process to award funds; and
- The CDE take appropriate action in response to funds paid to LEAs that do not meet the requirement not to use a sole-source process.

Charter School's Response

We informed the charter school of the finding via email on June 19, 2018. Irma Manzo, Interim Chief Financial Officer, Cambrian Elementary School District, responded via email on June 26, 2018.

The charter school's response to this finding is as follows:

> The district utilized a competitive RFP process for the solar construction contract per Government Code 4217.10, RFP for inspection services, CM and architectural services per Government Code 53069, which were performed in full compliance with the statutes. However, this audit finding appears to be technically correct per Public Resource Code 26235(c) for the $45,149 for the ASHRAE energy audit services required by the program. Per the Public Contract Code 20111(a), professional services below $86,000 did not require competitive processes and we were in compliance in that regard. EBS was highly qualified, knowledgeable and highly recommended by other Districts. We would plead that this is a strict interpretation of the statute when it comes to contracting for minor professional services i.e. below $86,000. When the ASHRAE audit was conducted, the program was relatively new and there was no prior history or lessons learned to guide us. The handbooks and guidance material were largely in development and the statutes were in frequent revision. We did our best to comply with the intent for competitive processes for the project, however in this case we only had one audit proposal that only amounts to 1% of the entire solar project. The ASHRAE level II audit was a requirement of the Prop 39 program to determine projects eligible for the program. Although its findings developed projects eligible for Prop 39 funding, its findings were not used for establishing eligibility for the solar project. The established calculators were utilized instead for establishing solar eligibility for Prop 39 funding. The results of the ASHRAE audit are of value to the District, and are being utilized for planning other energy initiatives in the District, many of which would have been eligible as well. We believe we were in substantial compliance with the statute.

SCO Comment

Our finding and recommendation remain unchanged.

The charter school acknowledges that the finding may be "technically correct" yet states that the SCO is applying a "strict interpretation of the statute." The scope of our audit is to ensure compliance with state statutes and regulations. Therefore, we found that the charter school did not comply with PRC section 26235(c), which requires that LEAs not use a sole-source process to award funds.

Tustin Unified School District
Proposition 39 Program

Background

The CEC approved Tustin Unified School District's EEP for $705,750, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Guin Foss Elementary School	$ 535,899	Interior lighting retrofit and HVAC systems	$ 20,592
Currie Middle School	169,851	Interior lighting retrofit and HVAC systems	22,295
	$ 705,750		$ 42,887

With these energy efficiency measures, the district reported a combined SIR of 1.62 and the creation of 3.95 direct job-years.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issues:

Projected energy savings not identified in the contract

We reviewed the district's contract with Balfour Beatty Construction and determined that the contract does not identify the projected energy savings. PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Final project completion report submitted after the deadline

The district's final report was submitted 18 months after the project completion date of November 2015.

PRC section 26240(b) states, in part:

> As a condition of receiving funds from the Job Creation Fund, not sooner than one year but no later than 15 months after an entity completes its first eligible project with grant, loan, or other assistance from the Job Creation Fund, the entity shall submit a report of its project expenditures to the Citizens Oversight Board.

Recommendation

We recommend that the district comply with PRC section 26206(d), which requires that contracts identify the projected energy savings; and PRC section 26240(b), which requires that the district submit a final report no later than 15 months after project completion.

District's Response

We informed the district of the two audit findings via email on June 7, 2018. Joslyn Crawford, Director of Fiscal Services, responded via email on June 18, 2018.

The district's response to these findings is as follows:

> This project was partially constructed through Balfour Beatty construction. Given that this was Tustin's first prop 39 related project and there was a change in administrative staff, it was unfortunately missed. However, we have established processes and it has been corrected for the subsequent years. Savings have been identified in the resolution and in the RFP.
>
> Additionally, after speaking with our consultant (Cumming), submitted the expenditure two months after the deadline was an oversight on their part.

Twin Rivers Unified School District
Proposition 39 Program

Background

The CEC approved Twin Rivers Unified School District's EEP for $1,061,091, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Grant Union High School	1,061,091	HVAC system	42,116
	$ 1,061,091		$ 42,116

With these energy efficiency measures, the district reported a combined SIR of 1.88 and the creation of 5.94 direct job-years.

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines, the CEC's Program Implementation Guidelines, and the EEP Handbook. We identified the following audit issues:

Projected energy savings not identified in the contract

We reviewed the district's contract with Lamon Construction Company and determined that the contract does not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Final project completion report submitted after the deadline

The district's final report was submitted 29 months after the project completion date of October 2014.

PRC section 26240(b) states, in part:

> As a condition of receiving funds from the Job Creation Fund, not sooner than one year but no later than 15 months after an entity completes its first eligible project with grant, loan, or other assistance from the Job Creation Fund, the entity shall submit a report of its project expenditures to the Citizens Oversight Board.

Recommendation

We recommend that the district comply with PRC section 26206(d), which requires that contracts identify the projected energy savings; and PRC section 26240(b), which requires that the district submit a final report no later than 15 months after project completion.

District's Response

We informed the district of the two audit findings via email on June 7, 2018. Kate Ingersoll, Executive Director of Fiscal Services, responded by email on June 14, 2018.

The district's response to these findings is as follows:

> The projected energy savings were not included in the contract as the requirement was not known at the time of the contract approval.
>
> Due to management turnover in the Facilities Department, the final report was submitted 29 months after the project completion date.

Los Angeles Community College District
Proposition 39 Program

Background

The CCCCO approved Los Angeles Community College District's Proposition 39 Funding Application (Form B) for $989,106, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Year 1 Cost Savings	Savings-to-Investment Ratio	Direct Job-Years Created
Application No. LOSANG-1314-022					
Los Angeles Southwest College	$ 99,176	Backup swimming pool boiler			
Los Angeles Southwest College	147,489	Parking garage exterior lighting			
East Los Angeles College	143,107	High bay lighting			
Los Angeles Trade-Tech College	113,555	Pool cover installation			
Los Angeles Valley College	17,679	Pool cover installation			
West Los Angeles College	219,803	Boiler retrofits			
East Los Angeles College	44,019	Pool cover installation			
	$ 784,828		$ 79,955	1.18	4.87
Application No. LOSANG-1314-024					
Los Angeles Harbor College	204,278	Central plant control upgrade			
	204,278		$ 32,464	1.15	1.77
	$ 989,106		$ 112,419		

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines and the CCCCO's Energy Project Guidance. We identified the following audit issue:

Projected energy savings not identified in the contract

We reviewed the district's contracts with Xcel Mechanical, CSI Services, Sea Clear Pools, Line Tech Contractors, and Climatec and determined that the contracts do not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that the district comply with PRC section 26206(d), which requires that contracts identify the projected energy savings.

District's Response

We informed the district of the audit finding via email on June 7, 2018. Thomas Hall, Director of Facilities, Planning, and Development, responded by letter dated June 11, 2018, explaining

that the district was unaware of the requirement that contracts must identify the projected energy savings, and is taking steps to include the required language in all future contracts. The district's response letter is included in Attachment F.

Merced Community College District
Proposition 39 Program

Background

The CCCCO approved Merced Community College District's Proposition 39 Funding Application (Form B) for $598,664, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Year 1 Cost Savings	Savings-to-Investment Ratio	Direct Job-Years Created
MERCED-1314-001					
Los Banos Campus	$ 121,436	Campus-wide lighting			
Los Banos Campus	74,942	Desktop virtualization			
Los Banos Campus	7,977	Window films			
Los Banos Campus	10,504	Domestic hot water heater			
	214,859		$19,657	1.12	1.37
MERCED-1314-002					
Merced College	25,402	VFDs on pool pumps			
	25,402		13,988	1.12	0.19
MERCED-1314-003					
Merced College	70,625	Desktop virtualization			
	70,625		3,825	1.12	0.40
MERCED-1415-001					
Merced College	47,320	Replace 4 gas HVAC units			
Merced College	70,859	Replace 7 gas HVAC units			
Merced College	41,905	Replace 4 gas HVAC units			
Merced College	23,515	Replace 1 gas HVAC units			
Merced College	8,514	Replace 1 electric heat pump			
Merced College	95,665	Replace 15 electric heat pump			
	287,778		19,770	1.14	1.65
	$ 598,664		$ 57,240		

Audit Results

We audited the Proposition 39 program costs and found that all costs reported were in compliance with the Clean Energy Job Creation Fund program guidelines and the CCCCO's Energy Project Guidance.

District's Response

We informed the district via email on May 8, 2018, that all costs reported were in compliance with the program guidelines. We did not receive a response from the district.

Palomar Community College District
Proposition 39 Program

Background

The CCCCO approved Palomar Community College District's Proposition 39 Funding Application (Form B) for $668,282, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Year 1 Cost Savings	Savings-to-Investment Ratio	Direct Job-Years Created
Application No. PALOMA-1314-001					
Escondido Educational Center	$ 151,347	Interior and exterior lighting retrofits			
Palomar College	516,935	Exterior lighting retrofit			
	$ 668,282		$139,445	1.49	11.17

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines and the CCCCO's Energy Project Guidance. We identified the following audit issue:

Projected energy savings not identified in the contract

We reviewed the district's contract with Compass Energy Solutions and determined that the contract does not identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that the district comply with PRC section 26206(d), which requires that contracts identify the projected energy savings.

District's Response

We informed the district of the audit finding via email on June 7, 2018. Ron Ballesteros-Perez, Assistant Superintendent/Vice President Finance and Administrative Services, responded by letter dated June 18, 2018. The district's response letter is included in Attachment G.

The district's response to this finding is as follows:

> The Governing Board approved entering into the agreement with Compass Energy Solutions, by a written Board consent, on December 10, 2013. Board Resolution No. 14-21160 contained the information regarding the anticipated annual electricity and maintenance cost savings to the District.
>
> The energy savings was calculated and presented in Attachment B to the Energy Services Agreement (ESA) with Compass Energy Solutions. It was reviewed and validated line by line separately by the Facilities department and was finalized after the initial signing of the document.

> Furthermore, the energy savings were presented to and approved by Newcomb Anderson McCormick (NAM) to meet the Savings Investment Ratio (SIR) requirements of Prop 39 and the California Community Colleges – Investor Owned Utilities (CCC/IOU). Lastly it was reviewed and validated by San Diego Gas and Electric (SDGE) to qualify for their full rebate and to receive On Bill Financing (OBF) from SDGE.
>
> The Board Resolution serves as the official and legal record of the decision made by the Governing Board on behalf of the Palomar Community College District to approve the ESA.
>
> We believe the substance of the Prop 39 requirements have been met.

SCO Comment

Our finding and recommendation remain unchanged.

We reviewed the contract with Compass Energy Solutions and confirmed that Attachment B, titled "Description of the System," did not identify the projected energy savings. Furthermore, PRC section 26206(d) requires that the projected energy savings be identified in the awarded contract, not the Board Resolution.

West Valley-Mission Community College District
Proposition 39 Program

Background

The CCCCO approved West Valley-Mission Community College District's Proposition 39 Funding Application (Form B) for $717,372, which was used to implement the following energy efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Year 1 Cost Savings	Savings-to-Investment Ratio	Direct Job-Years Created
WESTVA-1516-001					
West Valley College	$ 717,372	Replaced water-cooled chillers			
	$ 717,372		$ 40,668	1.53	4.04

Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Clean Energy Job Creation Fund program guidelines and the CCCCO's Energy Project Guidance. We identified the following audit issue:

Projected energy savings not identified in the contract

We reviewed the district's contract with Environmental Systems, Inc., which includes the signed agreement, bidding documents, an energy audit report by Interface, and the drawings and specifications; and determined that none of the contract documents identify the projected energy savings.

PRC section 26206(d) states, "All projects shall require contracts that identify the project specifications, costs, and projected energy savings."

Recommendation

We recommend that the district comply with PRC section 26206(d), which requires that contracts identify the projected energy savings.

District's Response

We informed the district of the audit finding via email on June 7, 2018. Gayle Dabalos, Director of Facilities Construction, responded by letter dated June 28, 2018, recognizing that an oversight had been made. The district's response letter in included in Attachment H.

Attachment A—
California Energy Commission's Response to Audit Results

STATE OF CALIFORNIA – NATURAL RESOURCES AGENCY

EDMUND G. BROWN JR., *Governor*

CALIFORNIA ENERGY COMMISSION
1516 NINTH STREET
SACRAMENTO, CA 95814-5512
www.energy.ca.gov

July 5, 2018

Ms. Lisa Kurokawa
State Controller's Office
3301 C Street, Suite 725
Sacramento, CA 95816

Dear Ms. Kurokawa:

Funding made available by the Proposition 39: California Clean Energy Jobs Act (Proposition 39 K-12 program) has provided California schools with a tremendous opportunity to invest in energy efficiency improvements and on-site clean energy generation. The California Energy Commission (Energy Commission) has processed 2,141 applications involving 7,298 school sites, awarding a total $1.491 billion to California schools. The energy efficiency and renewable energy measures approved help schools save energy, reduce greenhouse gases, reduce energy costs, create jobs, and improve the classroom learning environment for students and educators.

The Energy Commission appreciates the opportunity to respond to the State Controller's Office's (SCO) findings regarding the July 1, 2016, through June 30, 2017, audit of the Proposition 39: California Clean Energy Jobs Act Program. The SCO found that one of the 16 energy expenditure plans (EEP) selected for audit was improperly reviewed and approved by the Energy Commission, resulting in the authorization of an overpayment of funds by the California Department of Education (CDE) in the amount of $47,072.

The EEP in question, Learning Works Charter School, was submitted to the Energy Commission in early 2015, and reviewed using a spreadsheet application, not the current online form (PEPS). This EEP required extensive work by the Energy Commission's compliance project manager with many iterations and revisions. In the spreadsheet application, some changes made to the EEP did not automatically update the calculations, resulting in the oversight and ultimately, the error in requested funds.

Errors such as this are identified and corrected when the entity submits its annual report. In this case, an overpayment was never made to the Learning Works Charter School by CDE, the Energy Commission identified and corrected the overpayment authorization and reallocated the funds appropriately for uses allowed under Proposition 39. In addition, the program was updated to use an online application instead of a spreadsheet to ensure the grant amount requested cannot exceed total project cost, less rebates and other non-repayable funds. The Energy Commission is also conducting a comprehensive re-evaluation of all EEPs to verify accurate authorization of funds.

We look forward to working with SCO on the next audit.

Sincerely,

Drew Bohan
Executive Director

cc: Jim Spano, State Controller's Office
Andrew McAllister, Commissioner
Jim Bartridge, Senior Electric Transmission Program and Policy Specialist
Jack Bastida, Associate Government Program Analyst
Dave Ashuckian, Deputy Director, Efficiency Division
Elise Brown Ersoy, Manager, Local Assistance & Financing Office

Attachment B—
Central Union Elementary School District's Response to Audit Results

Thomas Addington
Superintendent

15783 18th Avenue
Lemoore, CA 93245
Telephone (559) 924-3405
Fax (559) 924-1153

Central Union School District
Lemoore, CA

Board Members
Dale Davidson
Jeffrey Gilcrease
Ceil Howe, III
Nancy C. Schrum
Heather Staples

June 21, 2018

Alexandra Bonezzi, Auditor
Division of Audits, Compliance Audits
Office of State Controller Betty T. Yee
3301 C Street, Suite 725A
Sacramento, CA 95816

Re: Procedural Audit Issue – Proposition 39

Dear Ms. Bonezzi:

Please find below the response to the procedural audit issue for Central Union Elementary School District regarding the Proposition 39 audit.

Finding:

Projected Energy Savings not included in the contracts

Per Public Resource Code section 26206(d), "All projects shall require contracts that identify the project specifications, costs, and projected energy savings" [emphasis added]. During the audit fieldwork, we reviewed the district's contract with IES and noted that the contract does not include the projected energy savings.

District Response:

The District included the projected energy savings as an attachment to the Board Resolution that was officially approved by the Board. The District did not have a clear understanding that the projected energy savings was required to be included within the contract itself and was confident that IES included all the required information in the contract based on their knowledge and experience.

If you have any questions, or need further clarification, please feel free to contact me via email at aaffrunt@central.k12.ca.us or by phone (559) 925-2620.

Sincerely,

Andrea Affrunti

Andrea Affrunti
Assistant Superintendent of Business,
Facilities & Financial Services

Attachment C—
Del Mar Union Elementary School District's Response to Audit Results

11232 El Camino Real
San Diego, CA 92130-2657
(858) 755-9301
(858) 723-6114 Fax
www.dmusd.org

Del Mar
union school district
Igniting Genius, Empowering Students

Superintendent
Holly McClurg, Ph.D.

Board of Trustees
Kristin Gibson, President
Erica Halpern, Clerk
Stephen Cochrane, Ph.D., Member
Doug Rafner, Esq., Member
Scott Wooden, Ph.D., Member

June 15, 2018

Alexandra Bonezzi, Auditor
Office of State Controller Betty T. Yee
Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 725A
Sacramento, CA 95816

Re: Audit of California Clean Energy Jobs Act Program Expenditures – Proposition 39

Dear Ms. Bonezzi,

This letter is in response to your email which stated that you identified the following procedural issue: Projected Energy Savings not included in the contract.

The District contracted with an energy/engineering consultant to perform energy audits and to assist with submitting the Proposition 39 energy expenditure plan. The Board of Trustees were presented with the results of the energy audits, planned energy efficiency measures, and projected energy savings to be included in the submitted energy expenditure plan.

The District's contracted with Balfour Beatty Construction, LLC to implement some of the planned energy efficiency measures. Because the measures were part of a larger school modernization contract, the projected energy savings that was prepared by the independent third party consultant was not included in the contract with Balfour Beatty Construction, LLC.

Since completion of the projects, the District has performed multiple energy savings verifications. The District feels that it has operated within the spirit of the program guidelines to achieve projected energy efficiency.

Sincerely,

Mark Pong
Director of Finance

Attachment D—
Mountain Elementary School District's Response to Audit Results

Mountain Elementary School District
3042 Old San Jose Rd., Soquel, CA 95073 ~ Ph: (831) 475-6812 ~ Fax: (831) 464-7200

Attn: Erika Hardoyo, Auditor
Office of State Controller, Betty Yee
3301 C Street, Suite 275
Sacramento, CA 95816
(916) 445-0169

March 15, 2018

This letter is provided as a response to the following notice regarding the following Prop 39 procedural audit issue for Mountain Elementary School District, as noted in your email dated 03/15/18.

> **Projected Energy Savings not included in the Contract**
> Per Public Resource Code section 26206(d), "all projects shall require contracts that identify the project specifications, costs, and *projected energy savings*" [emphasis added]. During audit fieldwork, we reviewed the district's contract with Mynt Systems, Mynt Systems' contracts with KT Mechanical and Day One Solar Inc., and noted that the contracts do not include the projected energy savings in them. – Erika Hardoyo, Office of State Controller, Betty Yee

Response: Mountain Elementary was previously unaware of the need to include, Per Public Resource Code section 26206(d), the project specifications, costs, and projected energy savings in all contracts for Prop 39 projects. Having now been made aware, we have taken steps to ensure that any future contracts contain this information.

Sincerely,

Diane Morgenstern
Superintendent
Mountain Elementary School District

Attachment E—
Napa Valley Unified School District's Response to Audit Results

NAPA VALLEY
UNIFIED SCHOOL DISTRICT

Patrick J. Sweeney, Ed.D
Superintendent

J. Wade Roach
Assistant Superintendent/Business

Transforming Lives by Instilling 21st Century Skills and Inspiring Lifelong Learning in Every Student

June 25, 2018

Office of State Controller Betty T. Yee
Attn: Erika Hardoyo, Auditor
3301 C Street, Suite 725
Sacramento, CA 95816

RE: NVUSD Draft Email of Proposition 39 Program Audit

Dear Ms. Hardoyo,

We have reviewed your email June 13, 2018 in which you were auditing our Proposition 39 activities. It appears initially to us as though there may have been an error in coding our expenditures in Resource 6230. We continue to gather all information related to this. We are also reviewing the process in which the District hired two consultants. Both of these consultants have been involved with the District for many years with projects at a variety of sites, as well as the initial project planning and approval process by our Board of Education. We will need to find just when it was that they were brought on board and by what process. We are reasonably confident that each of these consultants have been involved in an RFP process for services that they have been providing the District for many years.

When the District made a decision to begin exploring solar operations we looked to see who was available and found there was very limited knowledgeable people that understood solar and its application. In the process, we found a businessperson in the Napa Valley whom had been working in the commercial area of solar for many years and had served on state boards and appeared before the Public Utilities Commission on possible regulations related to the solar industry. After contacting the commercial clients that the company had, many of whom were in the Napa Valley, the District made the decision to request a proposal from Recolte Energy.

As to the architect we looked around and found that an architect who had extensive experience on a variety of projects with NVUSD had as one of their principals Aaron Jobson, who had been selected to serve on the state committee that was assisting school districts in their application process for solar. So the district went to QKA to ask if Mr. Jobson was available to assist us in the application process and found that he was working with several individuals at the state level who were assisting through his committee development of solar systems throughout the state.

We now remember that GSM Landscaping (GSM) was brought into the project, after it was well along, in terms of construction, when we realized that one of the columns for the solar panels was going have to go into a memorial garden, that if not relocated would have to be removed and disposed of. Wanting not to offend staff that had passed away and had been recognized through the panting of a rose or a tree, we asked GSM to design a new garden location and the process in which the roses and tress could be moved and continue to live.

In closing, the District believes that it will be able to provide documentation that will show that a thorough process was involved in retaining QKA and Recolte Energy. We additionally acknowledge that though we hired GSM that was clearly a clerical mistake and now in reflection we realize we should have never charged those expenses to Prop 39.

We look forward to your future decision and an opportunity to go through the appeal process both written and verbal support to our being able to retain the funds that have been provided to us.

We thank you for bringing this to our attention and look forward to working on resolving this with you.

Thank you again,

Jennifer R. Gibb
Facilities Financial Analyst
School Planning & Construction

Attachment F—
Los Angeles Community College District's Response to Audit Results

Los Angeles Community College District

770 Wilshire Boulevard, Los Angeles, California 90017 • (213) 891-2000

City • East • Harbor • Mission • Pierce • Southwest • Trade-Technical • Valley • West

Facilities Planning and Development

June 11, 2018

Ms. Alexandra Bonezzi
Auditor
Office of State Controller Betty T. Yee
Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 725A
Sacramento, CA 95816

Since the inception of the Proposition 39 Energy Program the Los Angeles Community College District (LACCD) has worked closely and diligently with the California Community Colleges Chancellor's Office (CCCCO) in justifying and implementing energy savings projects. This work has been coordinated through the third party consultant Newcomb Anderson McCormick (NAM) who was hired through the CCCCO to execute, track, and administer the program statewide.

LACCD has followed the instructions provided by the CCCCO and NAM in all projects. The CCCCO set up the program so that Community College Districts may apply for funding for each project or set of projects within a given fiscal year. NAM has always helped by providing project support activities, including efficiency calculations, incentive applications, project planning, and other tasks. LACCD has relied on NAM's support in verifying energy efficiency for proposed projects and filling out the proper forms for submission to the CCCCO. Proposition 39 Energy Program has a requirement of a saving-to-investment ratio (SIR) of 1.05 (was 1.10 at the start of the program). Any project that failed to meet the SIR threshold did not qualify for Proposition 39 Energy funding. Thus, any project that was proposed must meet this energy savings criterion before the project would be approved by the State Chancellor's Office and allowed to move forward.

Therefore, through this intense vetting process all of the Los Angeles Community College Division Proposition 39 Energy funded projects met the energy savings criterion before LACCD was awarded any funding for the projects. The projects were then publically bid. Upon completion and closeout of a project there is a project review to insure the project resulted in energy savings and the project has met the minimum energy savings threshold.

LACCD was unaware of the requirement that contracts had to identify projected energy savings (Public Resource Code Section 26206(d)) and is taking steps to include the required language in all future contracts for Proposition 39 Energy projects. LACCD did verify savings on all Proposition 39 Energy projects in the project planning and project close-out phase, and has always been above the minimum SIR threshold through the program's life.

If you have any additional follow up questions please feel free to contact me at (213) 891-2119 or hallt@email.laccd,edu .

Sincerely,

Thomas L. Hall
Director,
Facilities Planning & Development
Los Angeles Community College District
(213) 891-2119
hallt@email.laccd.edu

Attachment G—
Palomar Community College District's Response to Audit Results

PALOMAR COLLEGE®
Learning for Success
1140 West Mission Road, San Marcos, California 92069-1487 • 760-744-1150 • www.palomar.edu

Dr. Joi Blake
Superintendent/President

Governing Board
Nina Deerfield
Mark R. Evilsizer
John J. Halcón, Ph.D.
Nancy Ann Hensch
Paul P. McNamara
Student Trustee:
ASG President

Ron Ballesteros-Perez
Assistant Superintendent/
Vice President
Finance & Administrative Services

June 18, 2018

Alexandra Bonezzi, Auditor
Office of State Controller Betty T. Yee
Division of Audits, Compliance Audits Bureau
3301 C Street, Suite 725A
Sacramento, CA 95816

RE: Audit of California Clean Energy Jobs Act Program Expenditures – Proposition 39

Dear Ms. Bonezzi:

This letter is in response of the Palomar Community College District to the request for response received on June 7, 2018 regarding the Proposition 39 Program Audit.

During the audit, you have identified the following procedural audit issue for Palomar Community College District:

Projected Energy Savings not included in the contract

Per Public Resource Code section 26206(d), "All projects shall require contracts that identify the project specifications, costs, and *projected energy savings*" [emphasis added]. During the audit fieldwork, we reviewed the district's contract with Compass Energy Solutions and noted that the contract does not include the projected energy savings.

The Governing Board approved entering into the agreement with Compass Energy Solutions, by a written Board consent, on December 10, 2013. Board Resolution No. 14-21160 contained the information regarding the anticipated annual electricity and maintenance cost savings to the District.

The energy savings was calculated and presented in Attachment B to the Energy Services Agreement (ESA) with Compass Energy Solutions (included). It was reviewed and validated line by line separately by the Facilities department and was finalized after the initial signing of the document. Furthermore the energy savings were presented to and approved by Newcomb Anderson McCormick (NAM) to meet the Savings Investment Ratio (SIR) requirements of Prop 39 and the California Community Colleges – Investor Owned Utilities (CCC/IOU). Lastly it was reviewed and validated by San Diego Gas and Electric (SDGE) to qualify for their full rebate and to receive On Bill Financing (OBF) from SDGE.

The Board Resolution serves as the official and legal record of the decision made by the Governing Board on behalf of the Palomar Community College District to approve the ESA.

We believe the substance of the Prop 39 requirements have been met.

Sincerely,

Ron Ballesteros-Perez
Assistant Superintendent/Vice **President**
Finance and Administrative Services

Attachment H—
West Valley-Mission Community College District's Response to Audit Results

West Valley - Mission
Community College District

District Facilities Department
14000 Fruitvale Avenue
Saratoga CA 95070

June 28, 2018

Ms. Erika Hardoyo, Auditor
Office of State Controller Betty T. Yee
3301 C Street, Suite 725
Sacramento, CA 95816

Re: Program audit of Proposition 39 – District response

Dear Ms. Hardoyo,

It was a pleasure to meet you during your visit to West Valley College and have a chance to show you the actual installation and benefit of the Prop 39 dollars at the West Valley College campus. We are in receipt of the procedural audit finding and are disappointed that we missed the inclusion of projected savings in our bid documents.

I apologize for not getting a letter back to you by 6/18, however I spent some time and effort researching how we overlooked Step 9 that refers to the inclusion of an estimate of projected energy savings in the bid documents. We rely fairly heavily upon consultants to help us accomplish our project requirements and though this project has been highly successful in saving water, gas and electricity, I was unsuccessful in finding evidence to validate that we met the objective detailed in the audit finding.

Our Project Manager, Samia Michaiel was shepherding this project and working with the architect and mechanical engineer along with the State Consultant; Newcomb Anderson McCormick who performed services providing and validating our energy calculations. NAM (Newcomb Anderson McCormick) is a consultant/guide used by many districts in the preparation and compliance with Prop 39 project paperwork and energy calculations. By reviewing this audit finding with the team, we will all learn from the review.

Thank you for your efforts with us.

Sincerely,

Gaye Dabalos

Cc: Samia Michaiel
Matt Sullivan
Rick Russell
Steve Gross

State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874

http://www.sco.ca.gov

S18-39M-0001