



FINAL REPORT

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**San José Unified School District**  
**MEASURE Y PARCEL TAX PERFORMANCE AUDIT REPORT**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

December 16, 2024

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**December 16, 2024**

Board of Education  
San José Unified School District  
855 Lenzen Avenue  
San José, CA 95126

Dear Members of the Board:

Thank you for the opportunity to conduct the performance audit relating to the San José Unified School District's (SJUSD or the District) Measure Y Parcel Tax Program (Parcel Tax Program). This report summarizes the results of our review.

Moss Adams LLP (Moss Adams) conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), as outlined in our agreement, which requires that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. The scope of this engagement is outlined in the body of our report. This report was developed based on information from our review of Measure Y records.

We appreciate the opportunity to help you continuously improve your financial management program performance. We would like to express our appreciation to the Board and all members of the District's staff for their cooperation throughout this performance audit.

Very truly yours,

A handwritten signature in cursive script that reads 'Moss Adams LLP'.

Moss Adams LLP  
Campbell, CA

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# I. EXECUTIVE SUMMARY

Moss Adams conducted this parcel tax performance audit in accordance with GAGAS, issued by the Controller General of the United States, which requires that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions, based on our audit objectives. The performance audit objectives, scope, methodology, and conclusions, along with a summary of the views of responsible District officials, are included in this report.

The performance audit procedures applied provided reasonable assurance, in accordance with GAGAS and Measure Y parcel tax documents, that for the fiscal year (FY) ended June 30, 2024, Measure Y parcel tax proceeds were used to: (1) maintain and improve core academic programming in reading, writing, math, the arts, and science, (2) improve programs to prepare students for college and 21st-century careers, and (3) attract and retain high-performing teachers and educational staff.

As requested by the District, we also evaluated the effectiveness and efficiency of internal controls to provide an analysis of the Parcel Tax Program so those charged with District governance and oversight can use the information to improve program performance and operations. Through inquiry and review of documents, we confirmed that the prior-year recommendations have been resolved. We noted no new exceptions.

We also identified the following commendable practices over the course of the audit:

- Expenditure and proceeds issuance documentation was effectively sourced, maintained, and managed.
- Public meetings of the Parcel Tax Oversight Committee (PTOC) were held to update the community on the status of projects.
- Meeting minutes were posted on the PTOC website.
- The District developed the Signature Authority Policy and Procedures and Expenditure Guidelines for Measure Y.
- Strong collaboration among Measure Y personnel and accounting personnel was observed.

Management remains responsible for proper implementation and operation of an adequate internal control system. Due to inherent limitations in any internal control structure, errors or irregularities may occur and not be detected. Projections of any evaluation of the internal control structure to future periods are also subject to the risk that this structure may become inadequate because of changes in conditions or deterioration of the degree of compliance with policies or procedures.



## II. BACKGROUND INFORMATION

### A. SAN JOSÉ UNIFIED SCHOOL DISTRICT'S MEASURE Y PARCEL TAX

Measure Y was approved by over 67% of voters in the general election on November 8, 2016. The measure assessed a \$72-per-parcel annual tax on properties within the District, beginning in 2017–18, and remains effective through 2024–25, or for eight years.

This parcel tax is projected to raise \$5 million in annual local funding to support SJUSD's efforts to:

- Maintain and improve core academic programming in reading, writing, math, the arts, and science
- Improve programs to prepare students for college and 21st-century careers
- Attract and retain high-performing teachers and educational staff

Charter schools that the District oversees, and that have partnered with SJUSD to educate students living in the District, receive an allocation of the qualified special tax, as determined by the SJUSD Board of Education (Governing Board). Any charter school that receives proceeds of the qualified special tax is required to comply with the audit and reporting requirements imposed on entities levying qualified special taxes. Charter schools must provide information on the expenditure of proceeds to the District and all proceeds shall be used for purposes consistent with Measure Y.

The Parcel Tax Program accounting records for the FY ended June 30, 2024 showed Measure Y parcel tax expenditures of \$4,820,842.24 in the current year.

### B. MANDATORY ACCOUNTABILITY PROTECTIONS

The District is required by law to perform the following accountability measures for Parcel Tax Program proceeds:

- The Board must create an independent citizens' oversight committee, the PTOC, to provide oversight on the expenditures of parcel tax revenues.
- No later than December 31 of each year while the tax is in effect, the District shall prepare and file with the Board a report detailing the amount of funds collected and expended as well as the status of any project authorized to be funded by Measure Y.

### C. STATEMENT OF COMPLIANCE WITH GAGAS

We conducted this performance audit in accordance with GAGAS. Those standards require that we plan and perform the audit to obtain sufficient and 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.



### III. OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of this performance audit was to verify SJUSD's compliance with the commitments of the Measure Y parcel taxes, which requires that Measure Y proceeds only be used for (1) maintaining and improving core academic programming in reading, writing, math, the arts, and science, (2) improving programs to prepare students for college and 21<sup>st</sup>-century careers, and (3) attracting and retaining high-performing teachers and educational staff. Measure Y also states that revenue generated by the tax may not be used for District office administrator salaries, pensions, or benefits. Performance audit procedures covered the period of July 1, 2023 through June 30, 2024. The Parcel Tax Program expended \$4,820,842.24 in FY 2023–24. Based on the performance audit procedures performed and the results obtained, we have met our audit objective.

We conducted this performance audit in accordance with GAGAS. Because GAGAS performance audit procedures require reasonable assurance, and do not require detailed examination of all transactions and activities, there is a risk that compliance errors, fraud, or illegal acts may exist that were not detected by us.

Management remains responsible for proper implementation and operation of an adequate internal control system. Due to the inherent limitations of any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the structure may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

This performance audit did not constitute an audit of financial statements in accordance with Government Auditing Standards. Moss Adams was not engaged to and did not render an opinion on the District's internal controls over financial reporting or financial management systems.

#### A. PERFORMANCE AUDIT OBJECTIVES

The full list of performance audit objectives (as specified by the District and agreed upon for this performance audit) and methodologies applied included the following:

##### **Objective 1 – Evaluate Compliance with Voter-Approved Ballot Language**

We reviewed the Measure Y financial records and expenditures for FY 2023–24 to verify that funds were used in accordance with the commitments of the Measure Y parcel tax. We reviewed the Parcel Tax Program's financial records and expenditures by obtaining the Annual Comprehensive Financial Report and comparing the balances to the District's detailed accounting records. We analyzed control processes, tested the Parcel Tax Program expenditure cycle, and sampled supporting documentation to validate internal controls. Testing procedures included a sample to provide confidence that expenditure transactions from the Parcel Tax Program were compliant with program and legal requirements.

We reviewed expenditures and confirmed they related to either bonus payments or library support staff. All bonus payouts to eligible teachers totaled \$4,417,878.01, and all payments for an additional hour of library staffing totaled \$374,859.23, for a total tested amount of \$4,792,737.24 or 99.4% of



total expenditures (\$4,792,737.24 sampled/\$4,820,842.24 expended). Our testing procedures were performed to verify that:

- Expenditures were used for (1) maintaining and improving core academic programming in reading, writing, math, the arts, and science, (2) improving programs to prepare students for college and 21st-century careers, and (3) attracting and retaining high-performing teachers and educational staff.
- Expenditures were not used for District Office administrator salaries, pensions, or benefits.
- Invoices were approved by authorized personnel.
- Expenditures were recorded in the proper period and accurate and complete on the District's books and records.

We interviewed District and Measure Y personnel and analyzed key documentation to assess the design of controls over Measure Y expenditures. The documents we analyzed to assess the Parcel Tax Program's risk and controls design included:

- Voter-approved ballot language
- Governing Board and PTOC meeting agendas and minutes
- Accounting for Measure Y proceeds and supporting documentation for expenditures taken from the District's books and records
- Measure Y expenditures (for FY 2023–24)

## **Objective 2 – Evaluate Whether New Projects and Budgets Are Consistent with the Measure Y Voter-Approved Ballot Language**

We evaluated new projects and budget amounts for FY 2023–24 in the Measure Y fund to validate consistency with Measure Y parcel tax ballot language. Our testing procedures were performed to verify that SJUSD Measure Y projects and budgets were in accordance with the commitments of the Measure Y parcel tax and aligned with the District's 2023–24 Strategic Plan and Local Control and Accountability Plan budget.

## **Objective 3 – Validate Use of Policies and Procedures**

We verified District compliance with its policies and procedures for Measure Y parcel tax expenditures and payments for the FY 2023–24 period. We verified that Parcel Tax Program funds have been expended for program purposes. We reviewed the design and operation of payment approval and cost accounting controls, including segregation of duties.

We assessed compliance with pertinent District policies governing the Parcel Tax Program and validated SJUSD's policies and regulations on the program's processes and controls. We designed the performance audit to provide reasonable assurance that Measure Y expenditure controls and practices were consistent with the District's policies and Measure Y Strategic Plan objectives.



## **B. INTERVIEWS**

We interviewed key personnel responsible for administering the Parcel Tax Program, including senior management and staff from the District and the Parcel Tax Program management team. The individuals interviewed are listed in Appendix A.

We provided interviewees with an opportunity to provide feedback on whether fraud, waste, and/or other misconduct may be occurring and provided insight on areas of improvement for the Procedures Manual in regard to the Parcel Tax Program.

## **C. PRESENTATION**

We are scheduled for, and will attend, the PTOC meeting on Monday, November 18, 2024 and the District Audit Committee meeting on December 9, 2024 to present the results of this performance audit.



## IV. AUDIT RESULTS

### A. OBJECTIVE NO. 1 – EVALUATE COMPLIANCE WITH VOTER-APPROVED BALLOT LANGUAGE (NO EXCEPTION)

We reviewed the Measure Y parcel tax financial records and expenditures for FY 2023–24 to verify that funds were used as set forth in the Measure Y parcel tax ballot language. We analyzed the associated expenditures for a more in-depth review of project expenditures. The District provided sufficient supporting documentation or explanations for all selected samples. No exception noted.

### B. OBJECTIVE NO. 2 – EVALUATE WHETHER NEW PROJECTS AND BUDGETS ARE CONSISTENT WITH MEASURE Y VOTER-APPROVED BALLOT LANGUAGE (NO EXCEPTION)

We evaluated new projects and budgets (for FY 2023–24) in the Measure Y fund to determine whether the Parcel Tax Program's budgets were consistent with the Measure Y voter-approved ballot language. We verified that the District's projects and budgets aligned with voter-approved ballot language and with the District's Strategic Plan, as outlined below:

- **Bonus:** The District paid active and eligible employees, except for District administrators located at the District main office (i.e., locations 850 through 942), a one-time bonus payment of \$1,500 out of Measure Y funding. Based on our review and per inquiry with the District, funding for bonus payouts for the fiscal year came from both Measure Y and the General Fund. To qualify for the one-time bonus payment with funding from Measure Y, employees needed be active prior to Monday, February 26, 2024. They also needed to have an FTE standing of .75 or greater to receive the full amount. Those with less than .75 FTE standing would have the \$1,500 payment prorated by their FTE. For example, an active employee with a 0.5 FTE would receive a pre-tax payment of  $\$1,500 * 0.5 = \$750$ . Additionally, if an employee was located at an ineligible District location (i.e., locations 850 through 942) but was not a District administrator (i.e., did not belong to either the San José Administrators Association (SJAA) or San José Highly Compensated Employees (SJHC) bargaining unit, they were eligible to receive their bonus payout out of Measure Y. All other bonus payouts (i.e., District administrators at locations 850 through 942 or staff belonging to the SJAA or SJHC, or staff otherwise not eligible for funding from Measure Y as identified by the District) were paid out of the General Fund. The payment was approved by the Board during the District's Board Meeting on February 15, 2024.
- **College and 21st-Century Careers:** An additional hour of time was allocated to all school sites to staff the libraries.

The review of the Measure Y Spending Plan for 2023–2024 was included in SJUSD's PTOC meeting on August 28, 2023. The public hearing for this budget review took place on June 15, 2023 and budget adoption took place on June 29, 2023. The District's projects and budgets agreed with the commitments of the Measure Y parcel tax's voter-approved ballot language and the District's Strategic Plan. No exception noted.



### **C. OBJECTIVE NO. 3 – VALIDATE USE OF POLICIES AND PROCEDURES (NO EXCEPTION)**

We assessed the District's compliance with its policies and procedures related to Measure Y parcel tax expenditures and payments for the FY 2023–24 period. We assessed whether Parcel Tax Program funds were expended in accordance with the District's Measure Y spending guidelines and whether expenditures were approved by the authorized approver. The District provided sufficient supporting documentation or explanations for all selected samples. No exception noted.



## V. REPORTING VIEWS OF RESPONSIBLE OFFICIALS

Management concurs with the observations and accepts the audit report as presented.



## APPENDIX A: INTERVIEWS PERFORMED

The following key SJUSD personnel were interviewed:

- Internal Audit Manager
- Director, Finance

