

# **PROGRAM AUDIT OF THE CALIFORNIA CLEAN ENERGY JOBS ACT**

Audit Report

## **PROPOSITION 39 PROGRAM**

Chapter 29, Statutes of 2013

*December 19, 2013, through June 30, 2016*



**BETTY T. YEE**  
California State Controller

June 2017



**BETTY T. YEE**  
California State Controller

June 30, 2017

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

Dear Ms. Gordon:

The State Controller's Office audited the California Clean Energy Jobs Act expenditures reported by the California Department of Education for the period of December 19, 2013, through June 30, 2016.

As of June 30, 2016, 29 local educational agencies (LEAs) reported \$15,685,577 in completed project costs and 58 community college districts (CCDs) reported \$35,960,294 in completed project costs. From the listing of completed projects, we selected for audit 16 LEAs and four CCDs, which reported total expenditures of \$18,553,175. We found that four districts sole-sourced all or a portion of their project costs and 15 districts did not include the projected energy savings in their awarded contracts. In addition, we found that one district applied the Proposition 39 funding toward an ineligible lighting project.

We also reviewed the oversight practices of both the California Energy Commission (CEC) and the California Community Colleges Chancellor's Office (CCCCO). Our review of the CEC and CCCCCO oversight practices found that both agencies have adequate controls to ensure the completeness and accuracy of the forms submitted by the districts and that their respective Proposition 39 guidelines comply with the applicable provisions of the Public Resources Codes.

If you have any questions, please contact Jim L. Spano, Chief, Mandated Cost Audits Bureau, by telephone at (916) 323-5849.

Sincerely,

*Original signed by*

JEFFREY V. BROWNFIELD, CPA  
Chief, Division of Audits

JVB/as

cc: Tom Torlakson, Superintendent of Public Instruction  
California Department of Education  
Michelle Zumot, Chief Deputy Superintendent of Public Instruction  
California Department of Education  
Kimberly Tarvin, Director of Audits and Investigations  
California Department of Education  
Thi Huynh, Administrator  
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California Energy Commission  
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College Finance and Facilities Planning Division  
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Campbell Union School District  
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Campbell Union School District  
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Chino Valley Unified School District  
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Business Services Division, Chino Valley Unified School District  
Greg Stachura, Assistant Superintendent  
Facilities, Planning, and Operations  
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Milpitas Unified School District  
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Mt. San Antonio Community College District  
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Mt. San Antonio Community College District  
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Mt. San Antonio Community College District  
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North Orange County Community College District  
Ivy Hwee, Interim District Manager  
North Orange County Community College District  
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Nuvview Union School District  
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Pleasant Ridge Union School District  
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Rancho Santiago Community College District

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Facilities Planning, District Construction, and Support Services  
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Rancho Santiago Community College District  
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Redondo Beach Unified School District  
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Redondo Beach Unified School District  
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Santa Ana Unified School District  
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Santa Ana Unified School District  
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Temecula Valley Charter School  
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Temecula Valley Unified School District  
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Greg Page, Energy Specialist, Facilities Department  
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Yuba Community College District  
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Yuba Community College District  
Divinder Bains, Director of Business  
Yuba Community College District  
Jamie Perry, Senior Director, District Financial Services  
Fresno County Office of Education  
Norma Fajardo, Senior Director, District Fiscal Advisory Services  
Imperial County Office of Education  
Keith D. Crafton, Director, Business Advisory Services  
Los Angeles County Office of Education  
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Business Services, Madera County Office of Education

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Nevada County Superintendent of Schools  
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Orange County Department of Education  
James L. Whittington, CPA, Executive Director, District Fiscal Services  
Riverside County Office of Education  
Thomas Cassida, Director, Business Advisory Services  
San Bernardino County Office of Education  
Brent Watson, Executive Director, Business Advisory Services  
San Diego County Office of Education  
Judy Lee Kershaw, Director, District Business and Advisory Services  
Santa Clara County Office of Education  
Debbie Pendley, Associate Superintendent, Business Services  
Siskiyou County Office of Education  
Jack Bastida, Contract Manager  
Citizen Oversight Board

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# Audit Report

## Summary

The State Controller's Office (SCO) reviewed the oversight practices of both the California Energy Commission (CEC) and the California Community Colleges Chancellor's Office (CCCCO) and audited a selection of completed projects of the California Clean Energy Jobs Act.

Our review of the CEC and CCCCCO oversight practices finds that both agencies have adequate controls to ensure the completeness and accuracy of the forms submitted by the districts and that their respective Proposition 39 guidelines comply with the applicable provisions of the Public Resources Codes (PRC). For both agencies, we have prepared separate report. These reports are included in this report as Appendix A for the CEC and Appendix B for the CCCCCO.

As of June 30, 2016, 29 local educational agencies (LEAs) reported \$15,685,577 in completed project costs (Schedule 1) and 58 community college districts (CCDs) reported \$35,960,294 in completed project costs (Schedule 2). From these listings of completed projects, we selected for audit 16 LEAs and four CCDs.

The 20 districts selected for audit reported total expenditures of \$18,553,175. We found that four districts sole-sourced all or a portion of their project costs and 15 districts did not include the projected energy savings in their awarded contract. In addition, we found that one district applied the Proposition 39 funding toward an ineligible lighting project.

The California Department of Education (CDE) is responsible for requiring LEAs to pay back funds if they are not used in accordance with state statute or regulations. In addition, the CCCCCO is responsible for requiring CCDs to pay back funds if they are not used in accordance with state statute or regulations. For each of the 20 districts that were selected for audit, we have prepared a separate report. These reports are included in this report as Appendix C.

## 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 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 or modification in a school site that improves energy efficiency or expands clean energy generation. All facilities within the LEA are eligible for Proposition 39 program funding.

### **Citizen 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 this 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.

### **California Department of Education**

The CDE is responsible for administering awards to LEAs that serve grades 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 Energy Expenditure Plan (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 year following.

Also, LEAs whose first year of eligibility was FY 2013-14 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 only be spent 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 shall be applied toward implementing energy projects from the LEAs approved EEP.

### **California Energy Commission**

The CEC is the primary state agency responsible for energy policy and planning. 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 California Public Utilities Commission.

On December 19, 2013, the Energy Commission 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. Also included in the Proposition 39 Program Implementation Guidelines is a formula for estimating job creation benefits, which is a criteria outlined in PRC section 26235(e)(10).

In addition, the CEC developed an EEP Handbook, which includes step-by-step instructions to assist LEAs in completing all the required forms.

### **California Community Colleges Chancellor's Office**

The 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 to implement 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 usages 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.

It should be noted that CCDs have been aggressively pursuing and implementing energy efficiency and renewable energy projects for many years through such programs as the California Public Utilities Commission administered by the California Community Colleges/Investor Owned Utilities Energy 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 to the community college system.

### **Audit Authority**

The legal authority to conduct this audit is provided by Government Code (GC) section 12410 and PRC section 26210.

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), commissioned the SCO to review a selection of projects completed to assess the effectiveness of the expenditures in meeting the objectives of this act.

## **Objectives, Scope, and Methodology**

On June 15, 2016, we entered into an agreement with the COB to conduct an audit to assess both the CEC and CCCC's controls over implementation and administration of the 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 are consistent with the Job Creation Fund's program guidelines. We selected 20 districts for audit: 16 LEAs and four CCDs. We did not audit the district's 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 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 a sample of 16 school districts with completed projects and performed the following procedures:
  - Determined whether planning funds were expended in accordance with program requirements or applied towards implementing eligible energy projects approved by the CEC;
  - Determined whether the LEA submitted an expenditure plan to the CEC consistent with its priority of eligible projects;
  - Determined whether the CEC approved the expenditure plan in compliance with the CEC's Program Implementation Guidelines and EEP Handbook;
  - Determined whether 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 1. an energy survey, 2. an American Society of Heating, Refrigerating and Air-Conditioning Engineering Level 2 energy audit; or 3. 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.
- Determined whether the final report to the CEC contained the information outlined in the PRC section 26240(b)(1-7);
  - Determined whether the LEA did not use a sole source process to award funds;
  - Determined whether the LEA had a signed contract that identified project specifications, costs, and projected energy savings;
  - Determined whether the LEA supported project costs; and
  - Determined whether 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.

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

- Reviewed the CCCC's Proposition 39 Energy Project Guidance to ensure compliance with the applicable provisions of the PRC;
- Reviewed the controls established by the CCCC to ensure completeness of the funding applications, annual project expenditure reports, and the close-out project completion forms submitted by CCDs; and,
- Selected a sample of four college districts with completed projects and performed the following procedures:
  - Determined whether the CCD submitted a Proposition 39 Funding Application to the CCCC and that the CCCC approved the application consistent with its Proposition 39 Implementation Guidelines;
  - Determined whether the CCD submitted a Call for Projects form to determine projects for energy efficiency or renewable energy projects;
  - Determined whether the Proposition 39 Close-out Project Completion Form and the Annual Project Expenditure Report submitted to the CCCC contained the following information:
    - 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;
    - The name plate rating of new clean energy generation installed;

- The number of trainees resulting from the project;
  - The amount of time between award of the financial assistance and the completion of 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 from each project and the average number of months or years of utilization of each of these employees.
- Determined whether the CCD did not use a sole source process to award funds;
  - Determined whether the CCD had a signed contract that identified project specifications, costs, and projected energy savings;
  - Determined whether the CCD supported project costs; and
  - Determined whether 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.

## **Conclusion**

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

We selected 20 districts for audit, which reported total completed project costs of \$18,553,175 (\$13,112,523 for LEAs and \$5,440,652 for CCDs). We found that four districts sole-sourced all or a portion of their project costs and 15 districts did not include the projected energy savings in their awarded contract. In addition, we found that one district applied the Proposition 39 funding toward an ineligible lighting project.

## **Views of Responsible Officials**

We discussed our audit results with the CEC, the CCCCCO, and the 20 districts selected for testing during audit fieldwork and via email throughout the course of the audit. All responses have been included in the attached Appendices.

**Restricted Use**

This report is solely for the information and use of the COB, the CDE, the CEC, the CCCCCO, Bonsall Unified School District (formerly Bonsall Union Elementary School District), Central Unified School District, Chino Valley Unified School District, Chowchilla Union High School District, Fountain Valley School District, Happy Camp Union Elementary School District, Imperial Unified School District, Campbell Union School District, Milpitas Unified School District, Nuvview Bridge Early College High, Nuvview Union School District, Pleasant Ridge Union Elementary, Redondo Beach Union Elementary, Santa Ana Unified School District, Seiad Elementary School District, Temecula Valley Charter School, Mt. San Antonio Community College District, North Orange County Community College District, Rancho Santiago Community College District, Yuba 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

June 30, 2017

# Schedule 1— Total Completed Proposition 39 Program Costs for Local Educational Agencies December 19, 2013, through June 30, 2016

Local Educational Agency	Program Implementation	Planning Funds <sup>1</sup>	Total	Reference <sup>2</sup>
<u>Completed projects selected for audit:</u>				
1 Bonsall Unified School District	\$ 86,177	\$ 20,038	\$ 106,215	Finding 1, 2
2 Central Unified School District	3,379,735	215,930	3,595,665	Finding 2
3 Chino Valley Unified School District	1,111,510	224,690	1,336,200	Finding 1, 2
4 Chowchilla Union High School District	293,471	-	293,471	Finding 2
5 Fountain Valley School District	1,330,415	-	1,330,415	Finding 2
6 Happy Camp Union Elementary School District	184,441	-	184,441	Finding 1, 2
7 Imperial Unified School District	706,425	130,000	836,425	Finding 2
8 Lynhaven Elementary School	243,074	6,629	249,703	
9 Milpitas Unified School District	339,687	81,481	421,168	Finding 2
10 Nuview Bridge Early College High	20,458	-	20,458	Finding 3
11 Nuview Union School District	597,775	-	597,775	
12 Pleasant Ridge Union Elementary	500,629	-	500,629	Finding 2
13 Redondo Beach Unified School District	1,815,158	-	1,815,158	
14 Santa Ana Unified School District	1,500,657	246,963	1,747,620	Finding 2
15 Seiad Elementary School District	27,120	3,590	30,710	Finding 1, 2
16 Temecula Valley Charter School	46,470	-	46,470	Finding 2
Total, completed projects selected for audit	12,183,202	929,321	13,112,523 <sup>3</sup>	
<u>Completed projects not selected for audit:</u>				
1 Big Creek Elementary School District	72,965	-	72,965	
2 Castlemont Elementary School	246,000	6,709	252,709	
3 Chowchilla Elementary	81,465	9,051	90,516	
4 Chula Vista Elementary School District (ESD)	640,124	-	640,124	
5 Chula Vista ESD - Arroyo Vista Charter	92,271	-	92,271	
6 Chula Vista ESD - Discovery Charter School	51,808	-	51,808	
7 Chula Vista Learning Community Charter School	58,401	-	58,401	
8 Desert Center Unified School District	35,907	-	35,907	
9 Escondido Union School District	525,198	78,000	603,198	
10 Eureka City Unified	7,687	17,102	24,789	
11 Menlo Park Elementary School District	16,584	1,972	18,556	
12 Murrieta Valley Unified School District	482,000	112,950	594,950	
13 Temecula Preparatory	36,860	-	36,860	
Total, completed projects not selected for audit	2,347,270	225,784	2,573,054	
Total completed projects	\$ 14,530,472	\$ 1,155,105	\$ 15,685,577	

<sup>1</sup> The planning funds are requested directly from CDE before an EEP is submitted.

<sup>2</sup> See the Findings and Recommendations.

<sup>3</sup> We tested 100% of the costs reported, totaling \$13,112,523.



**Schedule 2—  
Total Completed Proposition 39 Program Costs for  
Community College Districts  
December 19, 2013, through June 30, 2016**

Community College District	Program Implementation	Reference <sup>1</sup>
<u>Completed projects selected for audit:</u>		
1 Mt. San Antonio Community College District	\$ 1,020,229	Finding 2
2 North Orange County Community College District	2,129,442	Finding 2
3 Rancho Santiago Community College District	1,831,894	
4 Yuba Community College District	459,087	Finding 2
Total, completed projects selected for audit	<u>5,440,652 <sup>2</sup></u>	
<u>Completed projects not selected for audit:</u>		
1 Antelope Valley Community College District	682,008	
2 Barstow Community College District	157,381	
3 Butte-Glenn Community College District	392,762	
4 Cabrillo Community College District	717,780	
5 Cerritos Community College District	526,974	
6 Chabot-Las Positas Community College District	581,778	
7 Chaffey Community College District	896,379	
8 Citrus Community College District	705,364	
9 Coast Community College District	1,999,246	
10 Compton Community College District	397,434	
11 Contra Costa Community College District	11,778	
12 Copper Mountain Community College District	97,931	
13 Desert Community College District	469,101	
14 El Camino Community College District	1,166,345	
15 Feather River Community College District	11,816	
16 Foothill-DeAnza Community College District	200,000	
17 Grossmont-Cuyamaca Community College District	614,858	
18 Hartnell Community College District	236,504	
19 Imperial Community College District	233,026	
20 Kern Community College District	1,182,832	
21 Lake Tahoe Community College District	100,755	
22 Long Beach Community College District	706,947	
23 Marin Community College District	122,170	
24 Mendocino-Lake Community College District	155,958	
25 Mt. San Jacinto Community College District	256,004	

## Schedule 2—(continued)

Community College District	Program Implementation	Reference <sup>1</sup>
26 Napa Valley Community College District	284,940	
27 Ohlone Community College District	484,615	
28 Palo Verde Community College District	65,081	
29 Pasadena Area Community College District	757,931	
30 Peralta Community College District	489,689	
31 Rio Hondo Community College District	577,949	
32 Riverside Community College District	809,093	
33 San Bernardino Community College District	374,214	
34 San Joaquin Delta Community College District	716,305	
35 San Jose/Evergreen Community College District	848,689	
36 San Luis Obispo County Community College District	548,741	
37 San Mateo County Community College District	711,162	
38 Santa Barbara Community College District	893,949	
39 Santa Clarita Community College District	880,912	
40 Santa Monica Community College District	746,804	
41 Sequoias Community College District	513,973	
42 Shasta-Tehama-Trinity Joint Community College District	310,746	
43 Sierra Joint Community College District	871,469	
44 Siskiyou Community College District	137,587	
45 Solano Community College District	254,971	
46 Sonoma County Community College District	293,600	
47 South Orange County Community College District	1,004,944	
48 State Center Community College District	922,748	
49 Ventura County Community College District	1,600,695	
50 Victor Valley Community College District	496,740	
51 West Hills Community College District	172,712	
52 West Kern Community College District	163,377	
53 West Valley-Mission Community College District	985,412	
54 Yosemite Community College District	977,463	
Total, completed projects not selected for audit	30,519,642	
Total completed projects	\$ 35,960,294	

<sup>1</sup> See the Findings and Recommendations section.

<sup>2</sup> We tested 100% of the costs reported, totaling \$5,440,652.

# Findings and Recommendations

## **FINDING 1— Four districts sole-sourced their projects**

We performed site visits to 20 districts and found that four districts sole-sourced either a portion or all of their project costs when awarding Proposition 39 contracts, totaling \$507,056, as follows:

District	Amount
Bonsall Unified School District	\$ 106,215
Chino Valley Unified School District	185,690
Happy Camp Union Elementary School District	184,441
Seiad Elementary School District	30,710
	<u>\$ 507,056</u>

These four districts did not provide any documentation to support that it considered other vendors when awarding its contract.

PRC section 26235(c) states:

*A community college district or LEA shall not use a sole source process to award funds pursuant to this chapter. A community college district or LEA may use the best value criteria as defined in paragraph (1) of subdivision (c) of Section 20133 of Public Contract Code to award funds pursuant to this chapter. [Emphasis added]*

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

For the Proposition 39 program, districts hired contractors to perform critical functions for energy upgrades. However, despite their reliance on contractors, these districts used noncompetitive processes to contract for these vital services, and thus, have not ensured the cost-effectiveness of these services.

### Recommendation

We recommend that:

- Districts use a competitive process when awarding contracts that will be paid for with Proposition 39 funds
- The CDE take appropriate action in response to funds paid to districts that did not meet the no-sole-source requirement

### District’s Response

We notified the four districts of this finding during audit fieldwork and at the end of the audit via email. The individual district responses have been recorded in Appendix C.

**FINDING 2—  
15 districts did not  
include the projected  
energy savings in the  
awarded contracts**

We performed site visits to 20 districts and found that 15 districts did not include the required projected energy savings in their Proposition 39 awarded contracts. The 15 districts are as follows:

Local Educational Agencies:

1. Bonsall Unified School District
2. Central Unified School District
3. Chino Valley Unified School District
4. Chowchilla Union High School District
5. Fountain Valley School District
6. Happy Camp Union Elementary School District
7. Imperial Unified School District
8. Milpitas Unified School District
9. Pleasant Ridge Union Elementary
10. Santa Ana Unified School District
11. Seiad Elementary School District
12. Temecula Valley Charter School

Community College Districts:

13. Mt. San Antonio Community College District
14. North Orange County Community College District
15. Yuba Community College District

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

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 changes, changes in the use of the facility and number of occupants, and changes to the hours of operation of the facilities.

In discussing this issue with the districts during audit fieldwork, many districts commented that the approved plans with the oversight agency and board documents included the required projected energy savings amounts. We agree that these documents included the projected energy savings amounts, however, the guidelines specifically require this amount to be included in the awarded contract.

Recommendation

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

District's Response

We notified the 15 districts of this finding during audit fieldwork and at the end of the audit via email. The individual district responses have been recorded in Appendix C.

**FINDING 3—  
One district applied  
its Proposition 39  
funds to project costs  
expended prior to  
December 19, 2013**

We found that Nuvview Bridge Early College High School (high school) is not eligible for retroactive program funding. The high school is a charter school chartered by Nuvview Union School District (district), and reported Proposition 39 expenditures of \$20,458 for an interior lighting retrofit.

The district entered into an energy services contract with Chevron as of June 21, 2013, prior to the Proposition 39 Guidelines approval date of December 19, 2013. The energy services contract's scope of work includes lighting retrofits at the high school, in addition to various energy conservation measures to be installed at three other sites.

We analyzed the Customer Application and Certificate for Payment dated November 30, 2013, which covers the period from November 1 through November 30, 2013. The continuation sheet shows that 100% of the lighting project had been completed during this time period at the high school. We reviewed the remaining Customer Application and Certificate for Payment (the last one is dated December 18, 2014) and found that no additional lighting project was completed at the high school since November 30, 2013.

The CEC's Program Implementation Guidelines state:

Proposition 39 funding may be used only to pay for eligible energy projects installed on or after the date guidelines are approved at an Energy Commission 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 use Proposition 39 funding on eligible efficiency measures that are implemented after December 19, 2013
- The CDE take appropriate action in response to the funds paid that are not eligible for Proposition 39 funding

District's Response

We informed the district of the finding via email on April 7, 2017. On April 28, 2017, the district responded via email, stating:

Regarding the \$20,258 [sic] Prop 39 share for Nuvview Bridge Early Collect High School lighting, it was part of a much larger project and the work was scheduled to be done prior to Dec 19<sup>th</sup>. The invoicing does not reflect the actual construction because the scope was held back after it

was previously scheduled to have been done. Nearly every day until the guidelines were approved, the site superintendent was asking when they could complete the work.

Because the lighting systems were not installed prior to that date, and they were subsequently approved by the CEC, they are eligible.

SCO's Comment

On May 19, 2017, we followed up with the district and requested documentation to support the district's statement that the lighting work was postponed until after December 19, 2013. We did not receive a response from the district. As such, absent documentation to support that the work was postponed until after December 19, 2013, we find that the lighting project was completed prior to adoption of the Proposition 39 Guidelines and is ineligible for Proposition 39 funding.

## **Appendix A— Audit Results for the California Energy Commission**

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### **Background**

The CEC is the primary state agency responsible for energy policy and planning. 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 California Public Utilities Commission.

On December 19, 2013, the Energy Commission 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.

In addition, the CEC developed an EEP Handbook, which includes step-by-step instructions to assist LEAs in completing all the required forms.

### **Audit Results**

We reviewed the CEC's Program Implementation Guidelines and the EEP Handbook and found that they both comply with the applicable provisions of the PRC.

In addition, we reviewed the controls established by the CEC to ensure completeness of the EEP, Annual Project Expenditures Reports, and the Final Close-out Project Completion Forms submitted by LEAs and found that the CEC's controls are adequate to ensure completeness and accuracy of these forms.

### **CEC's Response**

We informed the CEC via email on June 12, 2017, that we found that both the Program Implementation Guidelines and the EEP Handbook comply with the applicable provisions of the PRC and that the CEC has adequate controls to ensure completeness of the forms submitted by LEAs.

Elise Brown, Manager, Local Assistance and Financing Office, responded via email the same day, stating:

The California Energy Commission was pleased to learn that the State Controller's Office has identified no issues with the Proposition 39: California Clean Energy Jobs Act Program Implementation Guidelines; the Proposition 39 K-12 Program: California Clean Energy Jobs Act – 2016 Energy Expenditure Plan Handbook; or the Proposition 39 K-12 program controls established by the Energy Commission in their recent program audit.

Funding made available by Proposition 39 continues to provide California schools with a tremendous opportunity to invest in energy efficiency improvements and on-site clean energy generation. This helps schools to save energy, reduce energy costs and greenhouse gases, create jobs, and improve the classroom learning environment for students and educators. The results from the Energy Commission's Proposition 39 K-12 funded programs have been extremely positive and will provide significant long-term benefits.

We look forward to working with your organization again on the next audit to ensure proper administration of this important program.

## **Appendix B— Audit Results for the California Community Colleges Chancellor’s Office**

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### **Background**

The CCCCCO is the state agency that oversees the California CCD system. The CCCCCO 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 CCCCCO developed its Energy Project Guidance to assist CCDs to implement 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 usages 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.

### **Audit Results**

We reviewed the CCCCCO’s Energy Project Guidance and found that it complies with the applicable provisions of the PRC.

In addition, we reviewed the controls established by the CCCCCO to ensure completeness of the expenditure plan, the annual project expenditure reports, and the close-out project completion forms submitted by CCD’s and found that the CCCCCO’s controls are adequate to ensure completeness and accuracy of these forms.

### **CCCCCO’s Response**

We informed the CCCCCO via email on June 12, 2017, that we found that the Energy Project Guidance complies with the applicable provisions of the PRC and that the CCCCCO has adequate controls to ensure completeness of the forms submitted by CCDs. Carlos Montoya, Director of Facilities Planning and Utilization, responded via email the same day to state:

The California Community Colleges Chancellor’s Office (CCCCCO) appreciates the efforts of your office to ensure accountability and transparency of Proposition 39 funds. The CCCCCO is pleased the audit determined CCCCCO’s Energy Project Guidance complies with applicable provisions of the Public Resources Code and the controls established are in place and working as intended. We appreciate SCO’s professional and cooperative manner in which this work was done.



## Appendix C— Audit Results by District

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Nuview Union School District.....	35
Pleasant Ridge Union Elementary .....	36
Redondo Beach Unified School District.....	37
Santa Ana Unified School District.....	38
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Temecula Valley Charter School .....	41

### Community College Districts

Mt. San Antonio Community College District .....	42
North Orange County Community College District .....	44
Rancho Santiago Community College District.....	46
Yuba Community College District .....	47

## Bonsall Unified School District Proposition 39 Program

### Background

The CEC approved Bonsall Unified School District's EEP for \$86,177, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Norm Sullivan Middle School	\$ 49,747	HVAC System	\$ 2,256
Norm Sullivan Middle School	36,430	HVAC Controls	3,729
Total	<u>\$ 86,177</u>		<u>\$ 5,985</u>

With these efficiency measures, the district reported a combined SIR of 1.05 and that it created an estimated 0.48 direct job-years.

In addition, the district received \$20,038 in planning funds directly from the CDE, which were used for screening and audits.

### Audit Results

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

#### *Sole-sourced funds*

The district contracted with Indoor Environmental Services (IES) for both the planning funds and implementation of the heating, ventilation, and air conditioning (HVAC) efficiency measures. The district did not provide the SCO with any documentation to support that it considered other vendors when awarding the Proposition 39 contract to IES. As such, we find that the district sole-sourced the Proposition 39 contract to IES.

PRC section 26235(c) states that a district shall "not use a sole source process to award funds pursuant to this chapter [PRC sections 26210 through 26217]."

#### *Projected energy savings not included in the contract*

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

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

Recommendation

We recommend that:

- The district comply with PRC section 26235(c), which requires districts to not use a sole-source process to award funds and PRC section 26206(d), which requires contracts to identify the projected energy savings
- The CDE take appropriate action in response to funds paid to districts that did not meet the no sole source requirement

District's Response

We informed the district of the two audit findings via email on May 30, 2017. The district did not provide a response to the finding.

## Central Unified School District Proposition 39 Program

### Background

The CEC approved Central Unified School District's EEP for \$3,379,735, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Alt/CLASS Adult Education	\$ 58,479	Lighting and HVAC controls	\$ 7,399
Biola-Pershing High	47,483	Lighting and HVAC controls	5,987
Central High East Campus	1,323,985	Lighting, HVAC controls, pumps and motors	149,643
Central High West Campus	302,644	Lighting and HVAC controls	40,998
District Office	31,228	Lighting - interior and exterior	4,462
El Capitan Middle	125,988	Lighting - interior and exterior	11,557
Harvest Elementary	229,414	Lighting - interior and exterior	20,543
Herndon-Barstow Elementary	86,320	Lighting and HVAC controls	7,718
Houghton-Kearney West Elementary	41,977	Lighting and HVAC controls	6,426
James Polk Elementary	167,815	Lighting and HVAC controls	27,211
John Steinbeck Elementary	113,013	Lighting and HVAC controls	12,938
Madison Elementary	86,061	Lighting - interior, exterior, and LED exit signs	8,525
McKinley Elementary	72,577	Lighting and HVAC controls	8,946
Pershing Continuation High	85,158	Lighting and HVAC controls	9,512
Rio Vista Middle	189,589	Lighting and HVAC controls	33,811
River Bluff Elementary	116,919	Lighting and HVAC controls	10,385
Roosevelt Elementary	82,112	Lighting and HVAC controls	10,261
Teague Elementary	95,128	Lighting and HVAC controls	15,163
William Saroyan Elementary	123,845	Lighting and HVAC controls	11,400
Total	<u>\$ 3,379,735</u>		<u>\$ 402,885</u>

With these efficiency measures, the district reported a combined SIR of 1.88 and that it created an estimated 18.93 direct job-years.

In addition, the district received \$215,930 in planning funds directly from the CDE, which were used for screening and audits.

### Audit Results

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

#### *Projected energy savings not included in the contract*

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

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

Recommendation

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

District's Response

We informed the district of the audit finding via email on May 24, 2017. Hilbert Contreras, Facilities Planning Director, responded via email on June 5, 2017, stating:

Projected energy savings:

The prop 39 project the district contracted with IES was a design build requiring the contractor to include analysis and design services in their proposal. Also attached, are links from the Board meetings that awarded IES the prop 39 projects. The projected savings is part of the agreement.

SCO's Comment

The finding and recommendation remain.

With regards to the project energy savings, we recognize that the district's contract with IES includes a statement that the lighting and HVAC projects will generate savings and that the energy savings calculation was provided to the Board; however, the contract with IES does not explicitly identify the projected energy savings as required by PRC section 26206(d).

## Chino Valley Unified School District Proposition 39 Program

### Background

The CEC approved Chino Valley Unified School District's EEP for \$1,111,510, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Canyon Hills Junior High	\$ 500,359	HVAC system	\$ 20,101
Robert O. Townsend Junior High	611,151	HVAC system	28,283
Total	<u>\$ 1,111,510</u>		<u>\$ 48,384</u>

With these energy efficiency measures, the district reported a combined SIR of 1.24 and that it created an estimated 6.22 direct job-years.

In addition, the district received \$224,690 in planning funds directly from the CDE, which were used for screening and audits and program assistance.

### Audit Results

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

#### *Sole-sourced funds*

We found that the district sole-sourced its planning funds, totaling \$185,690, to the following vendors:

Vendor	Service	Amount
Leading Edge Air Conditioning	Mechanical consulting	\$ 34,533
TMAD Taylor and Gaines	Engineering	130,642
TYR	Inspection	17,422
Misc.	Publications and reprographics	3,093
Total		<u>\$ 185,690</u>

The district did not provide the SCO with any documentation to support that it considered other vendors when awarding planning funds to these vendors. As such, we find that the district sole-sourced these contracts.

PRC section 26235(c) states that a district shall "not use a sole source process to award funds pursuant to this chapter [PRC sections 26210 through 26217]."

*Projected energy savings not included in the contract*

We reviewed the district's contracts with Allison Mechanical, Keystone Builders, and TRANE, all of which were used for implementation of the HVAC measures, and found that none of these three contracts include the projected energy savings.

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

Recommendation

We recommend that:

- The district comply with PRC section 26235(c), which requires districts to not use a sole-source process to award funds; and PRC section 26206(d), which requires contracts to identify the projected energy savings
- The CDE take appropriate action in response to funds paid to districts that did not meet the no sole source requirement

District's Response

We informed the district of the two audit findings via email on May 3, 2017. The district did not provide a response to the finding.

## Chowchilla Union High School District Proposition 39 Program

### Background

The CEC approved Chowchilla Union High School District's EEP for \$293,471, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Chowchilla High School	\$ 293,471	Lighting - Interior/Exterior Retrofit and Relamping	\$ 27,815
Total	<u>\$ 293,471</u>		<u>\$ 27,815</u>

With these efficiency measures, the district reported a combined SIR of 1.56 and that it created an estimated 1.64 direct job-years.

### Audit Results

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

#### *Projected energy savings not included in the contract*

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

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

#### Recommendation

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

#### District's Response

We informed the district of the audit finding via email on May 25, 2017. Kate Knutson, Director, Business Services Department, responded via email on May 26, 2017, stating:

The projected energy savings were not included in the contract, however, they were a part of the approved plan, and presented to the Board prior to entering into the contract.



## Fountain Valley School District Proposition 39 Program

### Background

The CEC approved Fountain Valley School District's EEP for \$1,330,415, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Courreges Elementary School	\$ 85,924	Lighting Retrofits, HVAC - Programmable/Smart Thermostats	\$ 7,431
Cox Elementary School	94,347	Lighting Retrofits, HVAC - Programmable/Smart Thermostats	10,835
Fulton Middle School	79,853	Lighting Retrofits, HVAC - Programmable/Smart Thermostats	8,652
Gisler Elementary School	80,450	Lighting Retrofits, HVAC - Programmable/Smart Thermostats	7,880
Masuda Middle School	94,205	Lighting Retrofits, HVAC - Programmable/Smart Thermostats	12,153
Newland Elementary School	111,200	Lighting Retrofits, HVAC - Programmable/Smart Thermostats	12,454
Oka Elementary School	93,600	Lighting Retrofits, HVAC - Programmable/Smart Thermostats	7,583
Plavan Elementary School	457,641	Lighting Retrofits, HVAC - Programmable/Smart Thermostats	26,263
Talbert Middle School	115,200	Lighting Retrofits, HVAC - Programmable/Smart Thermostats	7,496
Tamura Elementary School	117,995	Lighting Retrofits, HVAC - Programmable/Smart Thermostats	7,010
Total	<u>\$ 1,330,415</u>		<u>\$ 107,757</u>

With these efficiency measures, the district reported a combined SIR of 1.38 and that it created an estimated 7.45 direct job-years.

### Audit Results

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

#### *Projected energy savings not included in the contract*

We reviewed the district's contract with Air-Ex Air Conditioning, Inc. and Retro Tech Systems and found that these two contracts do not include the projected energy savings.

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

#### Recommendation

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

#### District's Response

We informed the district of the audit finding via email on May 30, 2017. Christine Fullerton, Assistant Superintendent, Business Services, responded by letter dated June 8, 2017, disagreeing with the audit finding. The district's response letter is included in Attachment A.

The district's disagreement with the finding is as follows:

As we shared, Fountain Valley School District began its energy savings project prior to the adoption of the full set of Proposition 39 regulations. We initially entered into an Energy Saving Contract, which included lighting and HVAC upgrades with Chevron Energy, who subsequently became Opterra. The contract with Chevron included a comprehensive program development assessment, scope of work and projected energy savings.

Once the completed regulations for the use of Proposition 39 funds were released, the District approved a deductive change order to the Chevron/Opterra contract for the HVAC and lighting upgrades, as we intended the upgrades to be performed with Proposition 39 funds. At that time, a competitive process was undertaken, using the specification and projected energy savings figures from the original Chevron/Opterra contract. Additionally, Chevron/Opterra acted as the Energy Service Company (ESCO) for this entire project, and has the duty to identify, monitor, report and guarantee the project energy savings.

I have included letters from the contractors who performed the HVAC and lighting upgrades, Air-Ex and Retro Tech Systems, which clearly demonstrate that they are aware of the projected energy savings outlined in the Chevron/Opterra contract, and that they performed the work to the specification in order to achieve the projected energy savings.

Attached to the district's response letter is a letter from Retro-Tech Systems, dated June 6, 2017, which states:

Although not specifically stated in Retro-Tech Systems' agreement with Fountain Valley School District to perform Lighting Efficiency Upgrades under RFP #14-17, that work resulted in annual energy savings to the District of 481,171 kilowatt hours (kWh). The savings resulted mostly from upgrades the District's then existing interior lighting systems to the latest generation (at the time) T-8 linear fluorescent technology. Other upgrades included compact fluorescent lamps, as well as some LED replacement fixtures for exterior and parking lot lighting.

Also attached to the district's response letter is a letter from Air-Ex Air Conditioning, Inc, dated June 6, 2017, which states:

Although not specifically stated in Air-Ex Air Conditioning, Inc's. agreement with Fountain Valley School District to perform HVAC Efficiency Upgrades under RFP #14-16, that scope of work was founded in a comprehensive Program Development Assessment performed by a third party. The Assessment report states savings of 65,969 kilowatt hours (kWh) for the HVAC upgrade work. The savings are derived from replacing (33) old inefficiency equipment rooftop HVAC units at Plavan Elementary School with high-efficiency equipment. At (11) sites including Fountain Valley SD's district office facility the work entailed replacement of mercury and local-only programmable thermostats. Replacement thermostats were Web-based centrally programmable thermostats with allow District personnel to more precisely manage schedules & control space temperatures at the conditioned spaces to save significant kWh. The new stats also provide the ability for the District to troubleshoot space temperature problems from any computer or portable device, such as a cell phone, quickly without having to actually visit the problem site.

SCO's Comments

The finding and recommendation remain unchanged.

In the response from both Retro-Tech Systems and Air-Ex Air Conditioning, Inc., both companies agree that its agreement with Fountain Valley School District did not include the required projected energy savings.

## Happy Camp Union Elementary School District Proposition 39 Program

### Background

The CEC approved Happy Camp Union Elementary School District's EEP for \$184,441, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Happy Camp Elementary	\$ 184,441	HVAC system and HVAC controls	\$ 12,250
Total	\$ 184,441		\$ 12,250

With these efficiency measures, the district reported a combined SIR of 1.06 and that it created an estimated 1.03 direct job-years.

### Audit Results

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

#### *Sole-sourced funds*

The district contracted with IES for implementation of the HVAC efficiency measures. The district did not provide the SCO with any documentation to support that it considered other vendors when awarding the Proposition 39 contract to IES. As such, we find that the district sole-sourced the Proposition 39 contract to IES.

PRC section 26235(c) states that a district shall "not use a sole source process to award funds pursuant to this chapter [PRC sections 26210 through 26217]."

#### *Projected energy savings not included in the contract*

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

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

### Recommendation

We recommend that:

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

- The CDE take appropriate action in response to funds paid to districts that did not meet the no sole source requirement

District's Response

We informed the district of the two audit findings via email on May 24, 2017. The district did not provide a response to the finding.

## Imperial Unified School District Proposition 39 Program

### Background

The CEC approved Imperial Unified School District's EEP for \$706,425, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Ben Hulse Elementary	\$ 189,383	Lighting retrofits and HVAC controls	\$ 18,918
District Office	17,193	Lighting retrofits and HVAC controls	1411
Frank M. Wright Middle School	111,601	Lighting retrofits and HVAC controls	12090
Holbrook High School	17,648	Lighting retrofits and HVAC controls	1473
Imperial High School	266,087	Lighting retrofits and HVAC controls	23088
T.L. Waggoner Elementary	104,513	Lighting retrofits and HVAC controls	11313
Total	<u>\$ 706,425</u>		<u>\$ 68,293</u>

With these efficiency measures, the district reported a combined SIR of 1.49 and that it created an estimated 3.96 direct job-years.

In addition, the district received \$130,000 in planning funds directly from the CDE, which were used for screening and audits.

### Audit Results

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

#### *Projected energy savings not included in the contract*

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

Per PRC section 26206(d), "All projects shall require contracts that identify the project specifications, costs, and *projected energy savings*" [emphasis added].

#### Recommendation

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

#### District's Response

We informed the district of the audit finding via email on May 30, 2017. The district did not provide a response to the finding.

## Lynhaven Elementary School Proposition 39 Program

### Background

The CEC approved Lynhaven Elementary School's EEP for \$269,591, which consists of \$26,517 for an energy manager and training and \$243,073 for program implementation. The program implementation funds were used for the following renewable generation measures:

<u>School Site</u>	<u>Proposition 39 Share Used at School Site</u>	<u>Efficiency Measures</u>	<u>Reported Annual Cost Savings</u>
Lynhaven Elementary School	\$ 243,074	Photovoltaic measures	\$ 32,354
Total	<u>\$ 243,074</u>		<u>\$ 32,354</u>

With these renewable generation measures, the school reported a combined SIR of 1.98 and that it created an estimated 1.02 direct job-years.

In addition, the district expended \$6,629 in planning funds received directly from the CDE, which were used for an energy manager and training.

### Audit Results

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

#### District's Response

We informed the school via email on June 5, 2017, that all costs reported for Lynhaven Elementary School are in compliance with the program guidelines. The school did not provide a response.

## Milpitas Unified School District Proposition 39 Program

### Background

The CEC approved Milpitas Unified School District's EEP for \$339,687, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Milpitas High School	\$ 292,589	HVAC system	\$ 15,172
Rose Elementary School	47,098	HVAC system	2,402
Total	<u>\$ 339,687</u>		<u>\$ 17,574</u>

With these efficiency measures, the district reported a combined SIR of 1.05 and that it created an estimated 1.90 direct job-years.

In addition, the district received \$149,447 in planning funds directly from the CDE, yet at the time of the audit, had only expended \$81,481 for screening and audits and program assistance.

### Audit Results

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

#### *Projected energy savings not included in the contract*

We reviewed the district's contracts with Bangar Contractors, Inc. and ICC General Contractors, Inc., and found that the contracts do not include the projected energy savings.

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

#### Recommendation

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

#### District's Response

We informed the district of the audit finding via email on May 25, 2017. Joe Flatley, Director, Facilities and Modernization, responded via email on May 31, 2017, stating:

The contracts with Bangar Contractors, Inc. (for Milpitas High School) and with ICC General Contractors, Inc. (for Rose Elementary School) included size and efficiency requirements for replacement of HVAC units as the basis for unit selection. Those size and efficiency numbers were used to calculate projected energy savings estimates for the projects, but projected energy savings information was not directly included in the contract language or required by the Contractors.



## Nuview Bridge Early College High Proposition 39 Program

### Background

The CEC approved Nuview Bridge Early College High's EEP for \$20,458, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Nuview Bridge Early College High	\$ 20,458	Lighting- Interior fixture retrofit	\$ 4,437
Total	<u>\$ 20,458</u>		<u>\$ 4,437</u>

With these efficiency measures, the district reported a combined SIR of 3.35 and that it created an estimated 0.11 direct job-years.

### Audit Results

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

#### *Ineligible costs*

Based on our review of the district's invoice from Chevron Energy Solutions, the lighting retrofit project was completed in November 2013 with no remaining balances owed at the end of November 2013. The CEC's guidelines state that energy projects implemented prior to the Proposition 39 Guidelines approval date are not eligible for funding. The Proposition 39 Guidelines were adopted by the CEC Commissioners at a business meeting on December 19, 2013.

The CEC's December 2013 Program Implementation Guidelines (No Retroactive Funding of Projects) state, in part:

Proposition 39 funding may be used only to pay for eligible energy projects installed on or after the date guidelines are approved at an Energy Commission 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. In other words, implementing eligible energy projects after July 1, 2013, but before the guidelines are approved, are *not eligible* for retroactive program funding. [Emphasis added]

#### Recommendation

We recommend that:

- The district use Proposition 39 funding on eligible efficiency measures that are implemented after December 19, 2013
- The CDE take appropriate action in response to the funds paid that are not eligible for Proposition 39 funding

District's Response

We informed the district of the finding via email on April 7, 2017. Jeff Simmons, Chief Business Official, responded via email on April 28, 2017, stating:

Regarding the \$20,258 [sic] Prop 39 share for Nuvview Bridge Early College High School lighting, it was part of a much larger project and the work was scheduled to be done prior to Dec 19<sup>th</sup>. The invoicing does not reflect the actual construction because the scope was held back after it was previously scheduled to have been done. Nearly every day until the guidelines were approved, the site superintendent was asking when they could complete the work.

Because the lighting systems were not installed prior to that date, and they were subsequently approved by the CEC, they are eligible.

SCO's Comment

On May 19, 2017, we followed up with the district and requested documentation to support the district's statement that the lighting work was postponed until after December 19, 2013. We did not receive a response from the district. As such, absent documentation to support that the work was postponed until after December 19, 2013, we find that the lighting project was completed prior to adoption of the Proposition 39 Guidelines and is ineligible for Proposition 39 funding.

## Nuview Union School District Proposition 39 Program

### Background

The CEC approved Nuview Union School District's EEP for \$597,775, which was used for implementation of the following efficiency measures and renewable generation measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Nuview Elementary School	\$ 78,187	Lighting and HVAC system	\$ 11,839
Nuview Elementary School	519,588	Photovoltaic measures	63,500
Total	<u>\$ 597,775</u>		<u>\$ 75,339</u>

With these measures, the district reported a combined SIR of 1.06 and that it created an estimated 0.44 direct job-years for the energy efficiency measures implemented and 2.18 direct job-years for the renewable generation measures implemented.

### Audit Results

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

#### District's Response

We informed the district via email on May 19, 2017, that all costs reported for Nuview Union School District are in compliance with the program guidelines. The district did not provide a response.

## Pleasant Ridge Union School District Proposition 39 Program

### Background

The CEC approved Pleasant Ridge Union School District's EEP for \$500,629, which was used for the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Magnolia Middle School	\$ 209,037	Plug loads, HVAC system, lighting	\$ 16,465
Cottage Hill Elementary	181,559	HVAC system, lighting	13,860
Alta Sierra Elementary	110,033	Lighting	12,332
Total	<u>\$ 500,629</u>		<u>\$ 42,657</u>

With these efficiency measures, the district reported a combined SIR of 1.43 and that it created an estimated 2.80 direct job-years.

### Audit Results

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

#### *Projected energy savings not included in the contract*

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

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

#### Recommendation

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

#### District's Response

We informed the district of the audit finding via email on May 25, 2017. The district did not provide a response to the finding.

## Redondo Beach Unified School District Proposition 39 Program

### Background

The CEC approved Redondo Beach Unified School District's EEP for \$1,815,158, which was used for implementation of the following renewable generation measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Redondo Union High School	\$ 1,382,033	Photovoltaic measures	\$ 146,056
Adams Middle	232,370	Photovoltaic measures	20,568
Washington Elementary	200,755	Photovoltaic measures	22,066
Total	<u>\$ 1,815,158</u>		<u>\$ 188,690</u>

With these renewable generation measures, the district reported a combined SIR of 1.32 and that it created an estimated 7.62 direct job-years.

### Audit Results

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

#### District's Response

We informed the district via email on May 30, 2017, that all costs reported for Redondo Beach Unified School District are in compliance with the program guidelines. The district responded to thank us for the information.

## Santa Ana Unified School District Proposition 39 Program

### Background

The CEC approved Santa Ana Unified School District's EEP for \$1,500,657, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Harvey Elementary	\$ 546,227	HVAC system and HVAC controls	\$ 39,822
Monte Vista Elementary	443,604	HVAC system and HVAC controls	22,269
Kennedy Elementary	510,826	HVAC system and HVAC controls	30,850
Total	<u>\$ 1,500,657</u>		<u>\$ 92,941</u>

With these efficiency measures, the district reported a combined SIR of 1.10 and that it created an estimated 8.40 direct job-years.

In addition, the district received \$819,247 in planning funds directly from the CDE, yet at the time of the audit, had only expended \$246,963 for screening and audits, program assistance, and to hire an energy manager.

### Audit Results

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

#### *Projected energy savings not included in the contract*

We reviewed the district's contract with United Mechanical Contractors, Pardess Air, Inc., and Westland Heating and Air Conditioning, Inc. and found that the contracts do not include the projected energy savings.

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

#### Recommendation

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

#### District's Response

We informed the district of the audit finding via email on May 24, 2017. The district did not provide a response to the finding.

## Seiad Elementary School District Proposition 39 Program

### Background

The CEC approved Seiad Elementary School District's EEP for \$27,120, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings
Seiad Valley Elementary School	\$ 27,120	Lighting and HVAC controls	\$ 2,410
Total	\$ 27,120		\$ 2,410

With these efficiency measures, the district reported a SIR of 1.41 and that it created an estimated 0.15 direct job-years.

In addition, the district received \$3,590 in planning funds directly from the CDE, which were used for screening and audits.

### Audit Results

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

#### *Sole-sourced funds*

The district contracted with IES for implementation of the lighting and HVAC efficiency measures. The district did not provide the SCO with any documentation to support that it considered other vendors when awarding the Proposition 39 contract to IES. As such, we find that the district sole-sourced the Proposition 39 contract to IES.

PRC section 26235(c) states that a district shall "not use a sole source process to award funds pursuant to this chapter [PRC sections 26210 through 26217]."

#### *Projected energy savings not included in the contract*

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

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

### Recommendation

We recommend that:

- The district comply with PRC section 26235(c), which requires districts to not use a sole-source process to award funds; and PRC section 26206(d), which requires contracts to identify the projected energy savings
- The CDE take appropriate action in response to funds paid to districts that did not meet the no sole source requirement

### District's Response

We informed the district of the audit findings via email on May 24, 2017. Marsha Jackson, District Chief Business Official, responded via email on June 6, 2017, stating:

1. Sole Sourced Funds:

Seiad Valley Elementary School is in a very rural remote location. When jobs are put out for RFP's it is rare to receive multiple bids. Often we try to work with nearby schools if they are doing the same type of projects to try to make jobs more appealing to businesses that have to travel here. The previous administrator stated she worked closely with a nearby school to find a company that would like to bid on the implementation of both lighting and HVAC measures. She said they received no responses other than from IES.

2. Projected Energy Savings not included in the IES Contract:

Please see attached (Energy Expenditure Plan). In looking at this document it looks like the estimated energy savings.

### SCO's Comment

The findings and recommendations remain.

On June 6, 2017, we followed up with the district to inform it that while the projected energy savings are included in the EEP, the projected energy savings must also be included in the district's contract with IES. The district did not provide a response to our follow-up email.



## Temecula Valley Charter School Proposition 39 Program

### Background

The CEC approved Temecula Valley Charter School's EEP for \$46,470, which was used for implementation of the following efficiency measures:

<u>School Site</u>	<u>Proposition 39 Share Used at School Site</u>	<u>Efficiency Measures</u>	<u>Reported Annual Cost Savings</u>
Temecula Valley Charter School	\$ 46,470	HVAC system	\$ 3,351
Total	<u>\$ 46,470</u>		<u>\$ 3,351</u>

With these efficiency measures, the district reported a combined SIR of 1.39 and that it created an estimated 0.26 direct job-years.

### Audit Results

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

#### *Projected energy savings not included in the contract*

We reviewed the district's contract with Alpha Mechanical and found that the contract does not include the projected energy savings.

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

#### Recommendation

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

#### District's Response

We informed the district of the audit finding via email on May 30, 2017. The district did not provide a response to the finding.

## Mt. San Antonio Community College District Proposition 39 Program

### Background

The CCCCO approved Mt. San Antonio Community College District's Proposition 39 Funding Application (Form B) for \$1,020,229, which was used for implementation of the following efficiency measure:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings	Savings-to- Investment Ratio	Direct Job-Years Created
2013-14 Application:					
Mt. San Antonio College	\$ 1,020,229	Building 2 chiller replacement			
	<u>\$ 1,020,229</u>		<u>\$ 158,508</u>	<u>1.10</u>	<u>15.19</u>

### Audit Results

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

#### *Projected energy savings not included in the contract*

We reviewed the district's contract with Liberty Climate Control Inc. and found that the contract does not include the projected energy savings.

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

#### Recommendation

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

#### District's Response

We informed the district of the audit finding via email on March 30, 2017. Gary Nellesen, Director of Facilities Planning and Management, responded via email on April 6, 2017, stating:

The 2013 proposition 39 program implementation guidelines reference public resources code 26206(d), and a description of the requirement follows. The code requires "contracts that identify the project specifications, cost and projected energy savings." The explanation that follows indicates that "all contracts need a clear and accurate description of the eligible energy project, including material, products, or services to be president cured, and a budget that includes cost and an estimate of the projected energy savings" (page 31). I believe that our contract for the building 2 chiller replacement meets all of these criteria, however while the budget is clearly shown in the contract documents, the estimate of the projected energy savings is not distinctly listed. The budget does reflect these estimates, and the documentation and calculations supporting the development of the budget includes the estimated energy savings. In addition, the performance criteria of the equipment specified for the project aligns with the assumptions used in the energy savings

estimate. It is possible that the engineer of record and project manager misinterpreted the guidelines and neglected to distinctly list the energy savings estimate on the contract document.

## North Orange County Community College District Proposition 39 Program

### Background

The CCCCOC approved North Orange County Community College District's Proposition 39 Funding Application (Form B) for \$2,129,442, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings	Savings-to- Investment Ratio	Direct Job-Years Created
2013-14 Application:					
Fullerton College	\$ 141,310	Exterior lighting retrofit			
Fullerton College	98,089	Interior lighting retrofit			
Fullerton College	93,863	Variable frequency drive installation on 4 chiller compressors			
Cypress College	260,271	Hallway & common space LED lighting retrofit & controls			
Cypress College	354,166	Interior Lighting Retrofit			
	<u>947,699</u>		<u>\$ 199,350</u>	<u>1.60</u>	<u>7.11</u>
2014-15 Application #1:					
Fullerton College	97,538	Fullerton College chiller variable frequency drive phase 2			
Fullerton College	351,203	Fullerton College interior lighting			
	<u>448,741</u>		<u>127,989</u>	<u>1.30</u>	<u>3.43</u>
2014-15 Application #2:					
Cypress College	394,927	Cypress College Gym HVAC - Electric savings			
Cypress College	338,075	Cypress College Gym HVAC - Gas savings			
	<u>733,002</u>		<u>68,401</u>	<u>1.30</u>	<u>11.18</u>
Total	<u>\$ 2,129,442</u>		<u>\$ 395,740</u>		

### Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Job Creation Fund program guidelines, as well as the CCCCOC's Energy Project Guidance, and identified the following audit issue:

#### *Projected energy savings not included in the contract*

We reviewed the district's contracts with the following Proposition 39 vendors and found that the awarded contracts do not include the projected energy savings:

Vendor	Scope of Work
Air Conditioning Control	Labor and materials to furnish control system
Case & Sons Construction	Installed interior retrofit and LED fixtures
Daikin Applied	Designed, built, and installed variable frequency drives
J Kim Electric	Purchased and installed exterior and interior fixtures
SeaPac Engineering, Inc.	Furnished labor, materials, equipment, and completed all work related HVAC replacement

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

#### Recommendation

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

### District's Response

We informed the district of the audit finding via email on June 1, 2017. Fred Williams, Vice Chancellor, Finance and Facilities, responded by letter dated June 15, 2017, disagreeing with the audit finding. The district's response letter is included in Attachment B.

The district's disagreement with the finding is as follows:

We employed a separate consultant to determine the projected energy savings. This information was included in the State application for approval of the projects, and in some of the board agendas and request for proposal (RFP) documentation. Contracts for engineers were specifically for the purpose of determining the projected energy savings. Therefore, these contracts would not be able to include projections that would be the output of the contract itself. Furthermore, there were projects which were self-performed, with the materials and supplies being purchased and the project being completed with existing staff. These would not have any specific performance contract associated with them. For projects which were completed by outside vendors, the projected energy savings information was included in some of the RFP materials provided contractors.

However, as the contractor was not performing the assessment of the projected savings, it would be extraneous to normal contract language to include that information. Furthermore, we would not be able to hold that contractor accountable to meet those projected energy savings.

Additionally, we did due diligence with regards to ensuring that the energy savings were validated. For the Southern California Edison incentive program, which is piggy-backed with our Prop 39 electrical projects, the project outcome is reviewed by Newcomb Anderson McCormick after project completion to verify or validate energy savings.

The required Code language appears to be intended to document projects savings and tie them back to the projects, which we did. Accordingly, we believe the substance of the Prop 39 requirements have been met.

### SCO's Comment

In our email to the district on June 1, 2017, we did not identify which contracts excluded the projected energy savings. As such, we updated the audit finding to provide more clarity.

We agree with the district's comments that it is not feasible for the engineering contracts and the projects that are self-performed to include the required projected energy savings. Therefore, we excluded these vendors in the finding.

However, for the five vendors identified in the finding, we confirmed that the projected energy savings was not included in the awarded contracts. PRC section 26206(d) requires that projected energy savings be included in the contract. As such, any comments regarding the inclusion of the projected energy savings in the RFP and board agenda items are irrelevant.

## Rancho Santiago Community College District Proposition 39 Program

### Background

The CCCCCO approved Rancho Santiago Community College District's Proposition 39 Funding Application (Form B) for \$1,831,894, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings	Savings-to- Investment Ratio	Direct Job-Years Created
2013-14 Application:					
Santa Ana College	\$ 106,933	Campus-wide exterior lighting retrofit			
Santa Ana College	706,034	Campus-wide interior lighting retrofit			
Santiago Canyon College	204,572	RCx at science building			
	<u>1,017,539</u>		<u>\$ 218,787</u>	<u>2.80</u>	<u>8.82</u>
2014-15 Application:					
Rancho District Office	132,144	Interior lighting LED retrofit			
Santiago Canyon College	550,176	Interior lighting LED retrofit			
Santiago Canyon College	132,035	Parking lot exterior lighting retrofit			
	<u>814,355</u>		<u>177,680</u>	<u>2.80</u>	<u>5.77</u>
Total	<u><u>\$ 1,831,894</u></u>		<u><u>\$ 396,467</u></u>		

### Audit Results

We audited the Proposition 39 program costs and found that all costs reported are in compliance with the Job Creation Fund program guidelines as well as the CCCCCO's Energy Project Guidance.

#### District's Response

We informed the district of the audit finding via email on May 25, 2017. Adam O'Connor, Assistant Vice Chancellor, Fiscal Services, responded via email on May 26, 2017, stating:

The California Clean Energy Jobs Act (Proposition 39) investments made for the Rancho Santiago Community College District (RSCCD) have benefited our campuses, students and staff with energy efficiencies, ongoing cost savings and has helped address sustainability goals in support of the RSCCD Sustainability Plan.

## Yuba Community College District Proposition 39 Program

### Background

The CCCCCO approved Yuba Community College District's Proposition 39 Funding Application (Form B) for \$459,087, which was used for implementation of the following efficiency measures:

School Site	Proposition 39 Share Used at School Site	Efficiency Measures	Reported Annual Cost Savings	Savings-to- Investment Ratio	Direct Job-Years Created
2013-14 Application:					
Yuba College	\$ 140,614	Well pump variable frequency drive			
Yuba College	45,706	Energy mgmt. system for building 2000			
Yuba College	43,723	Energy mgmt. system for building 1000			
Yuba College	44,851	Energy mgmt. system for building 200			
	<u>274,894</u>		<u>\$ 30,103</u>	<u>1.18</u>	<u>1.87</u>
2014-15, Application #1:					
Yuba College	39,008	Energy mgmt. system for building 800			
Yuba College	41,688	Energy mgmt. system for building 700			
Yuba College	35,338	Lighting occupancy sensors			
	<u>116,034</u>		<u>16,516</u>	<u>1.70</u>	<u>0.82</u>
2014-15, Application #2:					
Yuba College	7,349	Energy mgmt. system for buildings 400, 2100, 1200, and 900			
Yuba College	7,349	Energy mgmt. system for building 1800			
Yuba College	8,928	Energy mgmt. system for building 1700			
Yuba College	8,928	Energy mgmt. system for building 1600			
Yuba College	8,929	Energy mgmt. system for building 100B			
Yuba College	8,928	Energy mgmt. system for building 300			
Yuba College	8,928	Energy mgmt. system for building 600			
Yuba College	8,820	Energy mgmt. system for building 100A			
	<u>68,159</u>		<u>27,539</u>	<u>1.18</u>	<u>2.53</u>
Total	<u>\$ 459,087</u>		<u>\$ 74,158</u>		

### Audit Results

We audited the Proposition 39 program costs to ensure compliance with the Job Creation Fund program guidelines, as well as the CCCCCO's Energy Project Guidance, and identified the following audit issue:

#### *Projected energy savings not included in the contract*

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

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

#### Recommendation

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

District's Response

We informed the district of the audit finding via email on May 25, 2017.  
The district did not provide a response to the finding.



**Attachment A—  
Fountain Valley School District's Response to Audit Results**

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**FOUNTAIN VALLEY SCHOOL DISTRICT**  
10055 Slater Avenue • Fountain Valley, CA 92708 • (714) 843-3200  
www.fvsd.us

*Business Services Division*

June 8, 2017

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

Dear Ms. Bonezzi,

This letter is in response to your email, to Isidro Guerra, dated May 30, 2017. The email stated that you identified the following procedural issue: Projected Energy Saving not included in the contract

As we shared, the Fountain Valley School District began its energy saving project prior to the adoption of the full set of Proposition 39 regulations. We initially entered into an Energy Saving Contract, which included lighting and HVAC upgrades with Chevron Energy, who subsequently became Opterra. The contract with Chevron included a comprehensive program development assessment, scope of work and projected energy savings.

Once the completed regulations for the use of Proposition 39 funds were released, the District approved a deductive change order to the Chevron/Opterra contract for the HVAC and lighting upgrades, as we intended the upgrades to be performed with Proposition 39 funds. At that time, a competitive process was undertaken, using the specifications and projected energy savings figures from the original Chevron/Opterra contract. Additionally, Chevron/Opterra acted as the Energy Service Company (ESCO) for this entire project, and has the duty to identify, monitor, report and guarantee the project energy savings.

I have included letters from the contractors who performed the HVAC and lighting upgrades, Air-Ex and Retro Tech Systems, which clearly demonstrate they were aware of the projected energy savings outlined in the Chevron/Opterra contract, and that they performed the work to specification in order to achieve the projected energy savings.

Please feel free to contact me should you require additional information.

Sincerely,

Christine Fullerton

Assistant Superintendent, Business Services



**Air-Ex**  
Air Conditioning, Inc.

157 Gentry Street • Pomona, California 91767-2184

THE AIR CONDITIONING EXPERTS

Tel (909) 596-6856  
Fax (909) 596-3255  
www.air-ex.com

St. Lic. #418759

June 6, 2017

Office of State Controller Betty T. Yee  
Division of Audits, Mandated Cost Audits Bureau  
3301 C Street, Suite 725A  
Sacramento, CA 95816

Attention: Alexandra Bonezzi, Auditor

Regarding: FVSD RFP #14-16 – HVAC Efficiency Upgrades, Agreement Between Fountain Valley School District and Air-Ex Air Conditioning, Inc., Dated May 28, 2014

Dear Ms. Bonezzi:

Although not specifically stated in Air-Ex Air Conditioning, Inc.'s agreement with the Fountain Valley School District to perform HVAC Efficiency Upgrades under RFP #14-16, that scope of work was founded in a comprehensive Program Development Assessment performed by a third party. The Assessment report states savings of 65,969 kilowatt hours (kWh) for the HVAC upgrade work. The savings are derived from replacing (33) old inefficiency equipment rooftop HVAC units at Plavan Elementary School with high-efficiency equipment. At (11) sites including Fountain Valley SD's district office facility the work entailed replacement of mercury and local-only programmable thermostats. Replacement thermostat were Web-based centrally programmable thermostats which allow District personnel to more precisely manage schedules & control space temperatures at the conditioned spaces to save significant kWh. The new stats also provide the ability for the District to troubleshoot space temperature problems from any computer or portable device, such as a cell phone, quickly and without having to actually visit the problem site.

Please let us know if you have additional questions concerning this work.

Respectfully,

Mike Lynaugh  
Vice President



RETRO-TECH SYSTEMS

FVSD P39 SAVINGS RESPONSE

June 6, 2017

Office of State Controller Betty T. Yee  
Division of Audits, Mandated Cost Audits Bureau  
3301 C Street, Suite 725A  
Sacramento, CA 95816

Attention: Alexandra Bonezzi, Auditor

Regarding: FVSD RFP #14-17 – Lighting Efficiency Upgrade, Agreement Between Fountain Valley School District and Retro-Tech Systems, Dated June 27, 2014

Dear Ms. Bonezzi:

Although not specifically stated in Retro-Tech Systems' agreement with the Fountain Valley School District to perform Lighting Efficiency Upgrades under RFP #14-17, that work resulted in annual energy savings to the District of 481,171 kilowatt hours (kWh). The savings resulted mostly from upgrading the District's then existing interior lighting systems to the latest generation (at the time) T-8 linear fluorescent technology. Other upgrades included compact fluorescent lamps, as well as some LED replacement fixtures for exterior and parking lot lighting.

Please let us know if you have additional questions concerning this work.

Sincerely,

A handwritten signature in black ink, appearing to read 'SR' or 'Steve Rosholt', is written over a light gray rectangular background.

Steve Rosholt, Vice President  
Retro-Tech Systems

**Corporate Office**

853 Eastport Centre Drive  
Valparaiso, IN 46383

**Phone** 219.256.7200  
**Fax** 219.256.7201

[www.retrotechsystems.com](http://www.retrotechsystems.com)

**Attachment B—  
North Orange County Community College District's  
Response to Audit Results**

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NORTH ORANGE COUNTY  
COMMUNITY COLLEGE DISTRICT

FRED WILLIAMS  
Vice Chancellor  
Finance & Facilities

CHERYL A. MARSHALL, Ed.D.  
Chancellor

June 15, 2017

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

Erika Hardoyo, Auditor  
Office of State Controller  
3301 C Street  
Sacramento, CA 95816

Re: Audit of California Clean Energy Jobs Act Program Expenditures  
– Proposition 39  
North Orange County Community College District

Dear Ms. Hardoyo:

This letter is the response of the North Orange County Community College District to the request for response received June 1, 2017, via e-mail from you for the above referenced program

**Finding 1 Projected Energy Savings Not Included in the Contract**

The e-mail finding states:

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 contracts with various Proposition 39 vendors, and noted that the contracts do not include the projected energy savings in them.

We employed a separate consultant to determine the projected energy savings. This information was included in the State application for approval of the projects, and in some of the board agendas and request for proposal (RFP) documentation. Contracts for engineers were specifically for the purpose of determining the projected energy savings. Therefore, these contracts would not be able to include projections as that would be the output of the contract itself. Furthermore, there were projects which were self-performed, with the materials and supplies being purchased and the project being completed with existing staff. These would not have any specific performance contract associated with them. For projects which were completed by outside vendors, the projected energy savings information was included in some of the RFP materials provided to contractors.

However, as the contractor was not performing the assessment of the projected savings, it would be extraneous to normal contract language to include that information. Furthermore, we would not be able to hold that contractor accountable to meet those projected energy savings.

Additionally, we did due diligence with regards to ensuring that the energy savings were validated. For the Southern California Edison incentive program, which is piggy-backed with our Prop 39 electrical projects, the project outcome is reviewed by Newcomb Anderson McCormick after project completion to verify or validate energy savings.

The required Code language appears to be intended to document projected savings and tie them back to projects, which we did. Accordingly, we believe the substance of the Prop 39 requirements have been met.

Sincerely,

A handwritten signature in blue ink, appearing to read "Fred Williams".

Fred Williams, Vice Chancellor, Finance and Facilities  
North Orange County Community College District

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

**<http://www.sco.ca.gov>**