

WCCUSD



JOINT MEETING
WCCUSD BOARD OF EDUCATION
AND
CITIZENS' BOND
OVERSIGHT COMMITTEE

MEETING PACKET FOR: MARCH 27, 2019

1400 MARINA WAY SOUTH RICHMOND, CA 94804

NORMS OF BEHAVIOR

Every team has two components that team members must keep in mind if the team is going to succeed.

- The team must pay attention to the Committee's purpose.
- The team must also carefully shape and monitor the team process it uses to accomplish its purpose.

Team process includes:

- How team members interact with and communicate with each other
- How team members will be responsible and accountable for accomplishing the CBOC's purpose

These team norms or ground rules are established with all members of the team participating equally:

- Recognize cross-disciplinary interaction requires patience and openness to diverse perspectives
- All views are important
- Participation needs to be equitable and balanced
- Expect, respect, and accept disagreements
- Reducing defensiveness is the responsibility of all
- Be tough on issues not on each other
- Place cell phones on silent
- Read agenda packet before the meeting

CBOC Chair Don Gosney can be reached at:

Home Office: (510) 233-2060 Mobile: (510) 685-2403

email dongosney@comcast.net

CBOC members are requested to call or email if they are unable to attend a CBOC meeting

WCCUSD

CITIZEN'S BOND OVERSIGHT COMMITTEE

BASIC PARLIAMENTARY PROCEDURES

THE CBOC CONDUCTS THEIR AFFAIRS USING ROBERTS RULES OF ORDER

All discussions and actions go through the Chair.

All actions require a MOTION and a SECOND before proceeding.

- Once a MOTION has been seconded, it then belongs to the body.
- There is no such thing as a friendly (or unfriendly) amendment. Amendments are made and seconded, discussed and then the amendment is voted on for acceptance or rejection.
- If an amendment is passed, then the AMENDED MOTION is voted on.

Motions and amendments need to be clear and concise in what is being discussed and voted on. The CBOC does not vote on general ideas—they vote on specific language. Words matter.

A MOTION TO END DEBATE must be seconded and requires a 2/3 majority for passage.

- A MOTION TO TABLE is used to postpone the vote on an issue until a later date.
- A MOTION TO TABLE **cannot** be used as a means to kill a motion—only postpone it.
- When a MOTION TO TABLE is made, it must also be stated when the item is to be removed from the table for a vote.

Motions require a simple majority (50%+1 of those voting) for passage.

An ABSTENTION does not count as a 'YES' or a 'NO' vote. An ABSTENTION is used to validate that a quorum exists.

A quorum (50%+1 of the total number of CBOC members) must be present to vote on any issue.

A MOTION TO ADJOURN is always in order.

CBOC TABLET INSTRUCTIONS

(Tablet Has Touchscreen Function)

In an effort to reduce costs, as an alternative to a printed agenda packet, pre-loaded tablets are provided to the CBOC members and the public. A limited number of printed packets are still made available for both the CBOC and the public.

Login: CBOC

Password: cboc

LOG IN

1. Power button is on the left side at the top. Press it for a few seconds and it should blink white . (Tapping on this button can also be used to revive the computer if sleeping.)
2. Press Ctrl-Alt-Delete
3. The CBOC user account should appear . Type cboc (all lower case) for the password and press ENTER.
4. Click the CBOC link on the desktop. This will open up the Google Drive folder.
5. Click anywhere in the icon and it will open the pdf within Chrome.
 - a.single click (tap) on LINK to open back up documentation in a new tab

DOCUMENT NAVIGATION

Double Click/Tap—GOOGLE DRIVE LINK

Single Click/Tap on GOOGLE DOCUMENT—CBOC Packet Agenda

Single Click/Tap on LINK within the CBOC Packet Agenda—to OPEN
DOCUMENT in NEW TAB

Return to GOOGLE DRIVE TAB for Agenda Packet

Right/Left Arrow—TO ACCESS ADDITIONAL DOCS (Not included
in Agenda Packet)

**CBOC TABLET CANNOT BE REMOVED FROM THE
PREMISES**

CBOC TABLET INSTRUCTIONS

(Tablet Has Touchscreen Function)

F A Q S

WIFI TROUBLESHOOTING

If the wifi is a problem (there's a wifi icon in the lower right on the login screen, also after you log in), you can click or tap this icon and select

WCCUSDADMIN and press the Connect button

(the password is saved so it shouldn't ask you.) If that doesn't work, try

WCCUSD BYOD.

ALTERNATIVE CBOC PACKET IN PDF WITHOUT LINKS

Click the CBOC pdf. The down arrow in the icon will download the pdf.

The download will appear on desktop.

Open the pdf (there is no link ability within the download file)

MAKE THE PDF LARGER

There's a magnifying glass icon in the pdf controls at the bottom, this will enlarge the pdf to fit the screen.

**CBOC TABLET CANNOT BE REMOVED FROM THE
PREMISES**



WCCUSD
CITIZENS' BOND OVERSIGHT COMMITTEE
Kathy Fleming Don Gosney Cameron Moore
Vice Chairperson Chairperson Secretary

A G E N D A

Wednesday March 27, 2019 at 6:15 PM

Note: Links in this document are PDFs on Google Drive. Clicking on the links should open the PDFs in a web browser on your computer. The full agenda packet may be viewed on the CBOC website or by clicking this link:

[03.27.19 CBOC Agenda Packet](#)

**A L L I T E M S A R E
D I S C U S S I O N O N L Y**

A . O P E N I N G P R O C E D U R E S

A.1 CALL TO ORDER & OPENING REMARKS

A.2 PLEDGE OF ALLEGIANCE

A.3 ROLL CALL

WCCUSD BOE: Tom Panas, Valerie Cuevas, Consuelo Lara, Mister Phillips & Stephanie Hernandez-Jarvis
[5 members ~ 3 required for a quorum]

CBOC: Sallie DeWitt, Kathy Fleming, Don Gosney, Vanessa Hill, Lorraine Humes, Anton Jungherr, Cameron Moore, Robson Swift & Gregg Visineau
[9 members ~ 5 required for a quorum]

A.4 AGENDA REVIEW AND ADOPTION

A.5 PUBLIC COMMENTS FOR ITEMS NOT ON THE AGENDA

Items already on the agenda may not be spoken on in this section. Speakers must fill out a Speaker Form with the appropriate agenda item listed. Speakers will be allowed three minutes.

F a c i l i t i e s O p e r a t i o n s C e n t e r
1 4 0 0 M a r i n a W a y S o u t h
R i c h m o n d C A 9 4 8 0 4 - 3 7 4 7

WCCUSD

CITIZENS' BOND OVERSIGHT COMMITTEE

B . D I S C U S S I O N I T E M S D I S T R I C T R E P O R T S

B.1 PRESENTATION OF THE BOND FINANCIAL AUDIT

2010 Measure D, 2012 Measure E as of June 30, 2018

Dr. John al-Amin, Associate Superintendent Business Services

Comments: Representatives from Christy White Associates (CWA) will present their independent audit report of the West Contra Costa Unified School District's 2010 Measure D and 2012 Measure E General Obligation Bonds Financial Audit for the fiscal year ending June 30, 2018.

The 2010 Measure D and 2012 Measure E General Obligation Bonds Financial Audit June 31, 2018 is posted on the district website.

[Bond Financial Audit 06.30.18](#)

[Page 4 of 175](#)

B.2 PRESENTATION OF THE BOND PERFORMANCE AUDIT

2010 Measure D, 2012 Measure E as of June 30 2018

Lisa LeBlanc, Associate Superintendent Facilities, M&O, Bond

Comments: The District's Performance Audit firm, Moss-Adams LLP, will present the independent Bond (2010 Measure D and 2012 Measure E) Performance Audit for the year ended June 30, 2018.

[2018 Performance Audit](#)

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B.3 REVIEW OF FORENSIC ACCOUNTING REPORT RECOMMENDATIONS

Lisa LeBlanc, Associate Superintendent Facilities, M&O, Bond

Comments: Moss Adams LLP will present the Forensic Accounting Investigation Implementation Review.

[WCCUSD FAI Implementation Review](#)

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WCCUSD

CITIZENS' BOND OVERSIGHT COMMITTEE

B . D I S C U S S I O N I T E M S C B O C R E P O R T S

B.4 PROPOSED AMENDMENTS TO BOARD POLICY 7214.2 CITIZENS' BOND OVERSIGHT COMMITTEE (CBOC)

**Lisa LeBlanc, Associate Superintendent Facilities, M&O, Bond
Cameron Moore, CBOC**

Comments: The Citizens' Bond Oversight Committee will present their recommendations related to Board Policy 7214.2

[CBOC Proposed Revised Board Policy](#)

[Page 125 of 175](#)

[Explanation of Proposed Amendment](#)

[Page 138 of 175](#)

B.5 FACILITIES MASTER PLAN DISCUSSION

**Lisa LeBlanc, Associate Superintendent Facilities, M&O, Bond
Gregg Visineau, CBOC**

Comments: The Citizens' Bond Oversight Committee will present information relating to Facilities Master Plan escalation costs.

[FMP Escalation of Costs](#)

[Page 164 of 175](#)

[FMP Escalation of Costs with notes](#)

[Page 169 of 175](#)

C L O S I N G

C. COMMENTS FROM BOARD PRESIDENT TOM PANAS AND CBOC CHAIRPERSON DON GOSNEY

D. ADJOURNMENT

Disability Information

Upon written request to the District, disability related modifications or accommodations—including auxiliary aids or services—will be provided.

Please contact the Superintendent's Office at (510) 231-1101 at least 48 hours in advance of the meeting.

**2010 MEASURE D AND 2012 MEASURE E
BOND BUILDING FUND**

**WEST CONTRA COSTA UNIFIED SCHOOL
DISTRICT**

FINANCIAL AUDIT REPORT

**FOR THE YEAR ENDED
JUNE 30, 2018**

San Diego

Los Angeles

**San Francisco
Bay Area**

christywhite
A PROFESSIONAL
ACCOUNTANCY CORPORATION *associates*

2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
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JUNE 30, 2018

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**2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
INTRODUCTION AND CITIZENS' BOND OVERSIGHT COMMITTEE MEMBER LISTING
JUNE 30, 2018**

The West Contra Costa Unified School District was established as the Richmond Unified School District on July 1, 1965 and with the passage of AB 535 (Bates), was renamed the West Contra Costa Unified School District on March 17, 1993. The District is comprised of an area of approximately 112 square miles located in Contra Costa County. There were no changes in the boundaries of the District during the current year. The District is operating one special education pre-school, thirty-two elementary schools, five kindergarten through eighth, six middle schools, one middle-college high school and six high schools. The District also maintains two alternative high schools, an elementary community day school and a school for continuing adult education.

The general obligation bonds associated with Measure D were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 Education Code Sections 15261 - 15288 of the California Education Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Education of the District on March 3, 2010.

The District received authorization from an election held on June 8, 2010, to issue bonds of the District in an aggregate principal amount not to exceed \$380,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2010 Authorization). The bonds represent Series A through E issuances of the authorized bonds issued under the 2010 Authorization, totaling \$315,000,000 as of June 30, 2018.

The general obligation bonds associated with Measure E were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by Board of Education of the District on August 1, 2012.

The District received authorization from an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$360,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2012 Authorization). The bonds represent Series A through D issuances of the authorized bonds issued under the 2012 Authorization, totaling \$295,000,000 as of June 30, 2018.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond measure pursuant to the 55% majority authorized in Measure D and E including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

**2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
INTRODUCTION AND CITIZENS' BOND OVERSIGHT COMMITTEE MEMBER LISTING,
CONTINUED
JUNE 30, 2018**

Governing Board

Member	Office	Term Expires
Valarie Cuevas	President	December 2018
Mister Phillips	Clerk	December 2020
Madeline Kronenberg	Member	December 2018
Tom Panas	Member	December 2020
Elizabeth Block	Member	December 2018

Citizens' Bond Oversight Committee

Name	Representation	Education Code Section
Sallie DeWitt	Active in a Business Organization	15282(a)(1)
Kathy Fleming (Vice Chairperson)	El Cerrito Resident	N/A
Denise Gianni	Active in a Bona Fide Taxpayers' Organization	15282(a)(3)
Don Gosney (Chairperson)	Richmond Resident	N/A
Auna K. Harris	San Pablo Resident	N/A
Leisa Johnson	Richmond Resident	N/A
Anton Jungherr	Hercules Resident	N/A
Cameron Moore (Secretary)	Parent or Guardian & PTA Member	15282(a)(5)
Robson Swift	WCCUSD Student	N/A
Gregg Visineau	Active in a Senior Citizens' Organization	15282(a)(2)
Vacant	Parent or Guardian	15282(a)(4)
Vacant	WCCUSD Employee Union	N/A
Vacant	Building Trades Council	N/A
Vacant	Pinole Resident	N/A
Vacant	Richmond Resident	N/A
Vacant	Unincorporated Area	N/A
Vacant	Unincorporated Area	N/A

INDEPENDENT AUDITORS' REPORT

Governing Board Members of
West Contra Costa Unified School District and the
Citizens' Bond Oversight Committee
Richmond, California

We have audited the accompanying financial statements of the 2010 Measure D and 2012 Measure E Bond Building Fund of West Contra Costa Unified School District (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 2010 Measure D and 2012 Measure E Bond Building Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Christy White, CPA

Michael D. Ash, CPA

John Whitehouse, CPA

Heather Daud Rubio

SAN DIEGO

LOS ANGELES

SAN FRANCISCO/BAY AREA

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State Board of Accountancy*

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

As discussed in Note 1A, the financial statements present only the individual Proposition 39 Bond Building Fund, consisting of the net construction proceeds of the Measure D and E general obligation bonds as issued by the District, through the County of Contra Costa, and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 2010 Measure D and 2012 Measure E Bond Building Fund of West Contra Costa Unified School District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

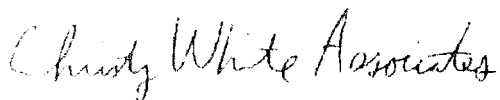
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 2010 Measure D and 2012 Measure E Bond Building Fund's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2019 on our consideration of the Measure D and E Bond Building Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Measure D and E Bond Building Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Measure D and E Bond Building Fund's internal control over financial reporting and compliance.



San Diego, California
March 11, 2019

FINANCIAL SECTION

2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
 WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
 BALANCE SHEET
 JUNE 30, 2018

	Measure D	Measure E	Total
ASSETS			
Cash and investments	\$ 94,362,608	\$ 54,304,277	\$ 148,666,885
Accounts receivable	119,832	71,292	191,124
Total assets	<u>\$ 94,482,440</u>	<u>\$ 54,375,569</u>	<u>\$ 148,858,009</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accrued liabilities	\$ 2,647,756	\$ 10,756,217	\$ 13,403,973
Total liabilities	<u>2,647,756</u>	<u>10,756,217</u>	<u>13,403,973</u>
FUND BALANCE			
Restricted for Measure D & E capital projects	91,834,684	43,619,352	135,454,036
Total liabilities and fund balance	<u>\$ 94,482,440</u>	<u>\$ 54,375,569</u>	<u>\$ 148,858,009</u>

The accompanying notes to financial statements are an integral part of this statement.

**2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018**

	Measure D	Measure E	Total
REVENUES			
Local revenue	\$ 676,241	\$ 355,098	\$ 1,031,339
Total revenues	676,241	355,098	1,031,339
EXPENDITURES			
Facilities acquisition and construction	13,787,245	45,686,372	59,473,617
Debt service - issuance costs	252,775	252,775	505,550
Total expenditures	14,040,020	45,939,147	59,979,167
Excess (deficiency) of revenues over (under) expenditures	(13,363,779)	(45,584,049)	(58,947,828)
OTHER FINANCING SOURCES			
Proceeds from long term debt	65,000,000	60,000,000	125,000,000
Total other financing sources	65,000,000	60,000,000	125,000,000
NET CHANGE IN FUND BALANCE	51,636,221	14,415,951	66,052,172
Fund Balance, July 1, 2017	40,198,463	29,203,401	69,401,864
Fund Balance, June 30, 2018	\$ 91,834,684	\$ 43,619,352	\$ 135,454,036

The accompanying notes to financial statements are an integral part of this statement.

**2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements include the activity and balances of the 2010 Measure D and 2012 Measure E General Obligation Bonds, only. The activities of the 2010 Measure D and 2012 Measure E General Obligation Bonds are recorded along with other activities in the District's Building Fund. These financial statements are not intended to present the financial position and results of operations of West Contra Costa Unified School District as a whole. There are no related parties or component units included in this financial statement presentation.

In accordance with Proposition 39, the Citizens' Bond Oversight Committee (CBOC), was established pursuant to the requirements of state law and the provisions of the 2010 Measure D and 2012 Measure E General Obligation Bonds. The CBOC is required by state law to actively review and report on the proper expenditure of taxpayers' money for school construction. The CBOC provides oversight and advises the public whether the District is spending the Bond funds for school capital improvements within the scope of projects outlined in the Bond project list. In fulfilling its duties, the CBOC reviews, among other things, the District's annual performance and financial audits of the Measure D & E activity.

B. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

The information presented is for the Measure D & E bond fund is reported on a modified accrual basis and does not include Capital Assets and Long-Term Debt. Capital Assets and Long-Term Debt are reported in the Government Wide financial statements in the District Audit Report.

C. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid.

D. Cash and Investments

In accordance with Education Code Sections 15357 and 41001, the District maintains a portion of its cash in the Contra Costa County Treasury. The county pools these funds with those of other districts in the county and invests the cash. These pooled funds are carried at cost, which approximates market value. Interest earned is deposited quarterly into participating funds. Any investment losses are proportionately shared by all funds in the pool.

2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's Governing Board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's Governing Board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Fund Balance

Fund Balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The five classifications are *Nonspendable*, *Restricted*, *Committed*, *Assigned* and *Unassigned*. The category applicable to Proposition 39 bonds is the *Restricted* classification. The restricted fund balance classification reflects amounts subject to externally imposed and legally enforceable constraints. Such constraints may be imposed by creditors, grantors, contributors, or laws or regulations of other governments, or may be imposed by law through constitutional provisions or enabling legislation.

2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS

Summary of Cash and Investments

Cash and investments as of June 30, 2018 are classified in the accompanying financial statements as follows:

	Measure D	Measure E	Total
Cash in county treasury	\$ 83,303,364	\$ 39,657,038	\$ 122,960,402
Cash with fiscal agent	939,128	4,527,122	5,466,250
Local agency investment fund	10,120,116	10,120,117	20,240,233
Total	\$ 94,362,608	\$ 54,304,277	\$ 148,666,885

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered state warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with maturities up to 30 years.

Cash in County Treasury The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

Policies and Practices, continued

Cash with Fiscal Agent – The Cash with Fiscal Agent in the Building Fund represents contract retentions that are placed with an independent third party. These amounts are carried in the contractor's name and all investment risk resides with the contractor.

Local Agency Investment Fund (LAIF) - West Contra Costa Unified School District places certain funds with the State of California's Local Agency Investment Fund (LAIF). The District is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the District's investment in the pool is reported in the accompanying financial statements based upon the District's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The monies held in the pooled investments funds are not subject to categorization by risk category. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours' notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by federal agencies, government sponsored enterprises and corporations.

LAIF is administered by the State Treasurer. LAIF investments are audited annually by the Pooled Money Investment Board and the State Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. The Pooled Money Investment Board has established policies, goals, and objectives to make certain that their goal of safety, liquidity and yield are not jeopardized.

2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

General Authorizations

Except for investments by trustees of debt proceeds, the authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. The table below identifies examples of the investment types permitted in the investment policy:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Contra Costa County Investment Pool with a fair value of approximately \$122,829,386 and an amortized book value of \$122,960,402. The weighted average maturity for this pool as of June 30, 2018 was 167 days. Investments consist of amounts on deposit with the Local Agency Investment Fund (LAIF) with an amortized book value of \$20,240,233, and an equivalent fair market value.

2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018

NOTE 2 – CASH AND INVESTMENTS (continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Contra Costa County Investment Pool is rated AAAf/S1 by Standard and Poor's.

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

Fair Value

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure an asset's fair value. The following provides a summary of the hierarchy used to measure fair value:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets.

Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, either directly or indirectly.

Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District's own data. The District should adjust that data if reasonable available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

Uncategorized - Investments in the Contra Costa County Treasury Investment Pool and Local Agency Investment Funds are not measured using the input levels above because the District's transactions are based on a stable net asset value per share. All contributions and redemptions are transacted at \$1.00 net asset value per share.

The District's fair value measurements at June 30, 2018 were as follows:

	Uncategorized
Investment in county treasury	\$ 122,829,386
Local Agency Investment Fund (LAIF)	20,240,233
Total fair market value of investments	\$ 143,069,619

2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 2018

NOTE 3 – ACCRUED LIABILITIES

Accrued liabilities at June 30, 2018 consisted of the following:

	Measure D	Measure E	Total
Construction	\$ 2,647,756	\$ 10,756,217	\$ 13,403,973
Total	\$ 2,647,756	\$ 10,756,217	\$ 13,403,973

NOTE 4 – COMMITMENTS AND CONTINGENCIES

As of June 30, 2018, the District had commitments with respect to unfinished capital projects as follows:

	Remaining Construction Commitments
Measure D	
Wilson Elementary School	\$ 34,230,020
Information Technology	3,766,252
Nystrom Elementary School	339,265
Korematsu Middle School	9,968
Subtotal - Measure D	38,345,505
Measure E	
Pinole Valley High School	39,782,014
Subtotal - Measure E	39,782,014
Total	\$ 78,127,519

NOTE 5 – RECONCILIATION OF BUILDING FUND BALANCE

Description	Measure D & E Bond Audit	Other Building Funds	District Audit - Building Fund
Revenues	\$ 1,031,339	\$ 57,041	\$ 1,088,380
Expenditures	59,979,167	17,622,316	77,601,483
Other Financing Sources	125,000,000	16,886,046	141,886,046
Net Change in Fund Balance	66,052,172	(679,229)	65,372,943
Beginning Fund Balance	69,401,864	3,161,614	72,563,478
Ending Fund Balance	\$ 135,454,036	\$ 2,482,385	\$ 137,936,421

SUPPLEMENTARY INFORMATION SECTION

2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

There were no adjustments necessary to reconcile fund balances for Measure D & E of the Annual Financial and Budget Report with the Audited Financial Statements for the year ended June 30, 2018.

**OTHER INDEPENDENT AUDITORS'
REPORT**

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

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State Board of Accountancy

Governing Board Members of
West Contra Costa Unified School District and the
Citizens' Bond Oversight Committee
Richmond, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 2010 Measure D and 2012 Measure E Bond Building Fund, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 2010 Measure D and 2012 Measure E Bond Building Fund's basic financial statements, and have issued our report thereon dated March 11, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 2010 Measure D and 2012 Measure E Bond Building Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 2010 Measure D and 2012 Measure E Bond Building Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the 2010 Measure D and 2012 Measure E Bond Building Fund's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 2010 Measure D and 2012 Measure E Bond Building Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



San Diego, California
March 11, 2019

AUDIT FINDINGS AND MANAGEMENT'S RESPONSE SECTION

2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SCHEDULE OF AUDIT FINDINGS AND MANAGEMENT'S RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

There were no financial statement findings for the year ended June 30, 2018.

**2010 MEASURE D AND 2012 MEASURE E BOND BUILDING FUND
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018**

There were no financial statement findings for the year ended June 30, 2017.



DRAFT REPORT

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

PROPOSITION 39 BOND PERFORMANCE AUDIT REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

March 21, 2019

Moss Adams LLP
101 Second Street, Suite 900
San Francisco, CA 94105
(415) 956-1500



MOSSADAMS

March 21, 2019

Board of Education
Governing Board and Citizens' Bond Oversight Committee
West Contra Costa Unified School District
1400 Marina Way South
Richmond, CA 94804

Subject: Proposition 39 Bond Performance Audit Report for the Fiscal Year Ended June 30, 2018

Dear Board and Committee Members:

This report presents the results of our performance audit of the West Contra Costa Unified School District's (WCCUSD or the District) Measure D (2010) and Measure E (2012) Construction Bond Programs (Bond Program) as required by District objectives and California Proposition 39, the "Smaller Classes, Safer Schools and Financial Accountability Act" (Proposition 39), California Constitution (State Constitution) Article XIII A, and California Education Code (Education Code) Section 15272. These California State (State) requirements specify that the proceeds from the sale of school facilities bonds be expended only on the specific projects listed in the proposition authorizing the sale of bonds (Listed Projects).

Both the State Constitution and Education Code require an annual independent performance audit to verify that Bond proceeds are used on Listed Projects. Finally, Senate Bill 1473, "School facilities bond proceeds: performance audits" (SB 1473), approved by the Governor on September 23, 2010, amended the Education Code to add Section 15286, which requires that the annual performance audit be conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States.

EXECUTIVE SUMMARY

We conducted this Bond Program performance audit in accordance with GAGAS. These 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The performance audit objectives, scope,

methodology, conclusions, and a summary of the views of responsible District Officials are included in the report body.

Based on the performance audit procedures performed and the results obtained, we have met our audit objective. We conclude that bond proceeds were only expended on the Listed Projects under Measure D (2010) and Measure E (2012) Bond language for the fiscal year (FY) ended June 30, 2018. For District labor charges to the Bond Program, we noted that the District was unable to demonstrate that these charges were accurately and completely identified as Bond Program costs with timekeeping records. Additionally, we noted improvement recommendations as reported below regarding the District and Professional Staffing Plan, Design and Construction Budget Management, Bidding and Procurement Procedures, Procurement Fraud Prevention and Detection Controls, Bond Program Master Planning and Reporting, Claim Avoidance and Control Procedures, Materials Specifications, Cost Benefit and Value Engineering Analyses, Maintenance of District Assets Funded by Local Bond and Warranty Conditions Compliance, Change Order Management and Controls Application, Contractor Billing Compliance, Project Close-out Controls, Post Financing Review, Timeliness of Payments, Local Participation Requirements, and Transparency of Bond Program.

Based on our assessment, we identified a number of good management practices as described below:

- Though not formally adopted, a Bond Program policies and procedures manual is being drafted, including a comprehensive scope of processes related to the bond program including bidding and procurement, payment processing, project close-out, value engineering, etc. The procedure drafts are being organized into an organized table of contents and will be referenced to address recommendations received from prior program reviews.
- The District maintained and updated a prequalification list for architectural firms during Fiscal Year 2018 by issuing an RFQ for Architect of Record Services.
- A formal update to the Bond Program master plan was presented to the Board on May 30, 2018, including updates to key projects, cash flow expectations, and more.
- The District maintains Board-approved design standards, including educational specifications, technology infrastructure standards, and material and product standards, to be utilized District-wide.
- The Citizens' Bond Oversight Committee (CBOC) meets monthly, with minutes uploaded to the District's website, and stresses the importance of Brown Act compliance with regards to regular CBOC and Audit Subcommittee meetings.

Additionally, we evaluated the effectiveness and efficiency of internal controls to provide an analysis of the School Construction Program so that those charged with District governance and oversight can use the information to improve Bond Program performance and operations. Through inquiry and review of documents, we confirmed 18 out of 21 of the prior year's recommendations were not fully addressed in a documented action plan. Additionally, based on the FY 2017-18 audit, seven additional improvement opportunities were identified. Management responses from the District Facility Staff are reported in Reporting Views of Responsible Officials for each recommendation. The majority of the opportunities for improvement related to the District not having formalized and Board-approved policies and procedures. Based on inquiry with the District, policy and procedure development will be a major focus area in FY 2019-2020. We identified the following internal control improvement opportunities related to compliance with Bond Program requirements, effectiveness, and efficiency of operations:

Expenditure Management and Controls

- The District needs to provide adequate documentation to support staff charge allocation to the Bond Program (see Conduct a Performance Audit).
- The District should have defined approval authority for vendor payment processing within the Bond Program policy and procedure manual to ensure appropriate review and controls (see Observation No. 14 in the report body).
- There were seven instances where payment processing took longer than 30 days and was not supported by a payment application/invoice rejection letter justifying the delay (see Observation No. 19 in the report body).

Program Management

- WCCUSD should have well-defined reporting and procedures for in-house or consultant staff for the Bond Program (see Observation No. 1 in the report body).
- Bidding and Procurement:
 - The District should have formal bid and procurement policies and procedures defining roles and responsibilities (see Observation No. 4a in the report body).
 - The District needs to provide evidence of a fair, competitive solicitation process for architectural and professional construction services for four vendors (see Observation No. 4b in the report body).

- The District needs to provide evidence of a competitive solicitation process for construction services for two vendors requiring such per the District's procedural documents (see Observation No. 4c in the report body).
- The District needs to evidence adequate Board approval for two vendor contracts/purchase orders (see Observation No. 4d in the report body).
- Formal policies and procedures and monitoring controls to prevent and detect procurement fraud should be available (see Observation No. 5 in the report body)
- WCCUSD policies and procedures should define master planning processes and procedures (see Observation No. 6a in the report body).
- Program reporting should include adequate details to allow key stakeholders to analyze the project forecast at the program and project level to actual committed contract values and the associated timing of revenues, expenditures, cash flow, and fund balances as recommended by the GFOA and the SDCTA (see Observation No. 6b in the report body).
- District policies and procedures should identify roles and responsibilities to be taken to prevent or limit claim exposures (see Observation No. 8 in the report body).
- WCCUSD should have formal policies and procedures surrounding how to make updates to the Material Specifications log (see Observation No. 9 in the report body).
- The District should have approved policies and procedures for conducting cost benefit analyses and value engineering studies in FY 2017-18 (see Observation No. 10 in the report body).
- The District needs to provide documentation to evidence assets funded by the Bond Program were compliant with warranty condition requirements (see Observation No. 11 in the report body).
- WCCUSD policy and procedures surrounding project close-out controls should be formalized and Board approved (see Observation No. 15 in the report body).
- WCCUSD policies and procedures could be improved upon to include pricing goals and requirements for future bond issuances (see Observation No. 16 in the report body).
- The District no longer tracks local participation and instead relies on construction firms to comply with these requirements (see Observation No. 20 in the report body).
- Bond Program policies and procedures should be formalized and approved by the Board and the transparency of the Bond Program can be improved (see Observation No. 22).

Budgetary Management and Change Order Reporting and Controls

- The District should have established policies and procedures for design and construction budget establishment and management for the Bond Program (see Observation No. 3 in the report body).
- WCCUSD should have formal change order policies and procedures (see Observation No. 13A in the report body).
- Adequate change order reporting to ensure end users understand change order impact and assigned responsibility should be available (see Observation No. 13b in the report body).
- We observed several contracts that had significant change order values compared to the original contract amounts, which presents a good opportunity to improve change order management and controls (see Observation No. 13c in the report body).

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

We would like to express our appreciation to you and all members of your staff for your cooperation throughout this performance audit.

Sincerely,

Moss Adams LLP
San Francisco, CA

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I. BACKGROUND INFORMATION

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT-APPROVED BOND FUNDS

The District has a goal of completing an approximately \$1.63 billion facility improvement program, which includes Measure D (2010) and Measure E (2012) Bond Program funds that were audited for FY 2018. In 2010, the District received approval of the Measure D \$380 million authorization to fund the acquisition, construction, reconstruction, and modernization of school facilities. Subsequently, in 2012, \$360 million was authorized for Measure E projects to fulfill the same purpose. The overall District Bond Program is in its 19th year, dating back to November 2000.

Bond Program accounting records for the fiscal year ending June 30, 2018, showed \$77,601,483 in Proposition 39 Bond Program expenditures in FY 2018.

CALIFORNIA STATE REQUIREMENTS

A Construction Bond Program performance audit is required for WCCUSD Measure D (2010) and Measure E (2012) Construction Bonds by Proposition 39, State Constitution Article XIII A, and Education Code Section 15272. These State requirements specify that the proceeds from the sale of school facilities bonds are expended only on Listed Projects. Both the State Constitution and Education Code require an annual independent performance audit to verify Bond proceeds are used on Listed Projects. Finally, SB 1473, approved by the Governor on September 23, 2010, amended the California Education Code to add Section 15286, which requires that an annual performance audit is conducted in accordance with the GAGAS issued by the Comptroller General of the United States.

Proposition 39, the “Smaller Classes, Safer Schools and Financial Accountability Act,” was passed by California voters on November 7, 2000. Proposition 39 amended provisions to the California Constitution and to the California Education Code. The purpose and intent of the initiative was “to implement class size reduction, to ensure that our children learn in a secure and safe environment, and to ensure that school districts are accountable for prudent and responsible spending for school facilities.” It provided for the following amendments to the California Constitution and California Education Code:

1. *“To provide an exception to the limitation on ad valorem property taxes and the two-third vote requirements to allow school districts, community college districts, and county offices of education to equip our schools for the 21st Century, to provide our children with smaller classes, and to ensure our children’s safety by repairing, building, furnishing and equipping school facilities;*



2. *To require school district boards, community college boards, and county offices of education to evaluate safety, class size reduction, and information technology needs in developing a list of specific projects to present to the voters;*
3. *To ensure that before they vote, voters will be given a list of specific projects their bond money will be used for;*
4. *To require an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the proceeds have been expended for the specified school facilities projects; and*
5. *To ensure that the proceeds from the sale of school facilities bonds are used for specified school facilities projects only, and not for teacher and administrator salaries and other school operating expenses, by requiring an annual independent performance audit to ensure that the funds have been expended on specific projects only.”*

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II. OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of the performance audit included verification of WCCUSD compliance with Proposition 39, which required that Bond proceeds only be used for school facilities projects that were listed with the Bond. The District created the Measure D (2010) and Measure E (2012) funds under Proposition 39 and, as such, has been required to expend these fund proceeds only on Listed Projects, and not for school operating expenses, for the District FY ending June 30, 2018. The Bond Program expended \$77,601,483 in FY 2018.

We conducted this Construction Bond Program performance audit in accordance with GAGAS. As required by GAGAS, we planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives. Because GAGAS performance audit procedures require reasonable assurance, and these audit procedures did not require detailed examination of all transactions and activities, there is a risk that compliance errors, fraud, or illegal acts may exist that were not detected by us. Based on the performance audit procedures performed and the results obtained, we have met our audit objective.

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

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

The performance audit methodology applied included the following:

Conduct a Performance Audit: We conducted the audit in accordance with GAGAS for Performance Audits as codified by the Government Auditing Standards, December 2011 Revision, issued by the Comptroller General of the United States. We reviewed the Bond Program's financial records and expenditures to verify that funds were used for approved Bond Program purposes as set forth in the ballot language, Bond documents, Board-approved Listed Projects, and Proposition 39 requirements. We reviewed the Bond Program's financial records and expenditures by obtaining the Comprehensive Annual Financial Report and comparing the balances to the District's detailed accounting records. We analyzed control processes, tested the Bond Program expenditure cycle, and sampled supporting documentation to validate internal controls. Testing procedures included the use of Audit Command Language (ACL) to select a statistical, monetary unit sample to provide a 90 percent level of confidence that expenditure transactions from the Bond Program were



compliant with Bond Program and legal requirements. We tested 69 expenditures totaling \$42,691,157. These transactions included payments to contractors and vendors, and journal entries of inter-fund transfers. Our testing procedures were performed to verify:

- Expenditures were for Listed Projects.
- Approval of payment applications and invoices was obtained.
- Expenditures complied with the approved contract, purchase order, or other procurement documentation.
- Expenditures were recorded in the proper period, accurately, and in a complete manner in the District's books and records.
- Expenditures met allocability and allowability requirements for allowance and contingency usage per sampled job contract language.

The methodology for each of the performance audit objectives (as specified by the District and agreed upon for this performance audit) was as follows:

1. **District and Professional Services Staffing Plan for the Bond Program:** We reviewed the District's policies and approach to in-house and consultant staffing for managing the measures and the effectiveness of the staffing related to the number of Bond Program projects. We analyzed the organizational structure alignment between the program management team and the contracts, and validated and evaluated processes for project reporting, communication, problem resolution, decision support, change order authorizations, scope of control, and segregation of duties. As part of this analysis, we leveraged our experience with other school construction programs to compare District staffing levels to workload requirements.
2. **Design and Construction Schedules Cash Flow Analysis:** We reviewed the methods utilized by the District and their consultants to track the schedule of available revenue and expenditures for all projects and to plan each building project in accordance with the availability of funds. To accomplish this, we conducted walkthroughs of existing tracking methods as well as Bond fund expenditure schedules, reviewed available reports, and sampled supporting documentation for expenditures and cost control performance.
3. **Design and Construction Budget Management:** We reviewed the established District processes for the development and adherence to design and construction budgets on Bond-funded projects in the facilities construction program to gather and test data in order to determine compliance and measure the effectiveness of controls. Selected contracts were reviewed to gain an understanding of payment processes, cycle time, allowable charges, and reimbursable costs. Processes to review and approve contractor charges were analyzed to determine preventative controls for excessive charges and overpayments, and payment applications were reviewed to assess the adequacy of supporting documentation. We also reviewed the field methods used to validate progress and percent complete. Selected cost contracts were sampled and tested for contract billing compliance with contract terms.

We also reviewed the reconciliation of actual projects for which Bond funds were expended to projects approved by the Board of Trustees, analyzed the reconciliation of projects approved by the Board of Trustees to projects on the approved facilities master



plan, reviewed the reconciliation of the facilities master plan on the approved project lists for Proposition 39, followed up on any unreconciled items, and reported on any expenditures or items in the facilities master plan that did not reconcile to approved Listed Projects.

4. **Bidding and Procurement Procedures:** Bidding and procurement controls and procedures were evaluated for application of competitive and fair general contracting and subcontracting practices that prevent excessive expenditures. We reviewed contractual pricing and change orders for increases to competitively bid projects. We conducted interviews and reviewed relevant policies, examined bid and contractor selection files, and evaluated procurement controls.

We verified that District bidding and award of Bond-funded construction projects complied with selected requirements of the California school construction state requirements, the Public Contracting Code, and state and other relevant laws and regulations. Change order documentation was reviewed for compliance with selected Public Contracting Code, California school construction State requirements, and other regulations. Controls and activities to manage change orders were evaluated. Contracts were reviewed to gain an understanding of allowable charges and reimbursable costs related to change orders. Policies and procedures covering the review and approval of contractor change orders were analyzed to identify potential exposures. Specific consideration will be given to change order cause, responsibility, and pricing. We reviewed policies and procedures to verify whether documentation exists prior to approval of change orders and that required approvals were applied. Selected change orders were tested for duplicated work scope and compliance with Proposition 39 requirements.

5. **Procurement Fraud Prevention and Detection Controls:** We validated District controls in place to prevent and detect procurement fraud. The following procedures were performed:
 - Assessed the implementation of ethics policy, reporting protocols, staff screening requirements, consequences, training, and escalation procedures to prevent and detect fraud.
 - Assessed segregation of duties controls designed and implemented to prevent unauthorized obligations and payments.
 - Reviewed the completeness of monitoring controls implemented to identify, report, and address significant procurement anomalies.
 - Verified that methods applied to verify key reports used for key construction program management decisions are current, accurate, and complete.
6. **Bond Program Master Planning and Reporting:**
 - Master Planning – We assessed the design and performance effectiveness of program management processes and controls covering planning, design, and construction projects. Specific emphasis was placed on the implementation of policies, procedures, and practices needed to ensure key deliverables and approvals occur as projects progress.



- Bond Program Reporting – We performed an evaluation of the current Bond Program reporting and plan design as well as control processes for specific projects from the start of the design phase to project closeout. This included an assessment of the current facilities master plan, organizational structure, and controls to ensure that there is an integrated plan among stakeholders including but not limited to District Management, the CBOC, and the Board of Trustees.
7. **Cost, Schedule, Budgetary Management, and Reporting Controls Implementation:** We analyzed management of cost, schedule, and budgetary reporting. This included a review of the following processes and control activities:
- Budget variance analysis/cost reporting by cost code detail and summary, including analysis of budget, changes, spending, commitments, forecast, and variance to budget.
 - Cumulative earned value and funding reconciliation to timing of goods and service delivery.
 - Project schedule with well-defined milestones that match project requirements.
 - Compliance with project funding legal requirements.
 - Comparison of project and District accounting records.
 - Approved project scope document that matches design requirements.
 - Change control guidelines and senior management approval for initial authorization and scope changes.
 - Cost and schedule, budget, and actual analysis.
 - Documentation of test results and quality inspections.
 - Earned hours/earned units' budget and actual analysis.
 - Billing review and spending variance approvals.
 - Spending review and approval for proper coding.
8. **Claim Avoidance and Control Procedures:** We evaluated and reviewed the procedures used to limit the number of claims filed against the District related to construction projects for the period. Specific consideration was given to contractor inquiries and capture of documentation surrounding scope change causes, schedule changes, and cost impact analysis. Steps taken to effectively communicate potential claims and mitigate claims risk were also given specific consideration.
9. **Material Specifications:** We evaluated whether the District has and uses a standardized items list and educational specifications for Bond Program materials procurement to identify facilities material requirements. We assessed whether the District's materials requirements were available to project architects and designers and verified whether materials specifications were used in procurements and provided to all bidders during the procurement process.
10. **Cost Benefit and Value Engineering Analyses:** We reviewed the cost benefit and value engineering analysis procedures and documentation of practices applied. We verified whether the analyses were conducted to determine if the requirements of the project or equipment could be obtained at a lower price or for a better value, specifically when weighing cost, time, and function. We assessed whether value was determined by



objective criteria that may include price, features, functions, lifecycle costs, and other criteria deemed appropriate by the District. We compared the District's practices to guidelines recommended by SAVE International®. We also assessed whether the District determined a cost threshold for the application of value engineering in a practical matter.

11. Maintenance of District Assets Funded by the Local Bond and Warranty

Conditions Compliance: We reviewed the District's practices for maintaining a list for all assets incorporated into school site construction and complete and accurate information regarding warrantied items. We verified the District's implementation of controls surrounding the required maintenance of its assets in accordance with warranty items, application of a formal system of logging this information for inventory purposes, and use of warranties where possible.

12. Implementation of Schedule Quality, Scope, and Performance Management

Controls: We reviewed Bond Program goals and objectives and assessed how well the goals and objectives were communicated, implemented, and applied by District and contractor personnel. Our analysis verified whether appropriate approvals were required prior to the performance of Bond Program activities and expenditures. We also reviewed the tools and support processes for the design, construction, and close-out project phases and compared them to other efficient projects as well as good practices applied by similar organizations.

13. Change Order Management and Controls Application: Change order documentation was reviewed for compliance with the Public Contracting Code, school construction state requirements, and other regulations. Controls and activities to manage change orders were evaluated. Contracts were reviewed to gain an understanding of allowable charges and reimbursable costs related to change orders. Policies and procedures covering the review and approval of contractor change orders were analyzed to identify potential exposures. Specific consideration was given to change order cause, responsibility, and pricing. We reviewed policies and procedures to verify whether documentation existed prior to approval of change orders and to verify that required approvals were applied. Selected change orders were tested for duplicated work scope and compliance with Proposition 39 requirements.

14. Contractor Billing Compliance Controls: We analyzed processes to review and approve contractor charges to prevent excessive charges or overpayments. Interviews were conducted to ensure accurate understanding of events, circumstances surrounding construction, and professional service contract compliance. We covered transaction flow and cost control processes during these interviews. We evaluated whether charges matched with actual performance and work completion, contracted services were delivered, payments were in accordance with compensation terms, billing reconciled to contract terms, and required lien releases were obtained timely and with each billing.

15. Project Close-Out Controls: We evaluated the District's policies, procedures, and practices to close out projects in accordance with contract requirements. This review included analysis of checklists, procedures, retention policies, and contract terms and conditions. We analyzed procedures implemented to identify the parameters for contractor performance and compare the District's close-out procedures to good practices applied by similar organizations. This included review of criteria for all relevant parties to determine whether the project was complete. These procedures also included



processes to verify there were controls to obtain unconditional contractor lien release and ensure unresolved claims are not pending prior to final payment.

16. **Post-Financing Review:** We compared and summarized bond pricing to policies and procedures and goals established prior to sale.
17. **Refunding of Outstanding Bonds:** We analyzed the current bond structure, bond funding requirements, refunding costs, compliance with refunding requirements, and other key factors that impact potential refunding of Bond funds. District funding plans and analysis were summarized and compared to good practices applied by other similar organizations. Consideration was given to current market conditions and public bond refunding requirements applicable to public entities.
18. **Arbitrage and Investments:** We worked to determine if the District has complied with Internal Revenue Service arbitrage requirements for bond sales and if the investment of cash from Bond sales met all legal requirements.
19. **Timeliness of Payments:** We verified that the District pays vendors within 30 days. We also verified whether general contractors are withholding payments to subcontractors, materials suppliers, and other vendors. During our review we assessed whether all contracts include specific language on payment terms and comply with California's prompt payment laws.
20. **Local Participation Requirements:** We determined compliance with specific Board Policies such as local business or Minority/Women Owned Business participation. Reported results will be validated for inclusion of current, accurate, and complete information.
21. **CBOC Compliance:** We assessed the overall compliance of the CBOC with law, the District's Board Policies, and the Committee's bylaws. Specific focus and attention was given to Committee performance, compliance with their Charter, and overall effectiveness of their activities. Evidence of CBOC compliance with its Proposition 39 requirements was assessed. Procedures to ensure the independence of Committee Members were given specific consideration.
22. **Transparency of Bond Program:** We assessed the effectiveness of the Public Outreach and Communication Plan that addresses external and internal communications. We reviewed the District's activities and methods of communication related to the identification of stakeholders as well as their concerns, influence on the project, and information expectations. Use of District means to reach Bond Program stakeholders were compared to good practices at other school districts. We evaluated the overall transparency of the Bond Program, including but not limited to, the evaluation of the Bond website information and Bond Program progress reports, and the availability and access to information regarding Program status and expenditures. The San Diego Taxpayers Educational Foundation criteria for measuring School Bond Transparency was utilized as a benchmark for the District's Bond website. Current, accurate, and complete Bond Program reporting was assessed. Project progress, impact to Bond Program stakeholders, and delivery in accordance with Bond Program requirements were given specific consideration.

We interviewed key personnel responsible for administering the Bond Program, including senior management and staff from the District and Bond Program Management Team



responsible for overseeing the work associated with the Bond Program. We also conducted discussions with members of the CBOC. The individuals interviewed are listed in Appendix A of this report.

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III. AUDIT RESULTS

CONDUCT A PERFORMANCE AUDIT (CAPA)

In accordance with GAGAS, we reviewed expenditures for compliance with the Bond's requirements for listed projects to ensure that unallowable costs were not allocated to the Bond Program, in accordance with GAGAS, for performance audits. Our testing resulted in the following potential exceptions:

Observation CAPA: The District needs to provide adequate documentation to support staff charge allocation to the Bond Program.	
CAPA	<p>The District has not taken steps to address the <i>Conduct a Performance Audit</i> recommendation regarding timekeeping controls provided in the prior year's report (Moss Adams 2017 Report Objective CAPA). Based on sampled documentation, no timecards or other time certification support validating the percentage of time allocation and cost was provided. Based on the 2017-2018 Fund 21 Labor Allocation report provided by the District, the total charges for allocated personnel (i.e., not 100% dedicated to the Bond Program) accounted for 92.5% of the total staffing charges (\$1,896,792 allocated staff charges/\$2,049,990 total staff charges). Staff names, titles, allocation percentage, and assigned duties relating to the Bond Program were provided. However, no time studies or staff allocation support was available in Fiscal Year 2018. While it is understood that labor costs to the Bond Program are necessary, they should be properly supported going forward to ensure appropriateness and compliance with Bond language. Further, Opinion No. 04-110 from the State of California's Office of the Attorney General states that "a school district may use Proposition 39 school bond proceeds to pay the salaries of district employees to the extent they perform administrative oversight work on construction projects authorized by a voter approved bond measure."</p> <p>Recommendation: The District should implement the processes and controls needed to provide supporting documentation that validates the applicability and accuracy of labor charged to the Bond Program consistent with Opinion 04-110. Specifically, a timekeeping system, or equivalent tracking system, should be implemented so that all labor costs incurred are identifiable, compliant, and have a beneficial relationship to the Bond Program.</p>

OBJECTIVE NO. 1 – DISTRICT AND PROFESSIONAL SERVICES STAFFING PLAN FOR THE BOND PROGRAM

Observation No. 1: WCCUSD should have well-defined reporting and procedures for in-house or consultant staffing for the Bond Program.	
1	<p>The District has taken steps to address the <i>Professional Service Staffing Plan (Staffing Plan) for the Bond Program</i> recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 2); however, key metrics and staffing requirements were not available. The Staffing Plan was analyzed for its comparison of the number and magnitude of Bond Program projects to staff to determine in-house and consultant staffing for Bond Program projects. This year, the District provided their Bond Program Staffing Summary for FY 2017-18, which identified personnel who charge time to the Bond Program based on their</p>



Observation No. 1: WCCUSD should have well-defined reporting and procedures for in-house or consultant staffing for the Bond Program.

allocation percentage and the estimated associated cost. The District also provided a schedule of active projects for FY 2017-18, including estimated project status timing, broken down in three stages: Procurement, Active Construction, and Closeout. However, the spreadsheet did not base staffing requirements on Bond Program needs and excluded key metrics such as the number of personnel, type of projects, and dollar value of planned projects, which should be analyzed to help determine if the Bond Program's organizational structure is aligned with Bond Program needs. It is important that the District clearly define staffing needs to ensure effective and efficient utilization of internal resources and consultants.

Recommendation: As a best practice, appropriate WCCUSD management should approve an annual staffing plan, including key metrics such as positions staffed, number of personnel, number of planned projects, and dollar values of planned projects to help determine organizational structure alignment with the Bond Program needs.

OBJECTIVE NO. 2 – DESIGN AND CONSTRUCTION SCHEDULES CASH FLOW ANALYSIS (NO EXCEPTION)

2

The District has addressed the *Design and Construction Schedules Cash Flow Analysis* recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 3). We reviewed methods utilized by the District to track the schedule of available revenues and expenditures for all projects to plan each building project in accordance with the availability of funds. Based on the District's Project Multiyear Budget, Bond Program Budget Status Report through June 30, 2018, the District had the following key information:

- Project Title
- Board Approved Amount
- Expenditures to date
- Commitments by Fiscal Year
- Cash Flow Positive Variance

The report had expenditures by timeframe based on project budget amounts (see Observation 6b for further information). The report indicated a \$4 million favorable variance between BOE-approved budgets and projected project budget amounts.

No exception taken.



OBJECTIVE NO. 3 – DESIGN AND CONSTRUCTION BUDGET MANAGEMENT

Observation No. 3: The District should have established policies and procedures for design and construction budget establishment and management for the Bond Program.

3

The District has not taken steps to address the *Design and Construction Budget Management* recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 4). We reviewed the established District processes for the development and adherence to design and construction budgets on Bond-funded projects in the facilities construction program to gather and test data in order to determine compliance and measure the effectiveness of controls. No draft procedural documentation was available during review.

Based on our inquiry, budgets are approved by the Board; however, the following roles and responsibilities surrounding design and construction budget management were not well defined: Who prepares detailed budgets, when and how (i.e., what level of detail) budgets are developed and reported, who has the authority to approve budgets and budget transfers, and who is responsible for recording budget information in Munis and Primavera.

Munis includes only approved change orders, whereas Primavera includes and tracks proposed change orders. Based on our experiences, construction forecasts can significantly differ from Board approved budgets and regular reconciliation efforts are needed to ensure sufficient funding to achieve Program objectives and goals. construction managers, project managers, contractors, and architects utilize Primavera for construction document management. The District utilizes Primavera as the construction management software system. Lack of established and written policies and procedures for both Munis and Primavera could lead to inconsistent practices by District staff, resulting in potential inaccurate reporting to the Bond Program stakeholders.

Recommendation: The District should develop and implement policies and procedures for budget establishment and management activities for the Bond Program (see [Recommendation No. 22](#) for more detail). Defined roles and responsibilities information will help provide transparency surrounding how budgets are established and managed. Furthermore, as a best practice, project reporting with key project information, including forecast amounts, should be consistently reported to WCCUSD management and key stakeholders. Any forecasted overruns should be addressed with detailed plans to secure additional sources of funding and identify alternative options that reduce projected costs while still meeting the District's objectives and needs. Muni and Primavera project amounts should be reconciled, reviewed, and approved by key departmental personnel (e.g., WCCUSD project management, WCCUSD accounting, and Construction Manager) to ensure completeness and accuracy.



Observation No 4: The District should have Board-approved written policies and procedures regarding bidding and procurement, but generated a list of its practices, applicable regulations, and procurement template checklists upon request.

The District has taken steps to address *Bidding and Procurement* recommendations provided in the prior year's report (Moss Adams 2017 Report Objective No. 4); however, we identified several inconsistencies with draft procedural documents and opportunities for improvement. We evaluated bid and procurement practices, procedures, and controls for the application of competitive and fair general contracting and subcontracting practices that prevent excessive Bond Program expenditures. We reviewed relevant District policies and requirements as required per Public Contract Code (PCC), California Uniform Public Construction Cost Accounting Act (CUPCCAA), and other relevant state laws and regulations. During the current fiscal year, the District prepared draft bid and procurement procedural documents.

The following bid and procurement items were potential exceptions to policies and procedures and best practices:

- **Observation No. 4a:** The District should have formal bid and procurement policies and procedures defining roles & responsibilities.
- **Observation No. 4b:** The District needs to provide evidence of a fair, competitive solicitation process for architectural and professional construction services for the following four vendors:

4

Project Site	Scope	Architect Selected	Contract Executed Date	Original Contract Value
Korematsu Middle School	Professional Services including Bidding and Construction Admin Services	Hibser Yamauchi Architects, Inc.	6/26/2017	\$105,568
Richmond High School	Master Planning Services	Baker Vilar Architects	2/16/2011	\$64,500
Valley View Elementary School	Master Planning Services	Deems Lewis McKinley, Architects	1/4/2011	\$187,500
Fairmont Elementary School	Architectural Services for Critical Needs	Hibser Yamauchi Architects, Inc.	4/5/2018	\$24,725 ¹

California Government Code Section 4529.12 requires that "all architectural and engineering services shall be procured pursuant to a fair, competitive selection process." However, the District was unable to provide proof of this competitive procurement

¹ The District was able to document an RFP process for the procurement of the Critical Needs Architectural Services for Fairmont Elementary School. The District also documented the recommended procurement for these services within the Friday Memo dated February 2, 2018. However, the scope of proposals received did not appear to align (i.e., the difference in proposed amounts was \$24,725 versus \$345,500). See Observation No. 13c for more information.



process. The District utilizes a list of prequalified architects that was last updated 2017. The District could not provide evidence of proposals provided for the project scope or confirm that the prequalified architects list was utilized to obtain proposals from multiple architects to ensure fair and competitive selection.

- **Observation No. 4c:** The District needs to provide complete competitive solicitation documentation for the following two construction vendors:

Project Site	Scope	Vendor Selected	Contract Executed Date	Original Contract Value
Nystrom Elementary School	Temporary Campus Demobilization	McKim and Company	9/21/2017	\$44,890
Wilson Temporary Campus	Install New Power Poles	Power Plus!	4/20/2018	\$21,250

Per CUPCCAA and District policy for Fiscal Year 2018, construction service procurement under \$45,000 does not require formal or informal advertisement for competitive solicitation of services. However, per District Policy, for construction service procurement under \$45,000 “the District has established internal procedures that require Project Managers/Departments to solicit informal quotes (at least three) for all projects.” After several requests, the District could not provide solicitation and proposals for 3 informal quotes for the projects listed above, as required by District policy and procedures.

- **Observation No. 4d:** The District needs to evidence adequate Board approval for the following two vendor contracts/purchase orders:

Project Site	Scope	Architect Selected	Contract Executed Date	Original Contract Value
PVHS Installation Services Che	New Utility Installation	East Bay Municipal Utility District	7/18/2017	\$785,579
N/A	Construction Management Software Technical Support	ORACLE AMERICA INC	5/25/2017	\$12,069 ²

Policies and procedures did not exclude certain vendors or types of charges from Board approvals (e.g., utilities). Absent Board Approval dates, we were unable to confirm vendor contract procurement and payment were in accordance with District policies for the projects listed above.

² The District noted this amount was under procurement thresholds requiring Board approval or ratification; however, procurement policy and expenditure approval was not available (see Recommendation No. 22).



Recommendation: Formal written policies and procedures including defined approval authority for bid and procurement should be created and added to a comprehensive Bond Program manual to ensure appropriate review and approval controls are in place for procurement procedures (see [Recommendation No. 22](#) for more detail). The District should ensure amounts presented to the Board are aligned with proposed contract values. If certain vendor or charges do not require Board approval, policies and procedures should be updated accordingly to ensure consistent processes (e.g., utilities). Additionally, the District should ensure that adequate documentation as evidence of a competitive solicitation and procurement process is maintained to comply with District policies and procedures and/or PCC, CUPCCAA, as well as other laws and regulations. Detailed processes and procedures for procurement should be added to the comprehensive Bond Program policies and procedures manual for transparency and accountability and approved by the Board (see [Recommendation No. 22](#) for more detail).

OBJECTIVE NO. 5 – PROCUREMENT FRAUD PREVENTION AND DETECTION CONTROLS

Observation No. 5: Formal policies and procedures and monitoring controls to prevent and detect procurement fraud should be available.

5

The District has not taken steps to address *Procurement Fraud Prevention and Detection Control* recommendations provided in the prior year's report (Moss Adams 2017 Report Objective No. 5). We validated the controls in place to prevent and detect procurement fraud. The following information was included within our assessment:

- Reporting protocols, training, and escalation procedures, specifically for preventing and detecting fraud, were not available within policies and procedures. WCCUSD was able to provide documentation surrounding employee ethics policies, consequences, reporting protocols, and staff screening requirements. However, a hotline does not appear to be in place for procurement related issues relating to the Bond Program.
- Monitoring controls and reporting to identify and address significant procurement anomalies were not available. The WCCUSD was unable to provide evidence of complete, accurate, and regular reporting of bid and procurement activity that would allow WCCUSD management to identify, prevent, and/or detect fraud. Based on inquiry, bid and procurement documentation appeared readily available upon request; however, a consolidated summary procurement report was not available.

The Government Finance Officers Association's (GFOA) article *Encouraging and Facilitating the Reporting of Fraud and Questionable Accounting and Auditing Practices* states, as a best practice, that every government establish policies and procedures to encourage and facilitate the reporting of fraud or abuse and questionable accounting practices. Absent formalized procurement fraud policies and procedures including the reporting protocols, training, escalation procedures, and monitoring controls, it is unclear whether the WCCUSD had adequate controls in place to identify, prevent, and detect procurement fraud.

Recommendation: Consistent with the GFOA, WCCUSD should implement policies and procedures regarding procurement fraud to assist in identifying, preventing, and detecting procurement fraud (see [Recommendation No. 22](#) for more detail). The policies should include reporting protocols, training requirements, and escalation procedures specific to procurement fraud. This resulting documentation can also serve as a useful training tool for



staff. As a best practice, the WCCUSD should maintain a consolidated bid and procurement activity report that will help WCCUSD senior management identify, prevent, or detect fraud and noncompliance with WCCUSD policies and procedures, state laws, and regulations. Supporting documentation for this consolidated report should be readily available in a central location, either physically or electronically. Additionally, per the GFOA, potential instances of fraud or abuse and questionable accounting practices come to the attention of responsible parties due to employees or citizens who become aware of such practices. The GFOA provides the following recommendations:

- Formally approve, widely distribute, and publicize an ethics policy that can serve as a practical basis for identifying potential instances of fraud or abuse and questionable accounting practices.
- Establish practical mechanisms (e.g., a hotline) to permit the anonymous reporting of concerns about fraud or abuse and questionable accounting practices to the appropriate responsible parties.
- Make internal auditors (or their equivalent) responsible for the mechanisms used to report instances of potential fraud or abuse and questionable accounting practices. Emphasize that they should take whatever steps are necessary to satisfy themselves that a given complaint is without merit before disposing of it. Further, they also should document the disposition of each complaint received so it can be reviewed by the audit committee.

Have the appropriate party, as part of its evaluation of the government's internal control framework, examine the documentation of how complaints were handled to satisfy itself that the mechanisms for reporting instances of potential fraud or abuse, and questionable accounting or auditing practices are in place and working satisfactorily.

OBJECTIVE NO. 6 – BOND PROGRAM MASTER PLANNING AND REPORTING

The District has taken steps to address the *Bond Program Master Planning and Reporting* recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 6); however, policies and procedure surrounding Master Planning and was not available and program reporting had select areas for improvement. Bond Program master plan and project reporting was assessed to determine the level of integration amongst stakeholders.

Observation No 6a: WCCUSD policies and procedures should define master planning processes and procedures.

6a Darden Architects and Integrated Educational Planning and Programming created a comprehensive Long Range Facilities Master Plan (Master Plan) that was Board-approved on June 15, 2016. The Master Plan was a highly integrated process that included several community meetings, focus groups, surveys, and school site and steering committee meetings, which included a prioritization committee. Facilities needs assessments were conducted to understand the age and condition of each school site and criteria was established including: facility safety and structural integrity, age of school/number of years since last improvement, capacity/utilization, completion of master plan or drawings, Americans with Disabilities Act compliance, technological needs, functionality, eligibility for State funding, and economically disadvantaged area/low income needs. The criteria were



	<p>ranked in a reasonable manner, assigned a weight, and systematically applied to the priority school sites identified.</p> <p>The prioritization of projects is clearly defined and an integral part of the master plan. Rough order of magnitude estimates based on a per square foot analysis (excluding cost escalation or cost for temporary housing) were developed. Additionally, the District presented a formal update to the Master Plan and Facility Operations to the Board on May, 30 2018. The update included information on the current construction costs climate, an implementation plan and budget update, critical needs updates and considerations, timeline and schedule updates, cash flow projections and scenarios, additional funding updates, and recent success stories. Presented cash flow projections through 2023 for total Master Plan projects were presented under two scenarios, with and without pending additional state funding. In both scenarios, a negative cash flow period was identified.</p>
	<p>Recommendation: As a best practice, WCCUSD should take action to ensure defined and documented processes are in place for master planning efforts, including when to utilize these procedures (e.g., thresholds), who is responsible for each activity, and procedures for final approval (see Recommendation No. 22 for more detail). Documentation requirements for any master plan changes from original approved documents should include, but not be limited to, information surrounding the proposed design change, basis for design change, estimated design change revenue and cost impact, estimated schedule impact, and design change initiator and approver. Master plan reporting should include a summary level Project Stages Report with dates of key milestones achieved, estimated dates of key milestones to be achieved, and appropriate and relevant narrative should be maintained and reported to key stakeholders on a regular basis. Deviations should be discussed with WCCUSD management and documented accordingly within monthly reporting. Responsibilities should be assigned and appropriateness of the policies and procedures should be evaluated on an ongoing basis.</p>
<p>Observation 6b: Program reporting should include adequate details to allow key stakeholders to analyze the project forecast at the program and project level to actual committed contract values and the associated timing of revenues, expenditures, cash flow, and fund balances as recommended by the GFOA and the SDCTA.</p>	
6b	<p>The District has taken steps to address the <i>Bond Program Reporting</i> recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 6b). Program reporting practices were compared to GFOA and SDCTA best practices to measure the effectiveness of controls surrounding bond-funded projects. The District presented a Citizens' Bond Oversight Committee Meeting Packet for June 20, 2018. This report included the following information:</p> <ul style="list-style-type: none">• Project Narratives for active projects• Schedule Summary• Construction Budget information including Board Approved Amount and Billed Amount.• Construction Spending by School Site through April 30, 2018 with Original Budget, Current Budget, Actuals, Commitments, and Balance amounts.• Cash Projections with Budget amounts (see Observation No. 2 for further information) <p>Per the San Diego County Taxpayers Association's Oversight Committee Best Practices, at minimum, the following should be reported to the COC:</p> <ul style="list-style-type: none">• List of projects accompanied by measurements of their status in terms of budgets and timelines



- Any alterations to project budgets or timelines with adequate explanations for these changes
- Comparison of current status of projects in terms of budgets and timelines to the original budget and timeline estimates of the project

Current budgets and commitments were reported; however, reporting lacked adequate change order, schedule, and budget to forecast alternation information for all projects (see [Observation No. 2](#) and [Observation No. 3](#) for further information). Per inquiry with District Management, project forecasting is based on Facilities Master Plan board-approved budgets. However, project forecasts can differ from budget amounts and differences, specifically forecast overruns, should be reflected and reported accordingly. Change order reporting should include change responsibilities such as owner-initiated, scope changes, design errors, contract errors, and unforeseen conditions (see [Observation No. 13](#) for further information). Without this level of information, responsibility for change orders and associated cost will not be evident to key decision makers. Absent further information, project reporting is not in line with best practices and lacks information to adequately report to key stakeholders.

Recommendation: Both the SDCTA and GFOA recommends that budget-to-actual comparisons of revenues, expenditures, cash flow, and fund balances be periodically reported. BOE-approved master plan budgets and current forecasts at the program and project level should be available with consideration of the amounts available. Change order reporting should include information such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals, and totals for easy end-user reference (see [Recommendation No. 13b](#) for further information). Detailed budget-level information for current bond issuances allows the District to monitor budgetary performance against committed contract values and can serve as an early warning indicator for potential problems. This information provides decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. Both the SDCTA and GFOA comments that this information is essential input for demonstrating accountability and transparency. Additionally, cash flow reporting should include revenues, cash, and expenditures by timeframe to document that sufficient funding is available to meet financial requirements for Measure D and E and figures should be consistently reported amongst Bond program reports. This documentation will also serve as a useful tool for District management and stakeholders to understand the timing of project schedules.



OBJECTIVE NO. 7 – COST, SCHEDULE, BUDGETARY MANAGEMENT, AND REPORTING CONTROLS IMPLEMENTATION

Observation No. 7: See the following specific areas of review for control-related improvement opportunities for this objective:

7

- Conduct a Performance Audit
- Objective No. 3 – Design and Construction Budget Management
- Objective No. 6 – Bond Program Master Planning and Reporting
- Objective No. 10 – Cost Benefit and Value Engineering Analysis.

Recommendation: See individual recommendations for each objective identified.

OBJECTIVE NO. 8 – CLAIM AVOIDANCE AND CONTROL PROCEDURES

Observation No. 8: District policies and procedures should identify roles and responsibilities to be taken to prevent or limit claim exposures.

8

The District has taken steps to address the *Claims Avoidance and Control Procedures* recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 8); however, formal proactive claims avoidance policies and procedures were not available. We evaluated and reviewed the procedures used to limit the number of claims filed against the District related to construction projects for the period. The District does maintain a potential change order list (items requested by the Contractor such as potential claims or disputes) within Primavera; however, it is unclear who this is reported to and what the process is for resolution. The District had detailed flowcharts for the dispute resolution process and claims resolution process. These processes, in conjunction with contractual language, define the steps for the contractor, architect, and District to address disputes and claims in a methodical and systematic way. Additionally, draft policies and procedures were provided and consistent with contractual language. However, the District's current processes are reactive, as opposed to proactive, in avoiding claims. The current processes do not identify action to be taken to prevent or limit claim exposures. Construction-related claims have many causes and often arise as a result of unresolved change orders, differing site conditions, or disruptions, delays, acceleration, and other time-related issues that require timely monitoring, planning, and effective actions in place to avoid claims.

Recommendation: As a best practice, formal written policies and procedures for proactive claims avoidance practices should be created and added to a comprehensive Bond Program policy and procedure manual (see [Recommendation No. 22](#) for more detail).



OBJECTIVE NO. 9 – MATERIALS SPECIFICATIONS

Observation No. 9: WCCUSD should have formal policies and procedures surrounding how to make updates to the Material Specifications log.

9

We reviewed the District's design standards for standardized items and educational specifications to meet District needs and provide uniformity amongst facilities and school sites. In 2017, the District had the following six items for design standards documentation:

- *Material and Product Standards* – Detailed allowable materials and products that the District has deemed adequate to meet educational specifications according to the Construction Specifications Institute codes to provide equitable learning environments.
- *Material and Product Standards Sole Source Resolution* – Specified which materials and products included within the established standards were not subject to substitution for similar or like products.
- *Technology Infrastructure Standards* – Detailed which infrastructure standards and requirements ensured information technology specifications were met and that technological advances could be incorporated into new and existing facilities throughout the District.
- *Elementary School Educational Specifications* – Provided a general framework of requirements that could be applied to meet teaching and learning needs throughout District elementary schools. Specific areas of focus for these specifications included school environment, safety, and general requirements for educational spaces within elementary schools (i.e., classrooms, flexible learning suite, etc.).
- *Middle School Educational Specifications* – Provided a general framework of requirements that could be applied to meet teaching and learning needs throughout District middle schools. Specific areas of focus included school environment, safety, and general requirements for educational spaces (i.e., classrooms, arts, physical education and athletics, etc.).
- *High School Educational Specifications* – Provided a general framework of requirements that could be applied to meet teaching and learning needs throughout District high schools. Specific areas of focus included school environment, safety, and general requirements for educational spaces (i.e., classrooms, arts, physical education and athletics, etc.).

The items listed above clearly identify critical products and systems, allowable alternative items, needs for each type of school (elementary, middle, and high school), and processes for material and product substitutions. The design standards are to be provided to architects and consultants during the bid or RFP process to ensure compliance. Additionally, the District presented a formal update to the Master Plan and Facility Operations to the Board on May, 30 2018. The update included an overview on material and product standards and sole source procedures, including links to detail documentation and Board approvals and dates, for communication and transparency surrounding District material specifications.

Recommendation: As a best practice, WCCUSD should define how to make updates to the Standards Specifications document and update Bond Program policies and procedures accordingly (see [Recommendation No. 22](#) for more detail). This policy should ensure that documentation exists, including: the requestor and date of request, description of change, cost-benefit relationship for the change (see [Recommendation No. 10](#) for further information), approver and date of approval, and a time-stamped updated specifications document. The cost-benefit analysis for significant specification changes should be approved



by appropriate WCCUSD management. The Standard Specifications document should avoid including narrow scope requirements to prevent excessive pricing to WCCUSD.

OBJECTIVE NO. 10 – COST BENEFIT AND VALUE ENGINEERING ANALYSES

Observation No. 10: The District should have approved policies and procedures for conducting cost benefit analysis and value engineering studies in FY 2017-18.

10

The District has taken steps to address the *Cost Benefit and Value Engineering Analyses* recommendation (Moss Adams 2017 Report Objective No. 10); however, formalized policies and procedures were not available. We reviewed policies and procedures and documentation for cost benefit and value engineering analyses to determine if the District's specified requirements for projects, products, materials, and systems could be obtained at a lower price or for a better value, specifically when weighing cost, time, and function.

Cost Benefit Analysis

Per the May 4, 2017 version of the Material and Product Standards, items that are not agreed to via the Board-approved sole source material and product standards resolution (Resolution No. 69-1617) are subject to substitution, provided that the architect or consultant provides proof that the alternative item(s) is approved by the District in advance of being incorporated into the design. As part of this process, the architect or consultant must include a cost benefit analysis. However, no guidelines for the cost benefit analysis were outlined by the District's policies and procedures.

Value Engineering

Draft policies and procedures were provided for value engineering, including criteria for when formal value engineering analysis will be required; however, neither roles and responsibilities surrounding management and implementation of potential recommendations from reviews nor required documentation were outlined within draft policies.

As a good practice, the Design-Build agreement for the Wilson Elementary construction, executed January 29, 2018, included contract terms regarding value engineering analysis. The contract outlines the expectations of the design-build contractor in regard to documentation availability to the District. Additionally, a Basis of Design report was provided as an example to the value engineering steps completed by the design-builder contractor and presented to the District. However, reporting/approval requirements were not present in the contract and formal policies and procedures were not available to define District personnel roles and responsibilities surrounding management and implementation of recommendations from the reviews.

Recommendation: As a best practice, the District should ensure formal, defined, and documented policies and procedures as well as roles and responsibilities are in place for cost benefit analysis and value engineering for its projects, including when to utilize these tools, who is responsible for each activity, and procedures for final approval (see [Recommendation No. 22](#) for more detail). The District's current methodology of when to utilize these tools on projects is unclear; however, value engineering and cost benefit analyses can be utilized as a tool on any project. Establishing set criteria for when cost benefit analysis and value engineering studies will be applied, what documentation is required, and the required approval authority limitations will provide a more structured



environment to apply these cost saving measures to align cost, useful life, and function with project and District needs.

SAVE International specifies that the following six phases be conducted to analyze cost and value:

1. *Information Phase:* Review and define the current conditions of the project and identify the goal of the value engineering study and cost benefit analysis.
2. *Function Analysis Phase:* Review and analyze the project to determine what needs improvement, elimination, or creation to meet the project's goals.
3. *Creative Phase:* Generate ideas on all the possible ways to accomplish the requirements, with an emphasis on cost and functional needs.
4. *Evaluation Phase:* Develop and execute an evaluation to select those ideas that offer the potential for value improvement while delivering the project's function(s) and considering performance requirements and resource limits.
5. *Development Phase:* Develop the selected ideas into alternatives with sufficient documentation to allow decision makers to determine if the alternative should be implemented.
6. *Presentation Phase:* Prepare a presentation and/or report to key stakeholders that convey the adequacy of the alternative(s) and the associated value improvement.

Specific areas of focus and attention that should be considered when conducting these types of analyses have been incorporated in [Appendix B](#) of this report.

OBJECTIVE NO. 11 – MAINTENANCE OF DISTRICT ASSETS FUNDED BY LOCAL BOND AND WARRANTY CONDITIONS COMPLIANCE

Observation No. 11: The District needs to provide documentation to evidence assets funded by the Bond Program were compliant with warranty condition requirements.

- 11** The District has not taken steps to address the *Maintenance of District Assets Funded by Local Bond and Warranty Conditions Compliance* recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 11). We assessed the District's practices for maintenance of assets incorporated into school site construction and reviewed the accuracy and completion of maintenance schedules to warrantied assets.
- The District utilized SchoolDude, a maintenance and work order management system, as a scheduling and reporting tool for facilities throughout the District. Based on inquiry, there was limited, if any, interaction between maintenance records contained within SchoolDude and the warranty conditions
- Additionally, the District specified, as construction projects are completed, training is conducted by contractors with the District's maintenance team on the products, systems, and equipment of each facility, and the contractor provides all warranties and operation and maintenance manuals to the District so that sufficient preventative maintenance can be performed by the District. The maintenance performed at the District is scheduled in SchoolDude and conducted accordingly. No documentation surrounding warranty conditions compliance was provided for our audit period. However, a maintenance log was provided documenting annual review of various district safety equipment and assets, performed between July 1, 2018 and January 31, 2019. The log did not have warranty condition



compliance requirement considerations and it is unclear whether the log was complete and accurate. It is also unclear whether or not the District has sufficient documentation showing compliance with the warranty in case a product or system that under warranty should fail

Recommendation: As a best practice, the District should ensure compliance with all warranty conditions to sustain a level of protection against breach of warranty and proper maintenance of District facilities in accordance with warranty conditions. A consolidated summary project close-out report with warranty and preventive maintenance log details, including major assets, applicable items under warranty, dates of installation, required periodic maintenance, and actual maintenance conducted, should be kept for all school sites and reported to stakeholders on a regular basis. Warranty information is required as part of the construction close-out process; therefore, it is recommended that an owner warranty log be created by the Facility Planning and Construction Department and provided to the maintenance team for proper follow-up.

OBJECTIVE NO. 12 – IMPLEMENTATION OF SCHEDULE QUALITY, SCOPE, AND PERFORMANCE MANAGEMENT CONTROLS

Observation No. 12: See the specific areas of review for improvement opportunities for this objective.

12 We reviewed Bond Program goals and objectives to assess how well they were communicated, are being implemented and applied by District and contractor personnel. Overall, the District's recently approved Master Plan has provided an excellent resource to facilitate the Bond Program. It provides clear goals and objectives and was communicated with a wide audience to educate stakeholders. However, prior to 2016 there was no established master plan for Bond funds spent. See the following specific areas of review for control-related issues for this objective:

- Objective No. 2 – District and Professional Services Staffing Plan for the Bond Program
- Objective No. 6 – Bond Program Master Planning and Reporting
- Objective No. 10 – Cost Benefit and Value Engineering Analysis
- Objective No. 15 – Project Close-Out Controls
- Objective No. 22 – Transparency of Bond Program

Recommendation: See individual recommendations for each objective identified.

OBJECTIVE NO. 13 – CHANGE ORDER MANAGEMENT AND CONTROLS APPLICATION

Observation No. 13: The District did not have formalized change order policy and procedures and change order management controls can be improved upon. Change order documentation was reviewed for compliance with PCC, school construction State requirements, and other relevant regulations. Controls and activities to manage change orders and approval were evaluated. Change order documentation was reviewed to understand the allowability of sampled change orders, specifically assessing change order



cause, responsible party, pricing, and compliance with Bond Program projects. We noted that formal policies and procedures was an area in need of improvement.

Observation No. 13a: WCCUSD should have formal change order policies and procedures.																					
13a	Recommendation: Formal written policies and procedures, including defined approval authority for change orders, should be created and added to a comprehensive Bond Program policy and procedure manual to ensure appropriate review and approval controls are in place before vendor payment release (see Recommendation No. 22 for more detail).																				
Observation No. 13b: Adequate change order reporting to ensure end users understand change order impact and assigned responsibility should be available.																					
13b	<p>The District’s provided Change Order and Amendment Log lacked informative detail, such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals, and totals for easy end-user reference. Additionally, in comparison with sampled change order documentation, reported change order and amendment amounts were inconsistent and appeared inaccurate. Upon request, the District was able to provide specific examples of board-approved change order amounts; however, comprehensive summary and detail reporting for change orders was not available. Accurate change order reporting should be available at the project and program level with both detailed and summary level information available. Absent further information, change order reporting is not in line with best practices and lacks information to adequately report to key stakeholders (see Observation 6b for more detail).</p> <p>Recommendation: As best practice, District change order reporting should include accurate information, such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals, and totals for easy end-user reference. Summary and detailed change reporting is necessary to understand change order cause, responsibility, pricing, and compliance as well as to identify potential duplicated work scopes and/or redundancies caused by unclear scope objectives and/or expectations within the Master Plan.</p>																				
Observation No. 13c: We observed several contracts that had significant change order values compared to the original contract amounts, which presents a good opportunity to improve change order management and controls.																					
13c	<p>The District has not taken steps to address the Project Close-Out Controls recommendation (Moss Adams 2017 Report Objective No. 5). The District amended the following four professional service agreements by amounts in excess of original contract value:</p> <table><tr><th>Project Site</th><th>Scope</th><th>Vendor</th><th>Contract Executed Date</th><th>Original Contract Value</th><th>Total Amends Through FY18</th><th>Amended Contract Value</th></tr><tr><td>Richmond High School</td><td>Master Planning Services</td><td>Baker Vilar Architects</td><td>2/16/11</td><td>\$64,500</td><td>\$1,923,256</td><td>\$1,987,756</td></tr></table>							Project Site	Scope	Vendor	Contract Executed Date	Original Contract Value	Total Amends Through FY18	Amended Contract Value	Richmond High School	Master Planning Services	Baker Vilar Architects	2/16/11	\$64,500	\$1,923,256	\$1,987,756
Project Site	Scope	Vendor	Contract Executed Date	Original Contract Value	Total Amends Through FY18	Amended Contract Value															
Richmond High School	Master Planning Services	Baker Vilar Architects	2/16/11	\$64,500	\$1,923,256	\$1,987,756															



Valley View Elementary School	Master Planning Services	Deems Lewis McKinley, Architects	1/4/11	\$187,500	\$2,456,428	\$2,643,928
Fairmont Elementary School	Architectural Services for Critical Needs	Hibser Yamauchi Architects	4/5/18	\$24,725	\$365,700	\$390,425
Pinole Valley High School	Modernization Reconstruction	WLC Architects	2/18/11	\$8,451,539	\$7,738,172	\$16,189,711

Although this practice appears compliant with PCC, processes and procedures can be improved upon to evidence of a fair, competitive selection process and pricing.

Recommendation: As a best practice, competitive bidding and procurement practices should include a full evaluation of bidders and the total scope of work on a comparative basis to ensure competitive pricing for Bond program objectives. Additionally, while changes are not uncommon for publicly funded capital projects and the change order work appeared compliant with District policies and state regulations, Management's rationale for significant sole source change order adjustments instead of a new contract should be well documented. Absent this information and documentation, the District may pay excessive cost for change order work.

OBJECTIVE NO. 14 – CONTRACTOR BILLING COMPLIANCE CONTROLS

Observation No. 14: The District should have defined approval authority for vendor payment processing within the Bond Program policy and procedure manual to ensure appropriate review and controls.	
14	<p>We analyzed processes to review and approve contract charges to prevent overcharges and to understand the work flow and cost control processes implemented by the District. We reviewed invoices to determine allowability of charges according to Bond requirements, work performed, and adequacy of cost support provided, including lien releases. The invoice and payment application process provided by the District included step-by-step tasks to be performed by the District to verify invoice compliance and readiness for processing and payment. However, authority limits, defined roles and responsibilities and formal policies and procedures were not available to define appropriate procedures.</p> <p>For example, payment approval forms were available for all samples, although approval on behalf of the Bonds and Finance department was provided by the Principal Accountant or the Fiscal Coordinator for 18 samples. Electronic approval documentation was available to evidence approvals by either the Director of Bond Finance and/or Associate Superintendent of Operations. Absent defined approval authority, it is unclear whether the vendor payment approval process is appropriate and consistent with District expectations.</p> <p>Recommendation: Formal written policies and procedures including defined approval authority for vendor payment processing should be created and added to a comprehensive</p>



Bond Program policy and procedure manual to ensure appropriate review and approval controls are in place before vendor payment release (see [Recommendation No. 22](#) for more detail).

OBJECTIVE NO. 15 – PROJECT CLOSE-OUT CONTROLS

Observation No. 15: WCCUSD policy and procedures surrounding project close-out controls should be formalized and Board approved.

15

The District has not taken steps to address the *Project Close-Out Controls* recommendation (Moss Adams 2017 Report Objective No. 15). We evaluated the District's policies, procedures, and practices to close out projects in accordance with contract requirements. This evaluation included review of contract terms, draft policy and procedure, as well as supplemental documentation (i.e., close-out checklists, retention policies, etc.) produced by the District to standardize and streamline close-out activities.

Closeout management documentation maintained by project managers was provided, including overview of As-Builts, O&M manuals, DSA certification checklists with construction manager signatures, and more. However, no example of completed close-out management documentation and approval was made available for review. The District also provided documentation of Open Submittal Logs maintained within Primavera software to document outstanding warranty and M&O submittals for construction projects. Additionally, the District provided Draft Bond Program Close Out Procedures, which included sections such as Punch Lists, Project Completion Conference, Notice of Completion, Final Application and Certificate for Payment, Final Payment for the Architect, and Final Payment for the Construction Manager. Draft policy was consistent with Contract language.

However, through June 30, 2018, no documentation evidencing a consolidated close-out log for all projects in the close-out phase had been maintained, completed, approved, or included in draft policy and procedures was made available. Specific project close-out documentation was available for specific projects upon request; however, a consolidated summary report and central file location for projects in the close-out phase, evidencing completeness and accuracy, was not available. Further, draft policy and procedures did not mention or reference any maintenance or approval of provided close-out management documentation. Conversely, the draft policy and procedures appeared to be contract language, intended to set required obligations of the District and contractors, as opposed to management of internal close out controls and procedures.

Recommendation: The District should compile a consolidated project-close out checklist to ensure and report on turnover of documentation by contractors and completion of all critical tasks prior to release of final payment. Bond Program policy and procedure should update associated policies and procedures to reflect current procedures to ensure appropriateness (see [Recommendation No. 22](#) for more detail).



OBJECTIVE NO. 16 – POST FINANCING REVIEW

Observation No. 16: WCCUSD policies and procedures could be improved upon to include pricing goals and requirements for future bond issuances.

16

The District has taken steps to address *Post-Financing Review* recommendation (Moss Adams 2017 Report Objective No. 16); however formal policies and procedures were not available. We evaluated Post-Financing reviews completed by the District and compared to established policy and procedures. On June 13, 2018, the District's financial advisor, KNN Public Finance, presented a Summary of 2018 General Obligation Bonds. Material covered included transaction overview, pricing highlights, pricing comparison and interest rate benchmarking, bond ratings, etc. However, the District did not update policy and procedures to include Bond pricing goals or requirements.

Recommendation: As a best practice, the District should have established pricing goals and requirements included within their policies and procedures (see [Recommendation No. 22](#) for more detail).

OBJECTIVE NO. 17 – REFUNDING OF OUTSTANDING BONDS (NO EXCEPTION)

17

The District's current bond structure, bond funding requirements, refunding costs, and compliance with refunding requirements per Board policy and regulation were assessed. During Fiscal Year 2018, the District issued refunding bonds in the amount of \$59,480,000 on September 6, 2017; approved by the Board on August 9, 2017. The District has Board Policy (B.P.) 7214.3, adopted on April 24, 2013, which clearly identifies the purpose of refunding/restructuring and the objectives of providing net present value debt service savings, providing assistance with tax rate management, and/or adjusting the debt service structure. The District consulted with its municipal advisor (KNN Public Finance), Bond counsel (Nixon Peabody LLP), and underwriters (J.P. Morgan Securities LLC and Piper Jaffray & Co.) to determine the most beneficial options for taxpayers and ways to achieve the refunding objectives while complying with Board policy guidelines and legal requirements.

No exception taken.

OBJECTIVE NO. 18 – ARBITRAGE AND INVESTMENTS (NO EXCEPTION)

18

Official Bond language and legal limitations regarding the issuance of the Bond were analyzed including the terms of voter approved measures regarding investments and arbitrage regulations. Funds were invested within the Contra Costa County Investment Pool at the discretion of the Contra Costa County Treasurer-Tax Collector Investment Officers, and the District is not part of that decision making process. Per Education Code Section 41001, the District is required to deposit all receipts and collections of monies (including Bond proceeds) with the County Treasurer. The Contra Costa County's Quarterly Investment Report through June 30, 2018, provided a report detailing the investment allocations. The investment categories include the following: US Treasuries (2.87%), US Agencies (home loan banks, credit banks, mortgage corporations, municipal bonds) (21.18%), Supranationals



(10.02%), Money Market Instruments (46.34%), Asset/Mortgage Backed Securities (0%), Corporate Notes (5%), Local Agency Investment Fund (11.10%), Cash (3.44%), and other (0.05%).
No exception taken.

OBJECTIVE NO. 19 – TIMELINESS OF PAYMENT

Observation No 19: There were seven instances where payment processing took longer than 30 days and was not supported by a payment application/invoice rejection letter justifying the delay.

The District has not taken steps to address the *Timeliness of Payments* recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 19). We reviewed sampled invoices and payment applications for compliance with the District's 30-day payment process. We also reviewed lien releases and other cost support to ensure timely payments to contractors and subcontractors in compliance with contract terms. The District has a step-by-step payment process, included within the unofficial policies and procedures, which aims at providing payment to contractors who have been compliant with billing requirements within 30 days of the District's receipt of invoices and payment applications. These seven instances of non-compliance are broken down into two areas:

1. The following two invoices were stamped as received by Facility Planning and Construction and the warrant (payment) date was greater than 30 days from the date the invoice was stamped as received:

Vendor No.	Vendor Name	Invoice Number	Invoice Date	Amount	Check Date	Days
26772	Mobile Modular Management Corp	1362093	7/2/2017	245,477.04	8/29/2017	58
44360	DDL.N.INC		6/15/2018	28,050.00	8/7/2018	53

2. The following five invoices were not stamped as received by the Facility Planning and Construction Department as required per their process. The invoice date was utilized to compare against the warrant date, which exceeded the 30-day allotment. A total of 11 of the 61 expenditures sampled were not stamped as received by Facility Planning and Construction; however, only the following five invoices were not paid within 30 days:

Vendor No.	Vendor Name	Invoice Number	Invoice Date	Amount	Check Date	Days
47954	Hibser Yamauchi Architects Inc	3199_5.6.7_07	1/15/2018	9,001.19	3/6/2018	50
48746	Roebbelen Construction Management S	14	8/10/2017	83,990.00	9/26/2017	47



17999	A and E Emaar	10000021 87-1	8/30/2017	96,200.00	10/3/2017	34
49120	Angotti & Reilly Inc	10000024 49-03	12/15/2017	143,006.33	1/17/2018	33
48755	Cve Contracting Group Inc.	10000024 50-1	11/3/2017	263,768.00	12/5/2017	32

Recommendation: The District's Facility Planning and Construction Department should ensure that each invoice, whether obtained in hard or electronic copy, is signed/stamped as received to indicate the initialization of the payment process. For any instances where payment has been delayed due to contractor inaccuracies within invoices/payment applications, disagreements between work billed and performed, or other discrepancies, the District should provide rejection letters to contractors detailing why payment is being delayed. This document should be maintained within files or attached to the invoice/payment application.

OBJECTIVE NO. 20 – LOCAL PARTICIPATION REQUIREMENTS

Observation No. 20: The District no longer tracks local participation and instead relies on construction firms to comply with these requirements.

20

The District has not taken steps to address the *Timeliness of Payments* recommendation provided in the prior year's report (Moss Adams 2017 Report Objective No. 20). We reviewed District and Board policies to determine any local or socioeconomic participation goals or requirements for Bond Program projects. The District had previously contracted Davillier-Sloan, Inc. to provide monitoring and reporting services for local participation based on the information gathered from the contractor's certified payroll reports. Based on inquiry, the District has elected to defer management and measurement of local participation goals to the construction firms responsible for the collection and production of all certified payroll reports. However, no documentation regarding compliance of good faith efforts to achieve local participation goals were available.

Recommendation: The District should define its position and role in achieving local participation goals and Board Policy should be updated accordingly (see [Recommendation No. 22](#) for more detail).

OBJECTIVE NO. 21 – CBOC COMPLIANCE (NO EXCEPTION)

21

We assessed the CBOC's compliance with Board Policy 7214.2, CBOC bylaws, and related Education Code sections. We evaluated the effectiveness of the CBOC's activities and reviewed the committee composition for potential independence violations. The CBOC is currently composed of 17 member positions, as established by Board Policy. Vacancies during Fiscal Year 2018 were identified and posted to the CBOC website. The CBOC includes at least five active subcommittees providing specialized focus in the following areas: audit, site visit, annual report, website, and bylaws. The members of the Committee have proven to be very committed to the established objectives per Board Policy 7214.2, CBOC



	bylaws, and the Education Code. The CBOC meets monthly to discuss Bond Program expenditures and reporting though legally required to be done on an annual basis, at a minimum. Meeting minutes are uploaded via the District's website and stress the importance of Brown Act compliance with regards to regular CBOC and CBOC Audit Subcommittee meetings.
	No exception taken.

OBJECTIVE NO 22. – TRANSPARENCY OF BOND PROGRAM

Observation No. 22: Bond Program policies and procedures should be formalized and approved by the Board and the transparency of the Bond Program can be improved.	
22	<p>The District has taken steps to address <i>Transparency of Bond Program</i> recommendation (Moss Adams 2017 Report Objective No. 22); however, formal policies and procedures were not available and the CBOC website lacked benchmark information. We reviewed the District's means to reach Bond Program stakeholders with useful and meaningful communications. We also assessed the communication channels made available to stakeholders to voice concerns, influence projects, etc., to the District. We evaluated the overall transparency of the Bond Program including the CBOC's website, Bond Program progress reports, and the availability and access to information regarding Bond expenditures against benchmark criteria to be included on Independent Citizens Oversight Committee (ICOC) websites, established by the San Diego Taxpayers Educational Foundation (SDTEF) for School Bond Transparency.</p> <p>The CBOC website included information such as meeting minutes, member vacancies, and various Bond Program reports. However, the following benchmark items were not identified on the CBOC website:</p> <ul style="list-style-type: none"> • <i>Committee Bylaws</i> – The CBOC bylaws were not available or easily identified on the CBOC website. • <i>Project Lists</i> – A list of all projects currently being funded by bond amounts was not available or easily identified on the CBOC website through June 30, 2018. • <i>Project Descriptions</i> – A brief written description of currently funded projects was not available or easily identified on the CBOC website through June 30, 2018. • <i>Project Progress</i> – The current status and plan of action for each currently funded project was not available or easily identified on the CBOC website through June 30, 2018. • <i>Number of Vacancies</i> – SDTEF recommends having no vacancies when possible. <p>See Appendix C for a comprehensive list of SDTEF benchmark website criteria for School Bond Transparency. Transparency by the District is of the utmost importance as there has been a shift in resources and responsibilities. One of the main ways other school districts improve their transparency is by creating a comprehensive Bond Program policies and procedures manual. Policies and procedures for District Bond Program activities were requested as part of the performance audit; however, the District did not have a formal procedures manual and compiled the practices implemented for invoice review and processing, change order review and processing, and bidding and procurement requirements upon request. However, the District was able to show progress on a draft program management manual, including draft table of contents and outlines, and drafted procedural documents for particular processes.</p>



Recommendation: As a best practice, the District should consolidate all policies, procedures, and resolutions into one document to ensure effective controls and communication of the policies and procedures. The GFOA recommends, within their article “Documenting Accounting Policies and Procedures,” that the documentation of accounting policies and procedures should be evaluated annually and updated periodically, no less than once every three years. Any changes in policies and procedures should be updated in the documentation promptly as they occur and a specific employee should be assigned the duty of overseeing this process. The resulting documentation can also serve as a useful training tool for staff.

Additionally, per the SDTEF School Bond Transparency Summary Report, continuing improvement recommendations for ICOC websites are as follows:

- Update all information on the ICOC’s website on a regular basis, including posting up-to-date agendas, minutes, financial and performance audits, and annual reports. Access to up-to-date information is vital to transparency. Districts should frequently update all website materials to reflect the most accurate information. Audits and financial reports should be available in a timelier fashion, as they should take no longer than a few months to prepare. Similarly, project status updates should be regularly provided— not just as budget updates, but construction progress with expected timelines for completion as well.
- Adjust ICOC website organization to make it easy to navigate and find specific information. Simply including all of the recommended information such as financial audits and meeting minutes does not guarantee transparency. Instead, an ideal ICOC website would organize these files by type and date in separate links, so that any interested party could easily find the information available. All files are important, but they are often not easy to differentiate between, especially when uploaded with a nondescript file name. Grossmont-Cuyamaca Community College District, Cajon Valley Union School District, and San Diego Community College District work as good models for how to organize the ICOC website, and can serve as a starting point for other districts. These districts stand out for having a website with a user-friendly interface in which all information is categorized and presented separately for better navigation.

Through June 30, 2018 the Bond Oversight Committee had vacancies. As a best practice, the District should evaluate communications options (i.e., appropriate communication channels) to ensure no vacancies within the CBOC consistent with the SDCTA guidance. Additionally, the District should create a comprehensive Bond Program policies and procedures manual for presentation to the Board. This manual should highlight all the functional areas related to Bond Program activities such as, but not limited to, staffing, procurement, financial controls, document control, budgeting practices, master planning, scheduling, invoice/payment application review and processing, change order review and processing, and claims avoidance and management.



IV. REPORTING VIEWS OF RESPONSIBLE OFFICIALS

Below is a schedule of the audit observations and management's responses for exceptions and improvement opportunities noted as a result of the performance audits completed for FYs ended June 30, 2017 and June 30, 2018. Through inquiry and review of documents, we confirmed 18 out of 21 of the prior year recommendations were not fully addressed in a documented action plan. Additionally, based on the FY 2017-18 audit, seven additional improvement opportunities were identified. Management responses from the District Facility Staff are reported below for each recommendation.

FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
2017	Conduct a Performance Audit	Conduct a Performance Audit	School Facility Consultants charged cost to the Bond Program that was not expressly allowable per the Bond language.	The District should consult with its legal counsel to determine if costs incurred for School Facility Consultants are allowable under the terms of the Bond measure language. Results of this consultation should be reported to the appropriate personnel (i.e., relevant District management, the Board, and CBOC) to ensure transparency and remediation take place, as necessary.	The District accepts the recommendation and will consult legal counsel regarding the project management functions that School Facility Consultant provides to the District related to Bond projects.	Open – The District has not taken steps to address the School Facility Consultants charged recommendation in the prior year's report. No documentation was made available to demonstrate legal opinion or refunding of School Facility Consultant amounts charged to the Bond Program.	TBD
2017 and 2018	Conduct a Performance Audit	Conduct a Performance Audit	The District needs to provide adequate documentation to support staff charge allocation to the Bond Program.	The District should implement the processes and controls needed to provide supporting documentation that validates the applicability and accuracy of labor charged to the Bond Program consistent with Opinion 04-110. Specifically, a timekeeping system, or equivalent tracking system, should be implemented so that all labor costs incurred are identifiable, compliant, and have a beneficial relationship to the Bond Program.	The District will perform a time study over a specified period of time to validate FTE allocations.	Open – The District has not taken steps to address the Staff Allocation recommendation provided in the prior year's report.	TBD
2017 and 2018	1	District and Professional Services Staffing Plan for the Bond Program	WCCUSD should have well-defined reporting and procedures for in-house or consultant staffing for the Bond Program.	As a best practice, appropriate WCCUSD management should approve an annual staffing plan, including key metrics such as positions staffed, number of personnel, number of planned projects, and dollar values of planned projects to help determine organizational structure alignment with the Bond Program needs.	The District will develop a staffing plan during the fiscal year budget development process.	Open – The District has taken steps to address the District and Professional Services Staffing Plan for the Bond Program recommendation provided in the prior year's report; however, key metrics and staffing requirements were not available.	TBD
2017	2	Design and Construction Schedules Cash Flow Analysis	Cash flow information is only provided on the overall Bond Program as opposed to providing cash flow information on a per project basis by funding source.	The District should periodically provide a cash flow report to the Board and CBOC, to project the availability of cash on a project-by-project basis, by funding source, in addition to its FY 2016-17 presentation in aggregate.	The District's cash flow reporting is based upon Board-approved budgets from planning through completion. Future project forecasting is based upon Facilities Master Plan Board-approved budgets. The working document cash flow report does include revenues and expenditures through June 2023, for the entire Program, by month based on the project forecast amounts schedules.	Closed – The District has addressed this observation.	June 2018



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
2017 and 2018	3	Design and Construction Budget Management	The District should have established policies and procedures for design and construction budget establishment and management for the Bond Program.	The District should develop and implement policies and procedures for budget establishment and management activities for the Bond Program (see Recommendation No. 22 for more detail). Defined roles and responsibilities information will help provide transparency surrounding how budgets are established and managed. Furthermore, as a best practice, project reporting with key project information, including forecast amounts, should be consistently reported to WCCUSD management and key stakeholders. Any forecasted overruns should be addressed with detailed plans to secure additional sources of funding and identify alternative options that reduce projected costs while still meeting the District's objectives and needs. Muni and Primavera project amounts should be reconciled, reviewed, and approved by key departmental personnel (e.g., WCCUSD project management, WCCUSD accounting, and Construction Manager) to ensure completeness and accuracy.	The District will establish and implement policies and procedures for budget development and management activities	Open – The District has not taken steps to address the Design and Construction Budget Management recommendation provided in the prior year's report.	TBD
2017 and 2018	4	Bidding and Procurement Procedures	The District should have Board-approved written policies and procedures regarding bidding and procurement, but generated a list of its practices, applicable regulations, and procurement template checklists upon request.	Detailed processes and procedures for procurement should be added to the comprehensive Bond Program policies and procedures manual for transparency and accountability and should be approved by the Board.	The District will formalize written policies and procedures to be included in the Program Management Plan.	Open – The District has taken steps to address the Bidding and Procurement Procedures recommendation provided in the prior year's report; however, formal Board approved policies and procedures were not available.	TBD
2017 and 2018	2017:4 2018:4b	Bidding and Procurement Procedures	The District needs to provide evidence of a fair, competitive solicitation process for architectural and professional construction services for four vendors.	The District should ensure that adequate documentation as evidence of a competitive solicitation and procurement process is maintained to comply with District policies and procedures and/or PCC, CUPCCAA, and other laws and regulations.	The District currently has a procurement process in place that ensures a fair and competitive selection process and provided evidence for Fairmont ES. In regards to the contract for Korematsu MS, the District did not require a competitive process for these services because the services performed were of the type that could be best and most cost-effectively performed by the Project's Architect of Record. If the District would have attempted to engage the services of another entity, the additional costs and delay impacts to the Project would have been great. The Project Architect of Record, responsible for the DSA approved plans for the Project are the	Open – The District has not taken steps to address the Bidding and Procurement Procedures recommendation provided in the prior year's report	TBD



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
					only entity that could have timely and cost-effectively performed these services. The contracts for Richmond High School and Valley View Elementary School were procured in 2010. The District provided evidence of the prequalification of Architectural firms and the Board approval documentation. Unfortunately, the proposals and process details from nine years ago were not readily found in the archive.		
2017 and 2018	4c	Bidding and Procurement Procedures	The District needs to provide evidence of a competitive solicitation process for construction services for two vendors requiring such per District's procedural documents.	The District should ensure that adequate documentation as evidence of a competitive solicitation and procurement process is maintained to comply with District policies and procedures and/or PCC, CUPCCAA, and other laws and regulations.	The District does not maintain the informal solicitation records for CUPCCAA contracts, because the procurement narrative is included on the Proposal Approval Coversheet. The District will review current practice and policy.	Open – The District has not taken steps to address the Bidding and Procurement Procedures recommendation provided in the prior year's report.	TBD
2018	4d	Bidding and Procurement Procedures	The District needs to evidence adequate Board approval for two vendor contracts/purchase orders	The District should ensure that adequate documentation as evidence of appropriate approval is maintained to comply with District policies and procedures and/or PCC, CUPCCAA, and other laws and regulations.	The payment to EBMUD is the cost charged by EBMUD to provide new water utility service at the PVHS project site. The payment to Oracle is the cost of licensing for Primavera. Both expenditures were Board approved pursuant to Board Policy 3300.	Open	TBD
2017	5	Procurement Fraud Prevention and Detection Controls	The District purchased items not specifically identified in the General Services Administration (GSA) contract. No documentation was available to explain the deviation from contracted equipment items and validate compliance with state laws and regulations.	The District should continue to review all relevant contracting laws and guidelines and ensure that systems and controls are in place to work within the confines specified. Competitive bidding and procurement practices should continue to include an RFQ/RFP and a full evaluation of bidders on a comparative basis as required by District policies and procedures and/or state law and regulations.	The District agrees with the recommendation. The District will draft comprehensive procedures that align with current practices that are compliant with all procurement regulations.	Closed – No exceptions noted.	FY 2018
2017 and 2018	5	Procurement Fraud Prevention and Detection Controls	Formal policies and procedures and monitoring controls to prevent and detect procurement fraud should be available.	WCCUSD should implement policies and procedures regarding procurement fraud to assist in identifying, preventing, and detecting procurement fraud (see Recommendation No. 22 for more detail). The policies should include reporting protocols, training requirements, and escalation procedures specific to procurement fraud. This resulting documentation can also serve as a useful	The District will consider the recommendation and will develop policies and procedures after consideration. The District currently has a fraud hotline and centralized reporting of all bond funded procurement activities.	Open – The District has not taken steps to address the Procurement Fraud Prevention and Detection Control recommendation provided in the prior year's report.	TBD



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
				training tool for staff. As a best practice, the WCCUSD should maintain a consolidated bid and procurement activity report that will help WCCUSD senior management identify, prevent, or detect fraud and noncompliance with WCCUSD policies and procedures, state laws, and regulations. Supporting documentation for this consolidated report should be readily available in a central location, either physically or electronically.			
2017	6	Bond Program Master Planning and Reporting	A clear and documented plan for how the District is going to stay within the total estimated budget's available funding while meeting the intended needs of the master plan was unavailable through June 30, 2017.	The District should ensure that adequate controls and budget management practices are applied to manage to the estimated project budgets identified within the master plan, especially as the dollar value of planned projects currently outweighs available Bond funding. The District should also ensure that adequate contingency planning and reporting is in place and properly communicated in the event that potential funding shortfalls cannot be covered by additional measures, future bond issuances, or additional state funding.	The District agrees with the recommendation. The District will prepare comprehensive processes and procedures that align with current practice.	Closed – The District has addressed the Bond Program Master Planning and Reporting recommendation provided in the prior year's report.	FY18
2018	6a	Bond Program Master Planning and Reporting	WCCUSD policies and procedures should define master planning processes and procedures.	As a best practice, WCCUSD should take action to ensure defined and documented processes are in place for master planning efforts, including when to utilize these procedures (e.g., thresholds), who is responsible for each activity, and procedures for final approval (see Recommendation No. 22 for more detail). Documentation requirements for any master plan changes from original approved documents should include, but not be limited to, information surrounding the proposed design change, basis for design change, estimated design change revenue and cost impact, estimated schedule impact, and design change initiator and approver. Master plan reporting should include a summary level Project Stages Report with dates of key milestones achieved, estimated dates of key milestones to be achieved, and appropriate and relevant narrative should be maintained and reported to key stakeholders on a regular basis. Deviations should be discussed with WCCUSD management and documented accordingly within monthly reporting. Responsibilities should be assigned and appropriateness of the policies and procedures should be evaluated on an ongoing basis.	The District provided an update to the Board of Education in May of 2018 and will continue to provide annual updates. The District will consider policies and procedures related to master planning.	Open	TBD
2018	6b	Bond Program Master Planning and Reporting	Program reporting should include adequate details to allow key stakeholders to analyze the project forecast at the program and project	Both the SDCTA and GFOA recommends that budget-to-actual comparisons of revenues, expenditures, cash flow, and fund balances be periodically reported. BOE-approved master plan budgets and current forecasts at the program and project level should be available with	The District's cash flow reporting is based upon board approved budgets from planning through completion. Future project forecasting is based upon Facilities Master Plan board	Open	TBD



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
			level to actual committed contract values and the associated timing of revenues, expenditures, cash flow, and fund balances as recommended by the GFOA and the SDCTA.	consideration of the amounts available. Change order reporting should include information such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals, and totals for easy end-user reference (see Recommendation No. 13b for further information). Detailed budget-level information for current bond issuances allows the District to monitor budgetary performance against committed contract values and can serve as an early warning indicator for potential problems. This information provides decision makers time to consider actions that may be needed if major deviations in budget-to-actual results become evident. Both the SDCTA and GFOA comments that this information is essential input for demonstrating accountability and transparency. Additionally, cash flow reporting should include revenues, cash, and expenditures by timeframe to document that sufficient funding is available to meet financial requirements for Measure D and E. This documentation will also serve as a useful tool for District management and stakeholders to understand the timing of project schedules.	approved budgets. The working document cash flow report does include revenues and expenditures through June 2023, for the entire Program, by month based on the project forecast amounts and schedules. The District currently has a change order reporting practice which includes change order responsibilities.		
2017 and 2018	8	Claim Avoidance and Control Procedures	District policies and procedures should identify roles and responsible or action to be taken to prevent or limit claim exposures.	As a best practice, formal written policies and procedures for proactive claims avoidance practices should be created and added to a comprehensive Bond Program policy and procedure manual (see Recommendation No. 22 for more detail).	The District will consider this recommendation and develop proactive claim avoidance policies and procedures to reflect current practice.	Open – The District has taken steps to address the Claim Avoidance and Control Procedures recommendation provided in the prior year's report; however, formal proactive claims avoidance policies and procedures were not available.	TBD
2018	9	Materials Specifications	WCCUSD should have formal policies and procedures surrounding how to make updates to the Material Specifications log.	As a best practice, WCCUSD should define how to make updates to the Standards Specifications document and update Bond Program policies and procedures accordingly (see Recommendation No. 22 for more detail). This policy should ensure that documentation exists including: the requestor and date of request, description of change, cost-benefit relationship for the change (see Recommendation No. 10 for further information), approver and date of approval, and a time-stamped updated specifications document. The cost-benefit analysis for significant specification changes should be approved by appropriate WCCUSD management. The Standard Specifications document should avoid including narrow scope requirements to prevent excessive pricing to WCCUSD.	The District will consider this recommendation.	Open	TBD



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2017 and 2018	10	Cost Benefit and Value Engineering Analyses	The District should have approved policies and procedures for conducting cost benefit analysis and value engineering studies in FY 2017-18.	As a best practice, the District should ensure formal, defined, and documented policies and procedures as well as roles and responsibilities are in place for cost benefit analysis and value engineering for its projects, including when to utilize these tools, who is responsible for each activity, and procedures for final approval (see Recommendation No. 22 for more detail). The District's current methodology of when to utilize these tools on projects is unclear; however, value engineering and cost benefit analyses can be utilized as a tool on any project.	The District will consider the recommendation and will review the current policies and procedures after consideration.	Open – The District has taken steps to address the Cost Benefit and Value Engineering Analyses recommendation provided in the prior year's report; however, formalized policies and procedures were not available.	TBD
2017 and 2018	11	Maintenance of District Assets Funded by Local Bond and Warranty Conditions Compliance	The District needs to provide documentation to evidence assets funded by the Bond Program were compliant with warranty condition requirements.	As a best practice, the District should ensure compliance with all warranty conditions to sustain a level of protection against breach of warranty and proper maintenance of District facilities in accordance with warranty conditions. A consolidated summary project close-out report with warranty and preventive maintenance log details, which includes major assets, applicable items under warranty, dates of installation, required periodic maintenance, and actual maintenance conducted should be kept for all school sites and reported to stakeholders on a regular basis. Warranty information is required as part of the construction close-out process; therefore, it is recommended that an owner warranty log be created by the Facility Planning and Construction Department and provided to the maintenance team for proper follow-up.	The District agrees with the recommendation.	Open – The District has not taken steps to address the Maintenance of District Assets Funded by Local Bond and Warranty Conditions Compliance recommendation provided in the prior year's report.	TBD
2018	13a	Change Order Management and Controls Application	WCCUSD should have formal change order policies and procedures.	Formal written policies and procedures, including defined approval authority for change orders, should be created and added to a comprehensive Bond Program policy and procedure manual to ensure appropriate review and approval controls are in place before vendor payment release (see Recommendation No. 22 for more detail).	The District will consider this recommendation and update its current policies and procedures including defined approval authority for change orders.	Open	TBD
2018	13b	Change Order Management and Controls Application	Adequate change order reporting to ensure end users understand change order impact and assigned responsibility should be available.	As best practice, District change order reporting should include accurate information, such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals, and totals for easy end-user reference. Summary and detailed change reporting is necessary to understand change order cause, responsibility, pricing, and compliance as well as to identify potential duplicated work scopes and/or redundancies caused by unclear scope objectives and/or expectations within the Master Plan.	The District will consider the recommendation. Currently, the District provides a monthly report to the CBOC that includes change order impact and assigned responsibility for all active bond projects.	Open	TBD



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2017 and 2018	2017: 5 2018: 13c	Change Order Management and Controls Application	We observed several contracts that had significant change order values compared to the original contract amounts, which presents a good opportunity to improve change order management and controls.	As a best practice, competitive bidding and procurement practices should include a full evaluation of bidders and the total scope of work on a comparative basis to ensure competitive pricing for Bond program objectives.	The District currently has a procurement process in place that ensures a fair and competitive selection process. The procurement from Richmond HS, Valley View ES, and Pinole Valley HS were from 2010. In reference to the Fairmont ES contract, the original contract for master planning services was awarded pursuant to a fair and competitive process and provided for a phased contractual approach as the site-specific scope of work was developed. The original long-range facilities master plan identified that this campus required further investigation and that the final scope of work would need to be developed. Therefore, upon completion of the initial site assessment phase and upon the development of the scope of work, the consultant was then authorized to proceed with the services set forth in the amendment. In an effort to provide greater transparency, the District issued a Friday Memo to the Board on February 2, 2018, to describe this methodology prior to the Board's consideration.	Open – The District has not taken steps to address the Change Order Management and Controls Application recommendation provided in the prior year's report.	TBD
2018	14	Contractor Billing Compliance Controls	The District should have defined approval authority for vendor payment processing within the Bond Program policy and procedure manual to ensure appropriate review and controls.	Formal written policies and procedures including defined approval authority for vendor payment processing should be created and added to a comprehensive Bond Program policy and procedure manual to ensure appropriate review and approval controls are in place before vendor payment release (see Recommendation No. 22 for more detail).	The District will consider this recommendation.	Open	TBD
2017 and 2018	15	Project Close-Out Controls	WCCUSD policy and procedures surrounding project close-out controls should be formalized and Board approved.	The District should compile a consolidated project-close out checklist to ensure and report on turnover of documentation by contractors and completion of all critical tasks prior to release of final payment. Bond Program policy and procedure should update associated policies and procedures to reflect current procedures to ensure appropriateness (see Recommendation No. 22 for more detail).	The District will consider this recommendation and update its current policies and procedures after consideration.	Open – The District has not taken steps to address the Project Close-Out Controls recommendation provided in the prior year's report.	TBD



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2017 and 2018	16	Post-Financing Review	WCCUSD policies and procedures could be improved upon to include pricing goals and requirements for future bond issuances.	As a best practice, the District should have established pricing goals and requirements included within their policies and procedures (see Recommendation No. 22 for more detail).	The District will consider this recommendation and update its current policies and procedures.	Open – The District has taken steps to address the Post-Financing Review recommendation provided in the prior year's report; however, formal policies and procedures were not available.	TBD
2017 and 2018	19	Timeliness of Payments	There were seven instances where payment processing took longer than 30 days and was not supported by a payment application/invoice rejection letter justifying the delay.	The District's Facility Planning and Construction Department should ensure that each invoice, whether obtained in hard or electronic copy, is signed/stamped as received to indicate the initialization of the payment process. For any instances where payment has been delayed due to contractor inaccuracies within invoices/payment applications, disagreements between work billed and performed, or other discrepancies, the District should provide rejection letters to contractors detailing why payment is being delayed. This document should be maintained within files or attached to the invoice/payment application.	The District agrees with the recommendation.	Open – The District has not taken steps to address the Timeliness of Payments recommendation provided in the prior year's report.	N/A
2017 and 2018	20	Local Participation Requirements	The District no longer tracks local participation and instead relies on construction firms to comply with these requirements.	The District should define its position and role in achieving local participation goals and Board Policy should be updated accordingly (see Recommendation No. 22 for more detail).	The District is committed to encouraging local participation pursuant to the Local Capacity Utilization program adopted by the Board. Historically, the local capacity reporting was provided by Davillier-Sloan, Inc, the labor compliance firm, responsible for collecting all the certified payroll reports. In July 2014, SB 854 eliminated the requirement to use the labor compliance programs and shifted the cost and responsibility from school districts to the Department of Industrial Relations (DIR). Due to the legislative changes and considerable cost-savings, the district discontinued the labor compliance program in June 2017. In an effort to maintain the local capacity utilization plan reporting, the District has shifted the reporting responsibility to the contractor responsible for collecting and reporting all certified payroll to the DIR. Most recently, the District has also required a plan for local outreach including trade contractors in the design build procurement process and included local	Open – The District has taken steps to address the Local Participation Requirements recommendation provided in the prior year's report.	TBD



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					participation outreach and engagement in the contract language. In addition, the District will continue to encourage local participation through direct vendor outreach and solicitation. The District will review the existing policy and update the language to reflect the changes in administration and provide clear guidelines for reporting on the utilization of the local workforce.		
2017 and 2018	22	Transparency of Bond Program	The transparency of the Bond Program through the CBOC website can be improved.	<p>Per the SDTEF School Bond Transparency Summary Report, continuing improvement recommendations for ICOC websites are as follows:</p> <p>Update all information on the ICOC's website on a regular basis, including posting up-to-date agendas, minutes, financial and performance audits, and annual reports. Access to up-to-date information is vital to transparency. Districts should frequently update all website materials to reflect the most accurate information. Audits and financial reports should be available in a timelier fashion, as they should take no longer than a few months to prepare. Similarly, project status updates should be regularly provided—not just as budget updates, but construction progress with expected timelines for completion as well.</p> <p>Adjust ICOC website organization to make it easy to navigate and find specific information. Simply including all of the recommended information such as financial audits and meeting minutes does not guarantee transparency. Instead, an ideal ICOC website would organize these files by type and date in separate links, so that any interested party could easily find the information available. All files are important, but they are often not easy to differentiate between, especially when uploaded with a nondescript file name. Grossmont-Cuyamaca Community College District, Cajon Valley Union School District, and San Diego Community College District work as good models for how to organize the ICOC website, and can serve as a starting point for other districts. These districts stand out for having a website with a user-friendly interface in which all information is categorized and presented separately for better navigation.</p> <p>Through June 30, 2018 the Bond Oversight Committee had vacancies. As a best practice, the District should evaluate communications options (i.e., appropriate communication channels) to ensure no vacancies within</p>	The District will consider this recommendation and update its current policies and procedures after consideration.	Open – The District has taken steps to address the Transparency of Bond Program recommendation provided in the prior year's report	TBD



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				the CBOC consistent with the SDCTA guidance. Additionally, the District should create a comprehensive Bond Program policies and procedures manual for presentation to the Board. This manual should highlight all the functional areas related to Bond Program activities such as, but not limited to, staffing, procurement, financial controls, document control, budgeting practices, master planning, scheduling, invoice/payment application review and processing, change order review and processing, and claims avoidance and management.			
2017 and 2018	22	Transparency of Bond Program	Bond Program policies and procedures should be formalized and approved by the Board.	As a best practice, the District should consolidate all policies, procedures, and resolutions into one document to ensure effective controls and communication of the policies and procedures. The GFOA recommends, within their article "Documenting Accounting Policies and Procedures," that the documentation of accounting policies and procedures should be evaluated annually and updated periodically, no less than once every three years. Any changes in policies and procedures should be updated in the documentation promptly as they occur and a specific employee should be assigned the duty of overseeing this process. The resulting documentation can also serve as a useful training tool for staff.	The District will consider this recommendation and update its current policies and procedures after consideration.	Open – The District has taken steps to address the Transparency of Bond Program recommendation provided in the prior year's report; however, formal policies and procedures were not available.	TBD



APPENDIX A: LIST OF INTERVIEWEES

The following key WCCUSD personnel were interviewed:

- Associate Superintendent of Business Services
- Associate Superintendent Operations
- Bond Oversight Committee Members
- Director of Business Services
- Director of Communications
- Director of Contracts Administration
- Engineering Officer
- Fiscal Coordinator
- Internal Auditor

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APPENDIX B: COST BENEFIT AND VALUE ENGINEERING ANALYSES

The following guidelines and recommendations can be utilized by the District to maximize value engineering (VE) studies and cost benefit analyses.

VE SCOPING

- Identify whether or not a VE study should be conducted for each project (or a component) prior to finalization of the contract.
- Prepare a revised scope of work template that is consistent with SAVE International® guidelines.
- Set a delivery date within a short period of time following the last day of the VE workshop (three days is suggested by SAVE International).
- Include scope for VE team leader to attend the District's decision meeting regarding acceptance or rejection of the VE team recommendations to ensure that decision makers have a full and complete understanding of the recommendations.
- Provide the details of the VE process to all construction contractors as part of the bidding process information.

VE STUDY PERFORMANCE

The District should conduct VE studies to determine the goals and needs of the District. This can be conducted in three phases: pre-workshop, workshop, and post-workshop.

Pre-Workshop

- Define the District's expectations for conducting a VE study workshop and provide it to all VE team leaders in advance of conducting each workshop.
- Ensure that sufficient time is available to the VE team leader and team members to accomplish all pre-workshop activities.
- Require pre-workshop preparation of matrix or graphical models of capital cost, operations and maintenance (O&M) cost, lifecycle cost, energy, space, time, or other project characteristics as needed to provide the VE team with appropriate insights into the distribution of these critical elements through the project components.
- Distribute presentation outlines to the District project managers and the design project manager to provide guidance about the information they need to present during the information phase on the first day of the VE workshop.
- Have the VE team cost estimator(s) conduct a validation of the project construction cost estimate in advance of the VE workshop to identify any areas of concern in the estimate.
- Ensure involvement by at least two VE team members (one planning and construction design/project management staff member who is not part of the design team for the



project and one staff member from operations and maintenance) appropriate to the type of project for the duration of at least half of the workshop.

Workshop

- Provide the VE team with a list of clear and well-defined true constraints on the VE team to help them stay focused.
- Ensure that a function analysis of the specific project is conducted with the VE team during the workshop. It must be specific to the project rather than borrowing functions identified in previous VE studies.
- Ensure that the creative process is truly creative and is not limited to proven ideas.
- Attend a mid-workshop review of the “shortlist” of VE ideas with representatives of operations and maintenance as well as the design team and identify any ideas with “fatal flaws” and any ideas not on the shortlist that should be added.
- Ensure attendance at the VE team presentation by representatives of all of the internal stakeholder groups (i.e., Facility Planning and Construction, Finance) within the District that are relevant to the VE study.
- Require that the VE team leader, assistant, or another team leader review each recommendation for completeness and correctness before the end of the workshop.

Post-Workshop

- Require the design team to respond to each VE recommendation and design suggestion with the same level of detail as is contained in the VE recommendation. Require detailed documentation if the design team disagrees with the VE team’s estimated cost impacts of the recommendation. Require detailed justification for recommendations to reject any VE recommendation.
- Ensure that all key stakeholders respond to the VE recommendations and are represented at the post-workshop decision meeting, including the VE team leader.
- Ensure that the results of each VE study are entered in the various tracking systems that are part of the Bond Program.

VE Budgeting

- Incorporate a line item in the budget for the VE that includes funds for VE program associated expenses, training for VE program staff and design project manager, and consultant services for VE studies. Make the head of the VE program responsible for meeting that budget. Include a contingency allowance in the budget for VE studies that may be identified at a later date.
- Set a VE study budget for each project in the District’s Master Plan.
- Check the VE budget for each project to confirm that it falls between 0.5 percent and 2 percent of the project construction cost.



APPENDIX C: SAN DIEGO TAXPAYERS EDUCATIONAL FOUNDATION CRITERIA FOR SCHOOL BOND TRANSPARENCY

The following best practice criteria for ICOC websites was utilized by the SDTEF to measure school bond program transparency:

- **Committee Bylaws:** A link to the committee bylaws is available on the ICOC website.
- **Member Information:** A list of the names of all ICOC members is available on the ICOC website.
- **Meeting Minutes/Agendas:** Links to the most up-to-date meeting minutes and agendas are available on the ICOC websites.
- **Additional Meeting Material:** Links to attachments, appendixes, presentations, and other additional materials for every ICOC meetings are available on the ICOC website.
- **Annual Reports:** A link to the Annual Reports is available on the ICOC website.
- **Performance Audits:** A link to separate Performance Audits is available on the ICOC website, or under a separate heading within the Financial Audits.
- **Financial Audits:** A link to the Financial Audit is available on the ICOC website.
- **Project List:** All projects currently being funded by the bond are listed on the ICOC website.
- **Project Descriptions:** A brief written description of each project can be found on the ICOC website.
- **Project Progress:** The current status and plan of action for each project can be found on the ICOC website.
- **Bond Background:** A brief description of the bond, for what it is intended, when it was passed, and its amount can be found on the ICOC website.
- **Contact Information:** The school district phone number and an email address of the ICOC point of contact is listed on the ICOC website.
- **Vacancies listed:** Any committee vacancies, expected vacancies, or lack of vacancies are listed on the ICOC website.
- **Number of Vacancies:** The number of current ICOC committee vacancies is listed on the ICOC website. While this is not a scored criterion, SDTEF recommends having no vacancies when possible.
- **Prior Year Reports Available:** The Prior Year Audits and Annual Reports are available on the ICOC website. This criterion must be met in order to meet the criteria listed below.
- **Budget Overview:** A breakdown of how the budget was allocated for the past year is found in the annual report or audit.
- **Program Status Updates:** An explanation of the current status of the bond program is found in the annual report or audit.

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FINAL REPORT

West Contra Costa Unified School District

FORENSIC ACCOUNTING INVESTIGATION IMPLEMENTATION REVIEW

March 20, 2019

Moss Adams LLP
101 Second Street, Suite 900
San Francisco, CA 94105
(415) 956-1500



March 20, 2019

Mr. David Johnston
Executive Director, General Services
West Contra Costa Unified School District
1400 Marina Way South
Richmond, CA 94804

Dear Mr. Johnston:

Thank you for the opportunity to perform the implementation plan review for the West Contra Costa Unified School District Bond Program. This report summarizes the results of the first phase of the Forensic Accounting Investigation Implementation Review.

This engagement was performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accounts and delivered in accordance with phase one of our professional services agreement dated November 14, 2017. The scope of this engagement is outlined in the body of our report. This report was developed based on our review of information and criteria provided by the District.

This report is intended solely for the use of the West Contra Costa Unified School District, and may not be provided to, used, or relied upon by any third parties. Moss Adams LLP does not accept any responsibility to any other party to whom this report may be shown or into whose hands it may come.

We appreciate the opportunity to help you continuously improve your construction program performance. Please do not hesitate to contact me if you have any questions or need further assistance regarding this important matter.

Sincerely,

Moss Adams LLP

Moss Adams LLP

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b. Partially Implemented Through June 30, 2017	20
c. Not Implemented Through June 30, 2017	35
d. Undetermined	36



I. EXECUTIVE SUMMARY

Moss Adams LLP (Moss Adams) reviewed the implementation progress of recommendations provided in Vicenti, Lloyd & Stutzman LLP's (VLS) Phase II Report of Forensic Accounting Investigation (FAI Report). We reviewed 62 of the third-party recommendations noted as implemented by the West Contra Costa Unified School District (the District) as of June 30, 2017. As part of this review, we interviewed District and Bond Program personnel and reviewed relevant documentation to determine the status of implementations identified within VLS's report dated September 16, 2016. Through inquiry and review of documents, we confirmed that of the 62 recommendations outlined in the District's DRAFT Phase II Forensic Accounting Investigation Report Implementation Plan (Implementation Plan), provided by the Implementation Task Force and dated July 2017, 33 out of 62 of the recommendations were implemented, 19 out of 62 were partially implemented, three out of 62 were not implemented, and seven out of 62 were undetermined through June 30, 2017. Category classifications are defined below:

- **Implemented** – The District implemented the FAI recommendations through June 30, 2017.
- **Partially Implemented** – Steps towards implementation were noted through June 30, 2017; however, District deliverable exceptions were identified.
- **Not Implemented** – Evidence of implementation or steps towards implementation by the District was not available through June 30, 2017.
- **Undetermined** – Implementation could not be determined due to either attorney-client privileged documentation held by the District or unverifiable implementation evidence. As such, the documentation was not made available for review by the District and Moss Adams was unable to determine whether implementation had occurred. Additionally, formal policies and procedures were not updated.

Management responses from District facility staff are reported below. Moss Adams reviewed the specific recommendations given to the District within the FAI Report, the District's implementation response (noted as "Deliverables" within the District's Implementation Plan), and the date of implementation through June 30, 2017. The District's Implementation Plan and associated Deliverables were available on the District's website. Observations for each of the recommendations can be found in the report. In certain instances, Moss Adams classified a recommendation as not implemented, partially implemented, or undetermined which differed from District management's classification as implemented. This was due either because information was not available to Moss Adams, recommendation implementation Deliverables were not well-defined, and/or implementation occurred



after June 30, 2017. We recommend that these instances be revisited in the subsequent implementation review to ensure appropriate District classification. Please see recommendations below for additional information.

To summarize the implementation evaluation, we categorized the status of each recommendation as follows:

IMPLEMENTATION STATUS CATEGORY	RECOMMENDATIONS REVIEWED	VLS RECOMMENDATION REFERENCE NO.
Recommendation Implemented as of June 30, 2017	33	TC: 4-1, 4-3, 4-4, 4-5, 7-2, 8-3, 8-5, 8-6, 9-1, 11-4, 11-5, 12-2, 13-3, 13-4, 13-9, 16-9 FI: 3-2, 3-3, 3-4, 3-5, 4-1, 4-2, 7-2, 7-4, 7-5, 7-6, 8-1, 11-1, 11-2, 7-3 Admin Nos.: 1, 3, 4
Partially Implemented as of June 30, 2017.	19	TC: 1-1, 4-2, 4-6, 6-2, 6-3, 6-4, 6-5, 6-6, 7-1, 7-3, 7-4, 7-5, 8-1, 8-2, 8-4, 13-2, 13-5, 13-7, 13-8
Not Implemented as of June 30, 2017	3	TC: 16-5, 16-6, 16-10
Undetermined	7	TC: 11-2 FI: 1-4, 1-5, 3-6, 3-8, 10-1, 10-2
Total Reviewed Recommendations	62	

RECOMMENDATIONS

The District has made progress towards the implementation of VLS's Phase II recommendations; however, there are areas where implementation can be improved upon. The District should consider the following as part of their effort to effectively implement VLS recommendations in a reasonable, transparent manner:

1. The District should review all reported implementation exceptions and ensure processes are consistently implemented going forward. The District should review each of these recommendations and the processes associated with these



implementations to ensure the intended process and control improvements are consistently applied. Development of proper policies and procedures will help formalize these processes and reduce the risk of noncompliance.

2. The District should consider improving its current Implementation Plan by ensuring measurable Deliverables for all VLS recommendations. Based on our audit procedures performed, certain Deliverables identified within the Implementation Plan were determined to not be measurable. For example, the Deliverables section of the District's Implementation Plan for TC 6-4 stated, "Up the duties of the Principal Accountant" and for TC 7-2 stated, "This is current practice." Furthermore, FI11-1 had no Deliverable specified to address VLS's recommendation. The District should ensure each VLS recommendation's implementation Deliverable is well-defined, with a specific action and measurable results, if possible. This will ensure a measurable plan of action while promoting transparency of approach and resolution.
3. The District should consider exploring opportunities to utilize external services for policy and procedure drafting and formalization. In recent fiscal years, the District has experienced reduced Bond Program staffing due to employee departure and turnover. This has caused expanded duties and higher workloads for current employees during the interim. As a result, auxiliary objectives, such as policy and procedure drafting and formalization, have been restricted even further. With current staffing resource restrictions, the District should consider exploring the use of external professional services to achieve specialized objectives such as policy and procedure drafting. Utilizing an external service provider can free up internal resources while also leveraging external expertise and expediting the completion of current objectives.



II. BACKGROUND INFORMATION

On October 7, 2015, the District Board of Education awarded a contract to Vicenti, Lloyd & Stutzman LLP (VLS) to provide the Subcommittee for the Clay Investigation (the Subcommittee) with:

- A fraud risk assessment of a District employee's complaint, which alleged acts of gross mismanagement, negligence, and malfeasance in the District's bond program, identifying the highest risks of waste or improper expenditure
- Guidance to the Board's Subcommittee in providing a scope for a forensic accounting investigation
- A scope of work for completion of the forensic accounting investigation of high-priority items for approval by the Board's Subcommittee

On January 7, 2016, VLS delivered to the Subcommittee a two-part deliverable as contracted for in Phase I of the Forensic Accounting Investigation. This consisted of the Bond Program Fraud Risk Assessment Matrix and a Proposed Scope of Work for Phase II forensic accounting services.

On September 16, 2016, the District received the Phase II Report of Forensic Accounting Investigation Final Report (FAI Report) prepared by VLS. The Phase II report included updated risk scores, additional testing and investigation, and implementation recommendations. Specifically, 75 recommendations resulting from their test of controls (TC), 33 recommendations resulting from their forensic investigation (FI), and four recommendations resulting from overall operational and administrative efficiencies review, for a total of 112 recommendations.

During VLS's investigation and development of the Phase II report, the District was provided an opportunity to review and respond to each recommendation. At the time the recommendations were provided to the District, the results of the testing (or background work) were not provided to the District prior to the report being finalized and published. However, in general, the District agreed with the recommendations. Subsequently, as recommended by VLS, the District formed an Implementation Task Force, assigned with creating an implementation plan and monitoring and reporting the plan's implementation.

Per the District's Implementation Task Force, District management released an implementation matrix, noting the status of each of the 112 recommendations. As of June 30, 2017, the matrix noted that 62 of the 112 recommendations had been implemented.

On November 7, 2017, the District awarded a contract to Moss Adams LLP for a two-part review of the VLS recommendation implementations. Part One was to review and report on the status of the 62 recommendations stated as implemented by the



District as of June 30, 2017. Part Two was to review and report on the remaining recommendations once they have been implemented. This report incorporates Part One of the review.



III. OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of this assessment was to provide the District with a review of the implementation progress of VLS's forensic accounting investigation recommendations. The District's forensic accounting investigation report dated September 16, 2016 and the District's implementation matrix showed that 62 of the 112 recommendations had been implemented as of June 30, 2017. These 62 recommendations, marked as implemented, comprised the scope of this initial review. Specific areas of review included:

- Recommendations provided by VLS and confirmed by the District
- The District's implementation plan and subsequent updates as provided to the facilities subcommittee
- Additions and modifications made to policies and procedures to verify they meet the objectives identified within District Implementation Plan Deliverables as a result of the Forensic Accounting Investigation, if applicable
- Sampled documents to confirm procedures have been put into practice when applicable. The following samples were selected and reviewed for Budget Transfers and Amendments, Vendor Payments, Vendor Contract Procurement, and Vendor Change Orders and Amendments between the period of December 1, 2016 and June 30, 2017:
 - Budget Transfers and Amendments – A population of 387 separate budget transfers and amendments occurred during the review period. A total of 107 transfers and amendments were sampled.
 - Vendor Payments – A population of 1,404 vendor payments totaling \$55,257,981 occurred during the review period. Thirty-four vendor payments were sampled, totaling \$20,020,798.
 - Vendor Contract Procurement – A population of 39 vendor contracts totaling \$1,374,939 were procured during the review period. Eight vendor contracts were sampled, totaling \$801,365. Five of these samples included professional and special service vendors, totaling \$384,035. The remaining three samples were for construction vendors, totaling \$417,330.
 - Vendor Change Orders and Amendments – A population of 104 vendor change orders and amendments totaling \$2,309,001 occurred during the review period. Twenty change orders and amendments were sampled, totaling \$1,066,760.
- The roles and responsibilities of relevant District staff and conducting interviews
 - Interviewees included the Associate Superintendent, Director of Contract Administration, (former) Director of Internal Audit, Internal Auditor



IV. OBSERVATIONS

A. IMPLEMENTED THROUGH JUNE 30, 2017

The following table is organized by Implementation Status Category (i.e., Implemented, Partially Implemented, Not Implemented, and Undetermined) through June 30, 2017, with each recommendation referenced by its original VLS Phase II - Forensic Accounting Investigation Final Report identifying number. The VLS Risk Rating for each recommendation listed in this table is the same as the risk score VLS assigned to the allegation(s) pertaining to the recommendation.

VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
TC 4-1	Medium	ML# 4	The District implemented the TC 4-1 Compliance with Legal Requirements and Board Policies - Governance recommendation provided in the FAI Report. We reviewed the Governance Handbook (revised May 17, 2017, BOE approved July 19, 2017) inclusion of Board member management limitations. Per the Deliverables section of the District's Implementation Plan, "Revised Governance Handbook BOE 11/2/2016. Revised Governance Handbook with newly added Vendor and Relations section (page 19) providing guidance on how board members should refrain from performing management functions, prohibits board members from directing the work of vendors, consultants, contractors, or others. Revisions also include language on site visitations which incorporates BP 9200." We reviewed the Governance Handbook's inclusion of Board member responsibilities, noting the explicit exclusion of day-to-day management activities (pg. 11) and a Vendor and Relations section (pg. 19).	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
TC 4-3	Medium	ML# 6	The District implemented the TC 4-3 Compliance with Legal Requirements and Board Policies - Governance recommendation provided in the FAI Report. We reviewed the Governance Handbook (revised May 17, 2017, BOE approved July 19, 2017) inclusion of Board member restrictions related to conflict of interest. Per the Deliverables section of the District's Implementation Plan, "Revised Governance Handbook BOE 11/2/16. Revised Governance Handbook on page 21 to add a summary of existing bylaw 9270 which sets out the District's conflict of interest code. Language was also incorporated	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
			regarding solicitation of donations and ethical conduct.” We reviewed the Governance Handbook’s Conflicts of Interest section (pg. 21).		
TC 4-4	Medium	ML# 7	The District implemented the TC 4-4 Compliance with Legal Requirements and Board Policies - Governance recommendation provided in the FAI Report. We reviewed the Governance Handbook (revised May 17, 2017, BOE approved July 19, 2017) inclusion of Vendor Communications Relations and Board member disclosure requirements. Per the Deliverables section of the District’s Implementation Plan, “Revised Governance Handbook BOE 11/2/2016. Revised Governance Handbook on page 19 to address Vendor Communications and Relations. Legal Counsel recommended that the Governance Handbook / Board Policies not be modified to include language to require disclosure in every instance due to it being unprecedented and would be difficult to administer. Board discussion with legal counsel on 11/2/2016 regarding this matter.” We reviewed the Governance Handbook’s inclusion of a Vendor and Relations section (pg. 19). Required Board member disclosure of any relationship was not included in the handbook, as the District determined it unnecessary. Board of Education Regular Meeting minutes dated 11/2/16 included Action Item F.1, “Discuss and Approve Governance Handbook Revisions,” and was approved unanimously by the Board.	The District has implemented this recommendation. The District will update the District’s Implementation Plan to acknowledge the Auditor’s observation confirming the recommendation has been implemented.	Implemented
TC 4-5	Medium	ML# 8	The District implemented the TC 4-5 Compliance with Legal Requirements and Board Policies - Governance recommendation provided in the FAI Report. We reviewed the Governance Handbook (revised May 17, 2017, BOE approved July 19, 2017) inclusion of guidance on Board member appropriateness of proposing contract amendments. Per the Deliverables section of the District’s Implementation Plan, “Legal Counsel recommended that the Governance Handbook and Board Policies not be modified due to a concern of practicality. A formal process for contract amendments, including review by counsel in every instance, would significantly increase the cost and time necessary for contract amendment approval. Legal counsel provided memorandum dated 10/19/2016. Legal counsel made recommendation (above) to BOE on 11/2/16 (see agenda).” We reviewed the Governance Handbook’s inclusion of Board member	The District has implemented this recommendation. The District will update the District’s Implementation Plan to acknowledge the Auditor’s observation confirming the recommendation has been implemented.	Implemented



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
			responsibility for making contract amendments (pg. 19). No legal counsel review of modification to contract terms was included in handbook, as it was determined unnecessary by the District. Board of Education Regular Meeting minutes dated 11/2/16 included Action item F.1, "Discuss and Approve Governance Handbook Revisions," and was approved unanimously by the Board.		
TC 7-2	Medium	ML# 22	The District has implemented the TC 7-2 Vendor Contract Administration - Vendor Due Diligence recommendation prior to June 30, 2017. We evaluated documented Contractor License review prior to Contract execution. Per the Deliverables section of the District's Implementation Plan, "This is current practice." However, the District's deliverable to address VLS's recommendation was determined to not be measurable for our audit procedures (see Recommendation No. 2 for further information). The VLS recommendation stated, "Ensure that the review of contractor's license information is documented and maintained for all construction contracts to demonstrate completion of this critical compliance step." We sampled three construction contractors procured by the District, noting documentation of contractor licenses was available and print dated prior to contract execution, consistent with the VLS recommendation.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
TC 8-3	Medium	ML# 28	The District implemented the TC 8-3 Vendor Contract Administration - Vendor Contracts recommendation provided in the FAI Report. We evaluated annual updates from legal and reviewed sampled vendor contracts for significant deviations. Per the Deliverables section of the District's Implementation Plan, "Legal counsel provides annual updates for all contract templates to ensure comprehensive protection for the District. The District requires legal counsel approval for any deviations from the approved contract templates." We reviewed updates from legal, noting front-end legal document updates were attached from the legal counsel email dated March 27, 2017. Additionally, no significant contract deviations were noted within sampled contracts.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
TC 8-5	Medium	ML# 30	The District implemented the TC 8-5 Vendor Contract Administration - Vendor Contracts recommendation provided in the FAI Report. We evaluated vendor payment workflow and controls to mitigate vendor payment before confirmation of an executed agreement. Per the Deliverables section of the District's Implementation Plan, "The executed contract is a required attachment in the financial system prior to the financial record being released into workflow approval. If a financial record is released without the required attachments, it will be rejected until the contract is complete." We performed a walkthrough of vendor payment workflow in the Munis system, noting that a payment can only be made after the record's Contract status is changed to "Posted." A Contract record will not be marked as "Posted" until an executed contract is attached. The systematic status change and contract attachment is administered by the Director of Contracts.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
TC 8-6	Medium	ML# 31	The District has implemented the TC 8-6 Vendor Contract Administration - Vendor Contracts recommendation provided in the FAI Report. We evaluated the Notice to Proceed document updated December 14, 2016. Per the Deliverables section of the District's Implementation Plan, "Revised Notice to Proceed." We reviewed the updated Notice to Proceed template document, noting notice to proceed date and contract execution date sections were present.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
TC 9-1	Low	ML# 34	The District implemented the TC 9-1 Vendor Contract Administration - Bidding Process recommendation provided in the FAI Report. Per the Deliverables section of the District's Implementation Plan, "The proof of publishing will be retained in the Project file. The proof of publishing will also be retained in the central program file." We sampled three construction contractors procured by the District, noting two instances of proof of publication documentation available and one instance as not applicable (under the \$45,000 threshold for bidding procedures).	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
TC 11-4	Medium	ML# 38	The District has implemented the TC 11-4 Vendor Contract Administration - Invoice Payments recommendation provided in the FAI Report. Procedural documents were drafted; however, they were not approved by the Board as of June 30, 2018. We sampled District expenditures during the review period confirming payment approval form completion. Per the Deliverables section of the District's Implementation Plan, "The Facilities Planning Specialist prepares the coversheet and ensure all signature are collected for approvals. Once all signatures are completed, the invoice and approval coversheet is provided to the Fiscal department for a secondary confirmation and processing within the financial system." We reviewed sampled District expenditures occurring between December 2016 and June 2017, noting payment approval forms were signed and completed prior to payment processing for all sampled expenditures.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
TC 11-5	Medium	ML# 39	The District has implemented the TC 11-5 Vendor Contract Administration - Invoice Payments recommendation provided in the FAI Report. Procedural documents were drafted; however, they were not approved by the Board as of June 30, 2018. We sampled District expenditures during the review period confirming payment approval form completion. Per the Deliverables section of the District's Implementation Plan, "The Facilities Planning Specialist prepares the coversheet and ensure all signature are collected for approvals. Once all signatures are completed, the invoice and approval coversheet is provided to the Fiscal department for a secondary confirmation and processing within the financial system. (See ML#38)" We reviewed sampled District expenditures occurring between December 2016 and June 2017, noting payment approval forms for construction projects were signed by the District Project Manager.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
TC 12-2	Medium	ML# 41	The District has implemented the TC 12-2 Billings and Performance of Outside Construction Manager Recommendation provided in the FAI Report. Procedural documents were drafted, however, were not board approved through June 30, 2018. We evaluated review and approval of staffing level and rate changes for Construction	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation	Implemented



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VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
			Management Services. Based on the Deliverables section of the District's Implementation Plan, "Staff reviews and approves staffing levels and bill rates." We performed walkthrough of Director of Contract's analysis and review of billing rate charges on August 31, 2018 for Construction Management Services for Roebbelen Construction Management to prevent any rates charges not compliant with the Contract. Excel sheets were maintained locally by the Director of Contracts; however, no specific or formal confirmation, approval, or procedure was in place. We also noted construction management contract template article 7.2 requires any proposal for change in personnel to be communicated in writing by the vendor.	confirming the recommendation has been implemented.	
TC 13-3	Medium	ML# 44	The District implemented the TC 13-3 Change Order Approval and Accounting Practices recommendation provided in the FAI Report. We evaluated Primavera forms utilized for District change order approval and compliance. Per the Deliverables section of the District's Implementation Plan, "The forms have been updated in Primavera. The change order checklist documents compliance with all the signature requirements." We reviewed change order checklist forms, noting they were updated to include appropriate signatures for construction change orders.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
TC 13-4	Medium	ML# 45	The District implemented the TC 13-4 Change Order Approval and Accounting Practices recommendation provided in the FAI Report. We evaluated sampled change order packet contents and staff approval and execution of change order document. Per the Deliverables section of the District's Implementation Plan, "The District has implemented a process that includes: printing the Board precis the day after the Board meeting and including it in the change order packet for every change order approved by the Board. The full packet is provided to staff for signature ratification after the Board approval / ratification." We sampled 13 construction change orders procured by the District, noting the change order packet contents were available for all samples, dated prior to staff signature execution of change order document.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented



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VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
TC 13-9	Medium	ML# 50	The District implemented the TC 13-9 Change Order Approval and Accounting Practices recommendation provided in the FAI Report. We evaluated sampled add service change request board presentations for inclusion of historical information. Per the Deliverables section of the District's Implementation Plan, "The format was revised. The approved format will be used for all future Bond add-service requests. Example: BOE 10/5/16, Item G10 including two attachments (Engineering Approval Table, Engineering Contract Amendments) All changes were communicated to the Board and community in a Friday Memo (9/30/16). " We sampled seven add service change requests, noting Board presentation included professional service summary tables, including prior contract total, proposed amendment amount, scope of services, and scope of service changes.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
TC 16-9	Medium	ML# 74	The District implemented the TC 16-9 Financial Reporting recommendation provided in the FAI Report. We evaluated the use of commitment terminology within the "Bond Program Spending by Site" report. Per the Deliverables section of the District's Implementation Plan, the District "will use word 'commitments' instead of 'encumbrances' on multi-year report." We performed an on-site review of the multi-year spending by site reports, noting the use of the commitment term and the absence of the encumbrance term.	This item has been implemented. Staff will continue to be trained to ensure this continues.	Implemented
FI 3-2	N/A	ML# 86	The District implemented the FI 3-2 Vendor Contract Administration - SGI recommendation provided in the FAI Report. We evaluated Friday Memo contents and sampled vendor contracts. Per the Deliverables section of the District's Implementation Plan, "Legal counsel reviewed the recommendations and provided contractual revisions to strengthen the existing contract and amendment templates. Friday Memo to the Board (12-30-16)" We reviewed the Friday Memo contents, confirming the communication of various contract revisions to the Board on December 30, 2016, including changes to invoicing, subcontractors, duration of services, and the right to audit clause. Additionally, a right to audit clause was noted in sampled contracts.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
FI 3-3	N/A	ML# 87	The District implemented the FI 3-3 Vendor Contract Administration - SGI recommendation provided in the FAI Report. We sampled District expenditures during the review period confirming payment approval form completion. Per the Deliverables section of the District's Implementation Plan, "Notification was sent to all vendors providing hourly services in October 2016 identifying the invoice requirements. In November, any vendor that failed to provide the invoicing detail requirements were notified and invoices were rejected. Legal counsel reviewed the recommendation and provided contractual revisions to strengthen the existing contract and amendment templates." We reviewed sampled District expenditures occurring between December 2016 and June 2017, noting all invoices for vendors paid on actual hours included timecard detail for vendor employee charges.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
FI 3-4	N/A	ML# 88	The District implemented the FI 3-4 Vendor Contract Administration - SGI recommendation provided in the FAI Report. We evaluated Friday Memo contents and sampled vendor contracts. Per the Deliverables section of the District's Implementation Plan, "Legal counsel reviewed the recommendations and provided contractual revisions to strengthen the existing contract and amendment templates. Friday Memo to the Board (12-30-16). Legal counsel amended the District's Right to Audit section. (June 2017)." We reviewed the Friday Memo contents, confirming the communication of various contract revisions to the Board on December 30, 2016, including changes to invoicing, subcontractors, duration of services, and the right to audit clause. Additionally we noted an updated right to audit clause within one sampled vendor contract occurring in June of 2017.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
FI 3-5	N/A	ML# 89	The District implemented the FI 3-5 Vendor Contract Administration - SGI recommendation provided in the FAI Report. We evaluated District asset procurement methods by vendors and responsible parties for inventory tagging. Per the Deliverables section of the District's Implementation Plan, "The proposal approval form and Munis document the authorization for all purchases. The inventory process is implemented for asset management and tracking." We reviewed sampled vendors,	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation	Implemented



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
			noting no vendors were permitted to purchase assets for the District. Per the Director of Contracts, no vendors can purchase assets for the District; the District procures all its own assets. Inventory tagging for asset management is administered by the Director of General Services.	confirming the recommendation has been implemented.	
FI 4-1	N/A	ML# 93	The District implemented the FI 4-1 Vendor Contract Administration - SGI recommendation provided in the FAI Report. We evaluated Friday Memo contents and an RFQ/RFP example including legal review. Based on the Deliverables section of the District's Implementation Plan, "Legal counsel reviewed the recommendations and provided contractual revisions to strengthen the existing contract and amendment templates. Friday Memo to the Board (12-30-16). Legal counsel prepared draft RFQ/RFP incorporating all recommendations." We reviewed the Friday Memo contents, confirming the communication of various contract revisions to the Board on December 30, 2016, including changes to invoicing, subcontractors, duration of services, and the right to audit clause. Additionally, an RFQ/RFP preparation example was provided for the Crespi MS Gymnasium Seismic project, which included the legal review and revisions for the contract template, dated October 31, 2016.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
FI 4-2	N/A	ML# 94	The District implemented the FI4-2 Vendor Contract Administration - SGI recommendation provided in the FAI Report. We evaluated sampled vendor contracts and performed walkthroughs of rate confirmation procedures performed during the payment process by the Director of Contracts. Per the Deliverables section of the District's Implementation Plan, "Legal counsel reviewed the recommendations and provided contractual revisions to strengthen the existing contract and amendment templates. Friday Memo to the Board (12-30-16)". We sampled eight vendor contracts, noting start and end dates were identified for all sampled vendor contract documents procured after the District's reported implementation date. Additionally, we walked through payment processing procedures, noting contractual rates are confirmed by the Director of Contracts before invoices are approved. Excel sheets are maintained	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented



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VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
			locally by the Director of Contracts; however, no specific or formal confirmation, approval, or procedure was in place.		
FI 7-2	N/A	ML# 99	The District implemented the FI 7-2 Vendor Contract Administration - Architect Firms recommendation provided in the FAI Report. We evaluated the District's use and maintenance of the Pre-Qualified Architect List. Per the Deliverables section of the District's Implementation Plan, "The District implemented this recommendation for solicitation for the Crespi MS Gymnasium Seismic Retrofit Master Plan Project. The District recently released a new RFQ for Architectural Services." We reviewed the RFP solicitation and price proposals received for the Crespi MS Gymnasium Seismic Retrofit Master Plan Project, noting three proposals were considered for competitive prices. We reviewed the Pre-Qualified Architects List noting an updated RFQ, # 2017AOR – S, dated September 18, 2017 and amended September 22, 2017 was issued for update to the pre-qualified list.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
FI 7-3	N/A	ML# 100	The District implemented the FI7-3 Vendor Contract Administration - Architect Firms recommendation provided in the FAI Report. We evaluated the inclusion of existing condition and related reports and drawings inclusion in construction bid documents. Per the Deliverables section of the District's Implementation Plan, "This is part of the current practice." However, the District's deliverable to address VLS's recommendation was determined to not be measurable for our audit procedures (see Recommendation No. 2 for further information). The VLS recommendation stated, "If the District performs professional services, including, but not limited to, geotechnical, hazardous materials studies, and traffic mitigation, ensure that any reports or drawings related to those services are included in the project prior to going out to bid. If architect design services are required for the project, ensure these reports or drawings are provided to the architect early in the design process. This will help prevent claims from architects related to delays caused by unknown site or other conditions." We reviewed the bid documentation for two sampled construction vendors procured under formal bid, noting	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
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			reference to existing conditions and related reports were made within both projects' bid sets.		
FI 7-4	N/A	ML# 101	The District implemented the F I7-4 Vendor Contract Administration - Architect Firms recommendation provided in the FAI Report. Per the Deliverables section of the District's Implementation Plan, "This is part of the current practice. The process has been formalized through the architectural form of contract." We sampled four architectural contracts procured by the District, noting a not-to-exceed amount for all four contracts. No instance of a vendor dispute was identified in the sampled vendors.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
FI 7-5	N/A	ML# 102	The District implemented the F I7-5 Vendor Contract Administration - Architect Firms recommendation provided in the FAI Report. Per the Deliverables section of the District's Implementation Plan, "Legal counsel reviewed the recommendations and provided contractual revisions to strengthen the existing contract and amendment templates. Friday Memo to the Board (12-30-16)" We reviewed the Friday Memo contents, confirming the communication of various contract revisions to the Board on December 30, 2016, including changes to invoicing, subcontractors, duration of services, and the right to audit clause.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
FI 7-6	N/A	ML# 103	The District implemented the FI 7-6 Vendor Contract Administration - Architect Firms recommendation provided in the FAI Report. We evaluated the procurement for the most recent master planning services. Based on the Deliverables section of the District's Implementation Plan, "This is current practice." We reviewed the procurement of Long Range Facilities Master Planning Services that occurred in April of 2015, noting a competitive process for obtaining and selecting the provider. The process consisted of an RFQ and RFP procedure to solicit for and establish well-qualified firms; a selection committee consisting of District staff, CBOC members, and community members; and a defined scoring criteria to determine the most qualified and best value to the District. No procurement of master planning services occurred during or subsequent to the review period.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented



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FI 8-1	N/A	ML# 104	The District implemented the FI 8-1 Vendor Contract Administration - Architect Firms recommendation provided in the FAI Report. Per the Deliverables section of the District's Implementation Plan, "This is current practice." We sampled three construction contractors procured by the District, noting two instances of bidding details documented in Board meeting minutes and one instance as not applicable (under the \$45,000 threshold for District bidding procedures).	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
FI 11-1	N/A	ML# 107	The District implemented the FI 11-1 Financial Reporting recommendation provided in the FAI Report. We evaluated the General Conditions for Contractor Agreements inclusion of "Specification section 0070." Per the Deliverables section of the District's Implementation Plan, "NO DELIVERABLE WRITTEN BY DISTRICT"; however, the District's deliverable to address VLS's recommendation was determined to not be measurable for our audit procedures (see Recommendation No. 2 for further information). The VLS recommendation stated, "Enforce the guidelines included in specification section 0070 of the General Conditions section of general contractor agreements, which requires that general contractors submit Proposed Change Orders within five days of the knowledge of the circumstances resulting in the Proposed Change Order. This will ensure that the District is made aware of contractor requests in a timely manner and will result in more accurate reporting of potential project costs." We reviewed sampled construction contracts and the revised contract template, noting the inclusion of Article 17.7.5 of the general conditions stating the "Contractor shall submit its PCO within five (5) days of the date Contractor Discovers." The revised template was created March 28, 2017. Similar language was also included in prior templates.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented
FI 11-2	N/A	ML# 108	The District implemented the FI 11-2 Financial Reporting recommendation provided in the FAI Report. We evaluated the Munis contract module numbering system for purchase orders. Per the Deliverables section of the District's Implementation Plan, "The Munis contract module does not allow the use of multiple numbers for individual and separate contracts. Each contract will have a unique and separate contract	This item has been implemented. No further action is required.	Implemented



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			number.” We reviewed the Munis Contract Module noting a “Contract” Number is utilized in place of a purchase order. The Contract number is unique and is utilized for the length for the contract. This numbering system has been consistent for all sampled service contracts.		
Admin No. 1	N/A	ML# 109	The District implemented the Admin No. 1 recommendation provided in the FAI Report. We evaluated the District’s fraud reporting mechanism. Per the Deliverables section of the District’s Implementation Plan, “Fraud Hotline will be added to the website by January 31, 2017 Fraud Hotline brochures and posters will be distributed to each school site and department by January 31, 2017.” We confirmed the WeTip hotline (1-800-US-Fraud) was in operation by calling the service on August, 28, 2018. The answering representative noted that the District was an entity covered by the service and any issue received would be reported to the appropriate local authority, and not to the District. On August 31, 2018 we noted the fraud hotline brochure was posted and available at the Operation and Business Services Facility (1400 Marina Way). Per inquiry with the Internal Auditor and Director of Contracts, brochures are posted at every District location.	This item has been implemented. Staff will continue to be trained to ensure this continues.	Implemented
Admin No. 3	N/A	ML# 111	The District implemented the Admin No. 3 recommendation provided in the FAI Report. We evaluated Board review of District job descriptions for the Internal Audit Department. Per the Deliverables section of the District’s Implementation Plan, “New Job Descriptions created for Internal Auditor, Confidential, and Director, Internal Auditor to BOE 11/2/16.” We reviewed Board of Education Meeting minutes dated November 02, 2016 for inclusion of proposed job descriptions for the Internal Audit Department (Director, Internal Audit and Internal Auditor) noting unanimous consent vote by the Board.	This item has been implemented. No further action is required.	Implemented



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Admin No. 4	N/A	ML# 112	The District implemented the Admin No. 4 Recommendation provided in the FAI Report. We evaluated the District's establishment of the Implementation Task Force and Implementation Plan. Per the Deliverables section of the District's Implementation Plan, "BOE approval of Implementation Task Force on September 21, 2016. BOE 9/21/2016, Item F-5 attachments. Draft Implementation Plan approved by Task Force on October 21, 2016" We reviewed Board of Education Meeting minutes dated September 21, 2016 noting the approval of the Implementation Task Force on a four to one vote in favor of the motion. We also noted the Draft Implementation Plan, dated July 2017, was prepared by the Implementation Task Force and available on the District website.	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the recommendation has been implemented.	Implemented

B. PARTIALLY IMPLEMENTED THROUGH JUNE 30, 2017

VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
TC 1-1	Low	ML# 1	The District has taken steps to address the TC 1-1 Conflict of Interest - CBOC recommendation provided in the FAI Report. However, based on available documentation the District was unable to provide evidence of CBOC membership openings per the District eNewsletter. We evaluated the methods of reaching out to the entire community to advertise the opportunity of membership in the CBOC. Based on the Deliverables section of the District's Implementation Plan, "Added openings to the District website on October 1. Will add openings to the District eNewsletter on Nov. 1. (provided by Marcus Walton 10/26/16)" We observed evidence for implementation of website CBOC openings posting on August, 27, 2018. Evidence of a published	The District agrees that it has taken steps on this recommendation. The recommendation identifies various ways in which to advertise the opportunity for membership in the CBOC. A District e-newsletter was published in December 2016 which had a link entitled "Bond Oversight Committee Seeks Members" to the	Ongoing



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			eNewsletter was not available and was confirmed by the District as not available on October 31, 2018. Absent evidence of a published eNewsletter, we were unable to validate that the District implemented this recommendation. Per inquiry with the District, the Implementation Plan will be updated to better reflect the District's intended implementation deliverable.	CBOC website to "join the team." The district continues to have "quick links" on its main page entitled "Board Committee/Subcommittee Information" and "Citizens Bond Oversight Committee" that directs potential committee members to the appropriate page. The website and e-newsletter are not the most effective way in which to recruit members. The most success comes from individual networking and verbal communications by CBOC members and district staff which is not applicable to be set forth in policies and procedures. The District will update the Implementation Plan deliverable to more clearly state how the recommendation is currently being implemented by the District.	
TC 4-2	Medium	ML# 5	The District has taken steps to address the TC 4-2 Compliance with Legal Requirements and Board Policies - Governance recommendation's Implementation Plan Deliverable prior to June 30, 2017. However, per Board meeting minute documentation, full Board attendance was not evident during the Brown Act Training workshop. We evaluated the Brown Act training workshop and Board member attendance. Per the Deliverables section of the District's Implementation Plan, "Attend Brown Act training sponsored by the District and Lozano, Smith on 1-25-17." We reviewed Brown Act training workshop presentation materials and confirmed training was held during the Board of Education Special Meeting dated January 25, 2017. We	The District has implemented this recommendation.	Implemented



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			noted four of five members were present for the meeting and Brown Act training. No documentation was provided by the District to evidence makeup training sessions for absent Board members. Based on inquiry with the District, the Board in its entirety was trained on the Brown Act on February 7, 2018. Absent full Board attendance documentation, we were unable to validate that the District implemented this recommendation prior to June 30, 2017.		
TC 4-6	Medium	ML# 9	The District has taken steps to address the TC 4-6 Compliance with Legal Requirements and Board Policies - Governance recommendation's Implementation Plan Deliverable prior to June 30, 2017. However, per Board meeting minute documentation, full Board attendance was not evident during the training workshop. We evaluated the frequency of Board member governance handbook training hosted by the District. Per the Deliverables section of the District's Implementation Plan, "Workshop/training for Board conducted by attorney covering Governance Handbook provisions. Workshop completed on 1-25-17 on: The role of the Board, Brown Act/Board Communications, Board Meeting Process and Procedures, Conflict of Interest. Superintendent to schedule annual trainings with the Board." We reviewed Governance Handbook training workshop presentation materials and confirmed training was held during the Board of Education Special Meeting dated January 25, 2017. We noted four of five members were present for the meeting and Governance Handbook training. No documentation was provided by the District to evidence makeup training session for absent Board members. Annual training was evidenced by the District; however, policies and procedures were not modified to reflect annual practice. Based on inquiry with the District, the Board in its entirety was trained on the Board Handbook and other required trainings on January 6, 2018. Absent full Board attendance documentation, we were unable to validate that the District implemented this recommendation prior to June 30, 2017.	The District has implemented this recommendation.	Implemented
TC 6-2	High	ML# 13	The District has taken steps to address the TC 6-2 Budgeting Practices - Adequacy/Completeness recommendation's Implementation Plan Deliverable prior to	Staff will be counseled and trained regarding this recommendation. For a	June 2019



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			June 30, 2017. Per our change order sample, the District was unable to document budget verification prior to approval of the contract, contract amendment, or Board approval of budget transfers; however, procedural documents were drafted. Per the Deliverables section of the District's Implementation Plan, "Developed, presented, and Board ratified resolution for budget revisions, resulting transfers, increases and/or decreases for the 2016-17 budget. The first resolution of this type included budget increases and transfers from fund balance. See attached Board documents. Board approval November 16, 2016." We sampled eight vendor's procurement records and 20 contract change orders noting no instance of budget verification or sign-off present on the proposal approval form or change order checklist. No other verification documentation was made available. Absent budget verification and sign-off on proposal approval forms or change orders, we were unable to validate that the District implemented this recommendation.	contract to be processed, it must have funding available in the associated line item. If there is insufficient funding, a budget transfer can be initiated by the processor of the contract, or by a department member who has access to the MUNIS financial system. Sign off can then be done by the appropriate project or department manager. This will be fully implemented by June 30, 2019.	
TC 6-3	High	ML# 14	The District has taken steps to address the implementation of the TC 6-3 Budgeting Practices - Adequacy/Completeness recommendation's Implementation Plan Deliverable prior to June 30, 2017. Based on our sample, the District was unable to document budget verification approval by the Fiscal Coordinator on the proposal approval form; however, procedural documents were drafted. Per the Deliverables section of the District's Implementation Plan, "The Fiscal coordinator will initial and date the Proposal Approval form to document the budget verification has been performed." We sampled eight vendor's procurement records, noting no instance of budget verification or sign-off present on the proposal approval form. No other verification documentation was made available. Six of the sampled vendors were procured during or after March 2017 (the District's reported implementation date). Absent budget verification and sign-offs present on proposal forms, we were unable to validate that the District implemented this recommendation. Per inquiry with the District, the Implementation Plan will be updated to better reflect the District's intended implementation deliverable.	<p>The District has taken steps to implement this recommendation.</p> <p>Current practice requires the principal accountant to verify the budget and provide the account code for all expenditures on the proposal approval cover sheet. Historically, the budget verification and account code was provided by the fiscal coordinator or principal accountant.</p> <p>The District will update the Implementation Plan deliverable to more clearly state how the recommendation is currently being implemented by the District.</p>	February 2019



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VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
TC 6-4	High	ML# 15	The District has taken steps to address the TC 6-4 Budgeting Practices - Adequacy/Completeness recommendation provided in the FAI Report. Based on our sample, the District was able to document the Accountant's signature, although implementation was inconsistent. Per the Deliverables section of the District's Implementation Plan, "Up the duties of the Principal Accountant." However, the District's deliverable to address VLS's recommendation was determined to not be measurable for our audit procedures (see Recommendation No. 2 for further information). The VLS recommendation stated, "Require the Principal Accountant to initial and date the Munis Contract & Purchase Order Form to document that the budget string was reviewed for accuracy. In addition, the Principal Accountant must verify that the affected general ledger account string is appropriate and accurate for the specific contract based on the assigned budget string. This will ensure that there is proper review and oversight in this step and provide the proper audit trail documentation." We sampled eight vendor's procurement records, noting two instances of Principal Accountant sign-offs present on the proposal approval form, both occurring in May of 2017. The other six sampled vendors did not include Principal Accountant sign-offs on the proposal approval forms. Absent timely approvals and appropriate signs-off, we were unable to validate that the District implemented this recommendation.	Staff will be counseled and trained regarding this recommendation. Budget verification can be done by any staff member with MUNIS access. Sign off can be done by the Principal Accountant, or other financial/department supervisor. This will be fully implemented by June 30, 2019.	June 2019
TC 6-5	High	ML# 16	The District has taken steps to address the TC 6-5 Budgeting Practices - Adequacy/Completeness recommendation provided in the FAI Report. However, Project Budget Amendment/Transfer Approval Forms were inconsistent. We sampled budget amendments and transfers during the review period to confirm Principal Accountant review was present. Per the Deliverables section of the District's Implementation Plan, "Up the duties of the Principal Accountant." However, the District's deliverable to address VLS's recommendation was determined to not be measurable for our audit procedures (see Recommendation No. 2 for further information). The VLS recommendation stated "Require that the Principal Accountant continue the review of the Project Budget Amendment/Transfer Form to verify that the	Staff will be counseled and trained regarding this recommendation with full implementation by June 30, 2019.	June 2019



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			budget amount(s) is accurate and project string(s) is appropriate. Add a section to the form for the Principal Accountant's initials and date to document that this review occurred. Additionally, add a section where the funding source and total amount of the amendment/transfer(s) can be documented." We reviewed sampled budget amendments and transfers occurring between December 2016 and June 2017, noting approval forms were completed; however, the Principal Account review was only present on five of 20 samples, all occurring after May 30, 2017 (the District's reported implementation date). Additionally, sampled amendment and transfer approval forms occurring after May 30, 2017 were inconsistent, resulting in a lack of review signature from the Principal Account and other noted approvers on the form. Absent timely approvals and appropriate signs-off, we were unable to validate that the District implemented this recommendation.		
TC 6-6	High	ML# 17	The District has taken steps to address the TC 6-6 Budgeting Practices - Adequacy/Completeness recommendation provided in the FAI Report. However, Fund 21 Budget Summary Reports were not approved monthly, nor was a reconciling log available. We sampled budget amendments and transfers during the review period to confirm Board approval was available. Per the Deliverables section of the District's Implementation Plan, "New forms were developed and have been approve by the Board for budget amendments and budget transfers. Used in November 2016 and March 2017." We reviewed sampled budget amendments and transfers occurring between December 2016 and June 2017, noting Board ratification was provided on March 1, 2017 and May 24, 2017 through the Bond Fund for Capital Outlay Fund 21 Budget Summary Report. However, Board ratification of budget transfers and amendments did not regularly occur on a monthly basis. Additionally, a log was not available to reconcile sample budget amendments and transfers to the Bond Fund for Capital Outlay Fund 21 Budget Summary Report and we were therefore unable to confirm Board ratification of individual sampled budget transfers and amendments. Absent timely Budget Summary Report approvals and reconciling logs, we were unable to validate that the District implemented this recommendation.	Staff will be counseled and trained regarding this recommendation with full implementation by June 30, 2019.	June 2019



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TC 7-1	Medium	ML# 21	The District has taken steps to address the TC 7-1 Vendor Contract Administration - Vendor Due Diligence recommendation provided in the FAI Report. However, based on our sample of construction contractors, the District was unable to document full implementation of procedural documents. Per the Deliverables section of the District's Implementation Plan, "The procedures were prepared in October 2015 to outline the process for procurement, and contracting construction services. The process is currently being updated to reflect current practice, including recommendations from the Forensic Audit." We sampled three construction contractors procured by the District, noting documentation demonstrating a full implementation of the procedures was not made available for the sampled construction contracts. Implementation requirements are outlined in the procedural documents. For instance, the Construction Bid Coordination Checklist and/or Proposal Approval Checklists were not provided or incomplete for two formal bid samples. Additionally, competitive quote documentation, Notice of Award, and Notice to Proceed documentation was not available for one CUPCCA bid proposal sample under \$25,000. Absent complete procurement documentation per the procedural documents, we were unable to validate that the District fully implemented this recommendation. Per inquiry with the District, procedural documents and the Implementation Plan will be updated to better reflect the District's intended procedures and implementation deliverable.	<p>The District has taken steps to implement this recommendation.</p> <p>Current practice does not require a Notice of Award or Notice to Proceed for construction contracts less than twenty-five thousand. Current practice also does not require retention of the Bid Coordination checklist, it is used as an internal checklist to verify the information needed to advertise and publish bid documents. Current practice does require completion of the proposal approval coversheet; however, the use and format of the proposal approval cover sheet has evolved from the original form. The district recognizes the importance of maintaining policies and procedures that align with acceptable practices to fulfil the District's duty to be accountable and transparent to the public.</p> <p>The District will update the Implementation Plan deliverable and procedure to more clearly state how the recommendation is currently being implemented by the District.</p>	June 2019
TC 7-3	Medium	ML# 23	The District has taken steps to address the TC 7-3 Vendor Contract Administration - Vendor Due Diligence recommendation provided in the FAI Report. However, based	The District has taken steps to implement this recommendation.	June 2019



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VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
			on our sample of professional service vendors, the District was unable to document full implementation of procedural documents. Per the Deliverables section of the District's Implementation Plan, "The procedures were prepared in October 2015 to outline the process for procurement, and contracting Professional & Special Services. The process of procurement and associated approvals are part of the contract files." We sampled five professional service's procurement records, noting documentation demonstrating a full implementation of the procedures was not made available for any of the sampled professional service contracts. Implementation requirements are outlined in the procedural documents. For instance, documentation was not available to demonstrate a fair, competitive selection process for three of the four professional services samples requiring such per District procedural documents. Additionally, Proposal Approval Checklists were incomplete available for the samples. Samples included professional and special service contracts both under and over the Board approval threshold. Four of the five sampled contracts were procured after March 2017 (the District's reported implementation date). Absent complete procurement documentation per the procedural documents, we were unable to validate that the District fully implemented this recommendation. Per inquiry with the District, procedural documents and the Implementation Plan will be updated to better reflect the District's intended procedures and implementation deliverable.	The samples selected by the auditor included both professional services and special services which have completely different procurement processes. Special services were procured pursuant to the procurement process set forth in Government Code §53060 which does not require a competitive selection process. The additional architectural services within the existing DSA application that were contracted for Korematsu & Ohlone ES were assigned to the Architect of Record based on previous procurement and prior Board approval. The District recognizes the importance of maintaining policies and procedures that align with acceptable practices to fulfil the District's duty to be accountable and transparent to the public. The District will update the Implementation Plan deliverable and procedure to more clearly state how the recommendation is currently being implemented by the District.	
TC 7-4	Medium	ML# 24	The District has taken steps to address the TC 7-4 Vendor Contract Administration - Vendor Due Diligence recommendation provided in the FAI Report. Based on our sample, while the District was able to document proposal review and selection process for professional services, implementation was inconsistent. Per the Deliverables	The District has taken steps to implement this recommendation.	June 2019



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			<p>section of the District's Implementation Plan, "The procedures were prepared in October 2015 to outline the process for procurement, and contracting Professional & Special Services. The process of procurement and associated approvals are part of the contract files." We sampled five professional service's procurement records, noting one instance of complete procurement documentation in January 2017. Implementation requirements are outlined in the procedural documents. Complete procurement documentation (e.g., proposals, firm ratings, results of interviews, etc.) was not made available by the District for the other four samples requiring such per District procedural documents, all occurring during or after March 2017 (the District's reported implementation date). Absent complete procurement documentation per the procedural documents, we were unable to validate that the District implemented this recommendation. Per inquiry with the District, procedural documents and the Implementation Plan will be updated to better reflect the District's intended procedures and implementation deliverable.</p>	<p>The samples selected by the auditor included both professional services and special services which have completely different procurement processes. Special services were procured pursuant to the procurement process set forth in Government Code §53060 which does not require a competitive selection process. The additional architectural services within the existing DSA application that were contracted for Korematsu & Ohlone ES were assigned to the Architect of Record based on previous procurement and prior Board approval. The District recognizes the importance of maintaining policies and procedures that align with acceptable practices to fulfil the District's duty to be accountable and transparent to the public.</p> <p>The District will update the Implementation Plan deliverable and procedure to more clearly state how the recommendation is currently being implemented by the District.</p>	
TC 7-5	Medium	ML# 25	<p>The District has taken steps to address the TC 7-5 Vendor Contract Administration - Vendor Due Diligence recommendation provided in the FAI Report. Based on our sample, while the District was able to document formal conflict of interest check during the proposal process, implementation was inconsistent. Per the Deliverables section of</p>	<p>The District agrees that it has taken steps on this recommendation.</p>	June 2019



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			the District's Implementation Plan, "This was reviewed by legal counsel. Training from legal counsel was provided for all Bond Team staff members in October 2016." Based on the VLS recommendation, recommendation implementation included the following: "Incorporate a formal, documented process to perform a conflict of interest check for all vendors submitting proposals to the District for the bond program." We confirmed training from legal counsel was evidenced through training materials and Board meeting minutes. Additionally, we sampled eight vendor's procurement records, noting that only one instance had available documentation of a formal conflict of interest check during the proposal process in January 2017. Documentation of conflict of interest checks during the proposal process was not made available by the District for the other seven samples, including one professional service procurement occurring in June 2017 (the completion date per the District's Implementation Matrix). Absent formal conflict of interest certifications, we were unable to validate that the District implemented this recommendation. Per inquiry with the District, the Implementation Plan will be updated to better reflect the District's intended implementation deliverable.	Current practice for construction contracts, the contractor provides a Non Collusion Declaration, pursuant to Public Contract Code §7106. Current practice for non-construction contracts, the RFQ/RFP procurement process includes conflict of interest certification. In addition, legal counsel has prepared a conflict of interest certification document that may be incorporated into an Agreement for services. Staff is preparing a formal documented process that will highlight all the of steps being proactively taken during the procurement process to identify any potential conflict of interest. The District will update the Implementation Plan deliverable and procedure to more clearly state how the recommendation is currently being implemented by the District.	
TC 8-1	Medium	ML# 26	The District has taken steps to address the TC 8-1 Vendor Contract Administration - Vendor Contracts recommendation prior to June 30, 2017. Based on our sample, while the District was unable to document a completed proposal approval form, procedural documents were drafted. Per the Deliverables section of the District's Implementation Plan, "The Proposal Approval Checklist must be completed and approved before any new contracts or requisitions can be entered into the District's financial system." We sampled eight vendor's procurement records, noting no instance of a completed	The District agrees that it has taken steps on this recommendation. In an effort to continually improve our practice, the use and format of the proposal approval cover sheet has evolved from the original form.	February 2019



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
			proposal approval form including all signatures being provided by the District. Sampled proposal approval forms were often missing one or more signatures, dates, and/or had incomplete status sections. Absent completed proposal approval checklists with adequate sign-off documentation, we were unable to validate that the District implemented this recommendation. Per inquiry with the District, the Proposal Approval Checklist and the Implementation Plan will be updated to better reflect the District's intended approval procedure and implementation deliverable.	The District will update the Implementation Plan deliverable to more clearly state how the recommendation is currently being implemented by the District.	
TC 8-2	Medium	ML# 27	The District has taken steps to address the implementation of the TC 8-2 Vendor Contract Administration - Vendor Contracts recommendation prior to June 30, 2017. Based on our sample, the District was unable to document a completed proposal approval form, including a budget review section. While procedural documents were drafted, they were not Board approved through June 30, 2018. Additionally, proposal approval templates present in procedural documents, dated October 2016, included a budget approval section; however, they were inconsistent with approval forms utilized in vendor procurement. Per the Deliverables section of the District's Implementation Plan, "The proposal approval checklist includes a budget review section. The process was updated to reflect best practices, including recommendations from the forensic audit." We sampled eight vendor's procurement records, noting no instance of a completed proposal approval form including a budget review section. No other budget verification documentation was made available. Six of the sampled vendors were procured during or after March 2017 (the District's reported implementation date). Based on the District's response, this recommendation was implemented; however, absent budget verification and sign-off present on proposal approval forms, we were unable to validate that the District implemented this recommendation. Per inquiry with the District, the Proposal Approval Checklist and the Implementation Plan will be updated to better reflect the District's intended approval procedure and implementation deliverable.	<p>The District has implemented this recommendation.</p> <p>In an effort to continually improve our practice, the use and format of the proposal approval cover sheet has evolved from the original form.</p> <p>In March 2017, a budget review section was added to the proposal approval cover sheet to incorporate the fiscal approval into the same form. In May 2017, the principal accountant and financial coordinator joined the fiscal team, and assumed responsibility to sign the form and provide the account code. The integration of fiscal, procurement, and engineering approval on a single form for all contracts and requisitions/purchase orders was very helpful for the team. In June 2017, the team reformatted the form to provide greater clarity for the fiscal team</p>	February 2019



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
				including a breakdown by fiscal year for multi-year contracts, and an area to indicate and track if/when a budget transfer/amendment was necessary. The District will update the Implementation Plan deliverable to more clearly state how the recommendation is currently being implemented by the District.	
TC 8-4	Medium	ML# 29	The District has taken steps to address the TC 8-4 Vendor Contract Administration - Vendor Contracts recommendation provided in the FAI Report. Based on our sample, the District was able to document a conflict of interest clause in vendor contracts, although implementation was inconsistent. Based on the Deliverables section of the District's Implementation Plan, "Legal counsel reviewed the recommendations and provided contractual revisions to strengthen the existing procurement and contracting." We sampled eight vendor's procurement records, noting one instance of a conflict of interest clause within the vendor contract, occurring in January 2017. Conflict of interest clauses were not identified within the other seven sampled vendor contracts provided. Six of the sampled vendors were procured during or after March 2017 (the District's reported implementation date). Absent conflict of interest clauses within contracts, we were unable to validate that the District implemented this recommendation. Per inquiry with the District, the Implementation Plan will be updated to better reflect the District's intended implementation deliverable.	The District agrees that it has taken steps on this recommendation. Current practice for construction contracts, the contractor provides a Non Collusion Declaration, pursuant to Public Contract Code §7106. Current practice for non-construction contracts, the RFQ/RFP procurement process includes conflict of interest certification. In addition, legal counsel has prepared a conflict of interest certification document that may be incorporated into an Agreement for services. Staff is preparing a formal documented process that will highlight all of the steps being proactively taken during the procurement process to identify any potential conflict of interest.	June 2019



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
				The District will update the Implementation Plan deliverable and procedure to more clearly state how the recommendation is currently being implemented by the District.	
TC 13-2	Medium	ML# 43	The District has taken steps to address the TC 13-2 Change Order Approval and Accounting Practices recommendation provided in the FAI Report. Based on our sample of vendor change orders, the District was able to document the completion of change order review and approval prior to board presentation, although implementation was inconsistent. Per the Deliverables section of the District's Implementation Plan, "The District implemented a change order checklist to verify that all required signatures and documents are included, prior to submission for the BOE. The change order checklist is signed by the Director of Contract Administration and Chief Engineering Officer to document the review prior to submission for the Board." We sampled 13 construction change orders procured by the District, noting no documented instances of change order review and approval prior to Board presentation. Documentation was not made available for all 13 sampled construction change orders identifying change order approval by the Director of Contracts and the Chief Engineering Officer prior to board presentation. For all sampled change orders, a change order checklist was utilized; however, date of approval was either not documented and/or signatures were absent for all of the samples. Absent timely approved forms, we were unable to validate that the District implemented this recommendation.	The District agrees that it has taken steps on this recommendation. The District will modify the existing change order checklist to include a date field.	February 2019
TC 13-5	Medium	ML# 46	The District has taken steps to address the TC 13-5 Change Order Approval and Accounting Practices recommendation provided in the FAI Report. Based on our sample of vendor change orders, the District was able to document the completion of change order review and approval prior to Board presentation, although implementation was inconsistent. Per the Deliverables section of the District's	The District has implemented this recommendation. The District will update the Implementation Plan deliverable to more clearly state how the recommendation is	February 2019



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
			Implementation Plan, "The District implemented a change order checklist to verify that all required signatures and documents are included, prior to submission for the BOE. The change order checklist is signed by the Director of Contract Administration and Chief Engineering Officer to document the review prior to submission for the Board." We sampled 13 construction change procured by the District, noting no documented instances of change order review and approval prior to Board presentation. Documentation was not made available for all 13 sampled construction change orders identifying change order approval by the Director of Contracts and the Chief Engineering Officer prior to Board presentation. For all sampled change orders, a change order checklist was utilized; however, date of approval was either not documented and/or signatures were absent for all of the samples. Based on the District's response, this recommendation was implemented; however, absent timely approved checklists, we were unable to validate that the District implemented this recommendation. Per inquiry with the District, the Implementation Plan will be updated to better reflect the District's intended implementation deliverable.	currently being implemented by the District.	
TC 13-7	Medium	ML# 48	The District has taken steps to address the TC 13-7 Change Order Approval and Accounting Practices recommendation provided in the FAI Report. Based on our sample of change orders, the District was able to document the utilization of the proposal approval form for vendor add service change requests; however, forms were incomplete. Based on the Deliverables section of the District's Implementation Plan, "The Proposal Approval Checklist form is used for every add-service proposal." We sampled seven add service change requests, noting the proposal approval form was utilized for all samples. However, the proposal checklists were incomplete and did not include all appropriate signatures for all seven samples. Five of the seven samples occurred during or after February 2017 (the District's reported implementation date). Absent timely approved forms, we were unable to validate that the District implemented this recommendation.	The District agrees that it has taken steps on this recommendation. The District will update the Implementation Plan deliverable to more clearly state how the recommendation is currently being implemented by the District.	February 2019



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
TC 13-8	Medium	ML# 49	The District has taken steps to address the TC 13-8 Change Order Approval and Accounting Practices recommendation provided in the FAI Report. Based on our sample of change orders, the District was able to document the utilization of the proposal approval form for vendor add service change requests; however, forms did not include Associate Superintendent approval. Per the Deliverables section of the District's Implementation Plan, "The Proposal Approval Checklist form is used for every add- service proposal." We sampled three add service change requests in excess of \$50,000, noting the proposal approval form was utilized; however, the Associate Superintendent of Operations and Bond Program approval signature was not provided within the Proposal Approval Checklist documenting approval prior to Board presentation. Two of the three samples occurred during or after February 2017 (the District's reported implementation date). Based on the District response, Associate Superintendent of Operations approval is achieved through electronic upload; however, documentation was not evident or provided by the District. Absent timely approval documentation, we were unable to validate that the District implemented this recommendation.	<p>The District has implemented this recommendation.</p> <p>The Associate Superintendent of Operations approves all Board precis prior to uploading agenda items into Agenda-On-Line for board of education upcoming meetings.</p> <p>The District will update the Implementation Plan deliverable to more clearly state how the recommendation is currently being implemented by the District.</p>	February 2019



C. NOT IMPLEMENTED THROUGH JUNE 30, 2017

VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
TC 16-5	Medium	ML# 70	The District was unable to provide evidence of the implementation of the TC 16-5 Financial Reporting recommendation's Implementation Plan Deliverable prior to June 30, 2017. Based on available documentation, the District was unable to provide Cash Flow and Financial Status Reports including footnotes reconciling balances to reported amounts. Per the Deliverables section of the District's Implementation Plan, "Footnotes have been included in Cash Flow Reports. Footnotes have been included in Financial Status Reports." We reviewed Cash Flow Reports and Financial Status reports for April, 30, 2017 and April 30, 2018 noting no inclusion of footnotes reconciling beginning balances. No reconciliation of balances for available monthly reports was provided by the District. No monthly reports including reconciling footnotes were provided by the District.	Staff will be counseled and trained regarding the need for footnotes on the cash flow and financial status reports. This will be implemented by June 30, 2019.	June 2019
TC 16-6	Medium	ML# 71	The District was unable to provide evidence of the implementation of TC 16-6 Financial Reporting Recommendation's Implementation Plan Deliverable prior to June 30, 2017, although evidence was available demonstrating implementation through June 30, 2018. Based on available documentation, the District was unable to provide Monthly Warrant Listing reports including reconciliation footnotes prior to June 30, 2017. However, we evaluated the April 2018 Monthly Warrant Listing report footnotes. Per the Deliverables section of the District's Implementation Plan, "Footnotes on monthly A/P Checklist." We reviewed the Monthly Warrant Listing report dated April 2018, noting the inclusion of a retention reconciliation to the total April expenditure amount.	Staff will be counseled and trained regarding the need for footnotes on the monthly warrant listing reports. This will be implemented by June 30, 2019.	June 2019
TC 16-10	Medium	ML# 75	The District was unable to provide evidence the implementation of TC 16-10 Financial Reporting recommendation's Implementation Plan Deliverable prior to June 30, 2017, although evidence was available demonstrating implementation through June 30, 2018. Based on available documentation, the District was unable to provide cash flow projection reports prior to June 30, 2017. However, we evaluated the preparation of monthly cash flow projections from August 2017 through April 2018. Per the	The District has implemented this recommendation. The District will update the District's Implementation Plan to acknowledge the Auditor's observation confirming the	Implemented



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No.	VLS Risk Rating	ITF Ref. No.	Observation	Management Response	Planned Resolution Date
			Deliverables section of the District's Implementation Plan, "The cash flow projection is reviewed monthly to assess potential adjustments." We reviewed monthly cash flow projection reports for Pinole Valley High School from August 2017 through April 2018, noting a comprehensive project listing and committed cost assessment.	recommendation has been implemented after June 30, 2017.	

D. UNDETERMINED

VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No	VLS Risk Rating	ITF Ref. No	Observation	Management Response	Planned Resolution Date
TC 11-2	Medium	ML# 36	The District was unable to provide evidence of implementation of the TC 11-2 Vendor Contract Administration - Invoice Payments recommendation's Implementation Plan Deliverable prior to June 30, 2017, although evidence was available demonstrating implementation through June 30, 2018. Per the Deliverables section of the District's Implementation Plan, "The process for rejecting an invoice is currently being performed by staff. The development of the full procedure and staffing assignments is in process. See ML#35" We reviewed sampled expenditures noting no instances of invoice rejection, and upon request the District was unable to provide example of the invoice rejection letters implementation prior to June 30, 2017. Per inquiry with the District, no invoices were formally rejected during the audit period. Additionally, no policies or procedural documents including invoice rejection procedures were made available. Therefore, the District's completion of the Implementation Plan deliverable for the improvement recommendation could not be determined prior to June 30, 2017. However, an example of invoice rejection was available for an architectural service	The District has implemented this recommendation. Ongoing practice requires that invoices that cannot be accepted are rejected and returned to the vendor to revise and resubmit. The District will update the Implementation Plan deliverable to more clearly state how the recommendation is currently being implemented by the District.	Implemented



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No	VLS Risk Rating	ITF Ref. No	Observation	Management Response	Planned Resolution Date
			provider dated May 3, 2018. Absent evidence of an invoice rejection through June 30, 2017, we were unable to validate that the District implemented this recommendation.		
FI 1-4	N/A	ML# 79	The District was unable to provide adequate evidence that steps had been taken to implement the FI 1-4 Conflict of Interest recommendation's Implementation Plan Deliverable prior to June 30, 2017. Per the Deliverables section of the District's Implementation Plan, "Legal counsel consulted and provided attorney-client privileged memorandum to District. Legal counsel had closed session discussion with Board resulting in direction on this matter." Legal Memo and Closed Session meeting minutes' documentation was not made available for our review. Therefore, the District's completion of the implementation plan deliverable for the improvement recommendation could not be determined.	The District has implemented this recommendation. The verbal and written communications from Legal Counsel to the Board of Education on this matter continues to be protected by attorney-client privilege.	Implemented
FI 1-5	N/A	ML# 80	The District was unable to provide adequate evidence that steps had been taken to implement the FI 1-5 Conflict of Interest recommendation's Implementation Plan Deliverable prior to June 30, 2017. Per the Deliverables section of the District's Implementation Plan, "Legal counsel consulted and provided attorney-client privileged memorandum to District. Legal counsel had closed session discussion with Board resulting in direction on this matter." Legal Memo and Closed Session meeting minutes' documentation was not made available for our review to address this recommendation. Therefore, the District's completion of the implementation plan deliverable for the improvement recommendation could not be determined.	The District has implemented this recommendation. The verbal and written communications from Legal Counsel to the Board of Education on this matter continues to be protected by attorney-client privilege.	Implemented
FI 3-6	N/A	ML# 90	The District was unable to provide adequate evidence that steps had been taken to implement the FI 3-6 Vendor Contract Administration - SGI recommendation's Implementation Plan Deliverable prior to June 30, 2017. Per the Deliverables section of the District's Implementation Plan, "Legal counsel was consulted and had closed session discussion with Board resulting in direction on this matter." Closed Session meeting minutes' documentation was not made available for our review to address this	The District has implemented this recommendation. The verbal and written communications from Legal Counsel to the Board of Education on this matter continues to be protected by attorney-client privilege.	Implemented



VLS REPORT REFERENCE		DISTRICT REFERENCE	MOSS ADAMS OBSERVATION	MANAGEMENT RESPONSE PROVIDED BY THE DISTRICT	
VLS Ref. No	VLS Risk Rating	ITF Ref. No	Observation	Management Response	Planned Resolution Date
			recommendation. Therefore, the District's completion of the implementation plan deliverable for the improvement recommendation could not be determined.		
FI 3-8	N/A	ML# 92	The District was unable to provide adequate evidence that steps had been taken to implement the FI 3-8 Vendor Contract Administration - SGI recommendation's Implementation Plan Deliverable prior to June 30, 2017. Per the Deliverables section of the District's Implementation Plan, "Legal counsel consulted and provided attorney-client privileged memorandum to District. Legal counsel had closed session discussion with Board resulting in direction on this matter." Legal Memo and Closed Session meeting minutes' documentation was not made available for our review to address this recommendation. Therefore, the District's completion of the implementation plan deliverable for the improvement recommendation could not be determined.	The District has implemented this recommendation. The verbal and written communications from Legal Counsel to the Board of Education on this matter continues to be protected by attorney-client privilege.	Implemented
FI 10-1	N/A	ML# 105	The District was unable to provide adequate evidence that steps had been taken to implement the FI 10-1 Change Order Approval and Accounting Practices recommendation's Implementation Plan Deliverable prior to June 30, 2017. Per the Deliverables section of the District's Implementation Plan, "Legal counsel consulted and provided attorney-client privileged memorandum to District. Legal counsel had closed session discussion with Board resulting in direction on this matter." Legal Memo and Closed Session meeting minutes' documentation was not made available for our review to address this recommendation. Therefore, the District's completion of the implementation plan deliverable for the improvement recommendation could not be determined.	The District has implemented this recommendation. The verbal and written communications from Legal Counsel to the Board of Education on this matter continues to be protected by attorney-client privilege.	Implemented
FI 10-2	N/A	ML# 106	The District was unable to provide adequate evidence that steps had been taken to implement the FI 10-2 Change Order Approval and Accounting Practices recommendation's Implementation Plan Deliverable prior to June 30, 2017. Based on the Deliverables section of the District's Implementation Plan, "Legal counsel consulted and provided attorney-client privileged memorandum to District. Legal counsel had closed session discussion with Board resulting in direction on this matter." Legal Memo	The District has implemented this recommendation. The verbal and written communications from Legal Counsel to the Board of Education on this matter continues to be protected by attorney-client privilege.	Implemented



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VLS Ref. No	VLS Risk Rating	ITF Ref. No	Observation	Management Response	Planned Resolution Date
			and Closed Session meeting minutes' documentation was not made available for our review to address this recommendation. Therefore, the District's completion of the implementation plan deliverable for the improvement recommendation could not be determined.		

**CITIZENS' BOND OVERSIGHT COMMITTEE
PROPOSED REVISIONS
TO
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
BOARD POLICY 7214.2**

**THESE PROPOSED AMENDMENTS TO THE BOARD POLICY
REMOVE SOME VERBAGE, ADD NEW VERBAGE AND
RELOCATES OTHER VERBAGE.
LANGUAGE PROPOSED TO BE ALTERED IS IN RED.
NEW LANGUAGE IS IN RED.
LANGUAGE TO BE REMOVED IS IN RED AND INCLUDES A
STRIKETHROUGH**

Proposition 39, approved by California voters in the General Election of November 7, 2000 provides that the Governing Board of a school district may pursue the authorization and issuance of general obligation bonds passed by a vote of 55 percent or more of the electorate.

As a result of the passage of Proposition 39, language was added to the Education Code requiring school districts passing a bond designated as a Proposition 39 bond to establish a Citizens' Oversight Committee ("Committee" or "CBOC") to actively review and report on uses of bond proceeds to ensure that they are spent only on school facilities improvements allowed under each bond measure and not for any other purpose. The Committee shall be established within sixty (60) days of the date that the Board enters the election results in its minutes. A school district may also establish a voluntary bond oversight committee for a general obligation bond adopted by a two-thirds (2/3) vote of the electorate.

District voters have approved multiple Proposition 39 School Bond Measures requiring a CBOC. The District has established an independent CBOC to provide oversight for these ballot measures. California Education Code Sections 15264 through 15288 govern the operation of the CBOC.

The purpose of this policy is to establish the practices and procedures for CBOC selection and support for its operations.

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- The CBOC is independent of the Board of Education, and
- The Board and Superintendent shall not adopt any policy, administrative regulation, practice or procedure that would interfere with the independence of the CBOC. In the event of any conflict between this policy and the Education Code, the provisions of the Education Code shall apply.

~~1. COMMITTEE'S PURPOSE~~

~~The purpose of the Committee is to inform the public concerning the expenditure and uses of bond revenues. The Committee's legal charge is to actively review and report on the expenditure of taxpayer's money for school construction. The Committee shall convene to provide oversight of the following:~~

- ~~a. That bond revenues from bonds adopted by a 55 percent vote of the electorate are expended only for the purpose described in Article 13A, section 1, subdivision (b)(3) of the California Constitution including the construction, reconstruction, rehabilitation or replacement of school facilities, including for a Proposition 39 bond measure the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities; and~~
- ~~b. That, for bonds adopted by a 55 percent vote of the electorate, as prohibited by Article 13A, section 1, subdivision (b)(3)(A) of the California Constitution, no funds are used for any teacher and administrative salaries or other school operating expenses, except for salaries of bond facilities project administrators paid pursuant to the November 2001 and February 2003 resolutions validated by the Judgment of Validation in the Superior Court of California, Contra Costa County Action No. N03-0216; and~~
- ~~c. That, for bonds adopted by a two-thirds (2/3) vote of the electorate, funds are used only for the purposes described in Article 13A, section 1,~~

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~~subdivision (b)(2) of the California Constitution including the acquisition or improvement of real property.~~

~~2. COMMITTEE'S DUTIES~~

~~The Committee may engage in the following activities in furtherance of its purpose:~~

- ~~a. Receiving and reviewing copies of the annual performance audits required by Article 13A, section 1, subdivision (b)(3)(C) of the California Constitution.~~
 - ~~1) The Auditor shall deliver directly to the Audit Subcommittee a draft copy of each audit report at the same time as delivery is made to the district.~~
 - ~~2) The Auditor shall deliver directly to the Committee progress reports at the same time as these reports are issued to the district.~~
 - ~~3) The Committee shall participate with the district in a yearly review of the Auditor's performance.~~
- ~~b. Receiving and reviewing the annual financial audits required by Article 13A, section 1, subdivisions (b)(3)(D) of the California Constitution.~~
 - ~~1) The Auditor shall deliver directly to the Audit Subcommittee a draft copy of each audit report at the same time as delivery is made to the district.~~
 - ~~2) The Auditor shall deliver directly to the Committee progress reports at the same time as these reports are issued to the district.~~
 - ~~3) The Committee shall participate with the district in a yearly review of the Auditor's performance.~~

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- ~~c. Inspecting school facilities and grounds to ensure that Bond revenues are expended in compliance with the requirements of Article 13A, section 1, subdivision (b)(3) of the California Constitution.~~
- ~~d. Receiving and reviewing copies of any deferred maintenance proposals or plans developed by the district, including any reports required by Education Code section 17584.1.~~
- ~~e. Reviewing efforts by the district to maximize Bond revenues by implementing cost-saving measures including, but not limited, to the following:~~
 - ~~1) Mechanisms designed to reduce the costs of professional fees;~~
 - ~~2) Mechanisms designed to reduce the cost of site preparation;~~
 - ~~3) Recommendations regarding the joint use of core facilities;~~
 - ~~4) Mechanisms designed to reduce costs by incorporating efficiencies in school site design;~~
 - ~~5) (Recommendations regarding the use of cost-effective and efficient reusable facility plans.~~

~~3. COMMITTEE OPERATIONS~~

~~The Committee's legal charge is to review Bond expenditures and to inform the public about the uses of Bond proceeds.~~

~~The Committee shall have the authority to:~~

- ~~a. Inspect a job site or construction project in coordination with the district Superintendent or designee. Visits to job sites require that the Committee member(s) be accompanied by a representative of the district and require that all safety measures in effect at the job site be followed.~~

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~~b. Contact district staff, district contractors or consultants, including without limitation, accountants, auditors, architects, financial advisors and legal counsel in coordination with district Superintendent or designee.~~

~~The Committee shall not have the authority to:~~

- ~~a. Participate in the bond sale and issuance process or make decisions concerning the timing, terms or structure of a bond issuance, except that the Committee may review the district's plans for any bond sale and may review bond issuance documents upon the conclusion of a bond sale if desired;~~
- ~~b. Determine how bond funds shall be spent;~~
- ~~c. Select contractors or consultants for bond projects or participate in the negotiation or bid process for such contractors and consultants;~~
- ~~d. Require the district to prepare reports or conduct audits more frequently than those required by law.~~

~~The Committee shall not be entitled to legal representation by district legal counselor at district expense, unless permitted by the Board.~~

~~The Superintendent or his/her designee shall attend Committee meetings. Members of the Board shall attend as necessary or desirable.~~

~~Upon completion of all Bond projects, the Committee shall prepare a final written report summarizing its activities and conclusions.~~

~~The Board shall, without expending Bond funds:~~

- ~~a. Provide the Committee with any necessary technical assistance;~~

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- ~~b. Provide administrative assistance in furtherance of the Committee's purpose; and~~
- ~~c. Provide the Committee with sufficient resources to publicize the Committee's conclusions.~~

~~The Associate Superintendent of Operations will serve as a resource to the Committee. He/she shall assign such other district staff and professional service providers as needed to assist the Committee in carrying out its duties.~~

~~The Committee and Board shall hold joint meetings during the first quarter (January through March) and third quarter (July through September) of each year.~~

~~The Committee shall make reports to the Board of Education at each regular Board meeting. This report shall be placed on the Board's agenda. All recommendations approved by the Committee shall be presented to the Board of Education. The Board shall respond to the Committee's recommendation(s) within sixty (60) days after receipt of the recommendation(s).~~

~~The CBOC shall establish a set of bylaws and operational rules to manage the operation of the committee. These bylaws and operational rules shall be in compliance with Board Policy and all applicable laws.~~

~~4. FINANCIAL OPERATIONS~~

~~The Board of Education shall adopt an annual Facilities Program Budget.~~

- ~~a. District staff shall identify the budget by fund and account code on each Board action memo that recommends the expenditure of funds for facility projects.~~

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~~b. The Facility Program Budget shall be formally amended by the board of Education during the calendar year, as needed, for new and revised projects and change orders.~~

5. COMMITTEE SELECTION AND COMPOSITION

The Superintendent or designee and the CBOC shall solicit by all means available applications for membership on the Committee.

The Committee shall be comprised of individuals who either live or work within the boundaries of the district, except that no elected officials shall be appointed to the Committee.

Nominations for the five positions required by law shall be made by the respective organization for each position shown below.

Nominations for all the other positions on the Committee shall be by self-nomination.

All nominations shall be made using the CBOC approved Application Form and shall include a resume and statement as to why the candidate wants to be a Committee member.

Applicants shall submit all application documents to the Superintendent and CBOC Chair.

The Application Package for all nominees shall be published in a regular or special meeting of the Facilities Subcommittee Agenda Package and all candidates shall be interviewed by the Facilities Subcommittee at a regular or special public meeting.

The Facilities Subcommittee shall make recommendations based on merit to the Board of Education for appointment to the CBOC.

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The Board of Education shall appoint the Committee members. While the Committee must consist of at least seven members, the Board intends the Committee to consist of ~~17~~ 14 members as shown below: ~~members.~~

As required by law, Committee membership shall include the following categories:

- a. One member shall, at the time of appointment, be active in a business organization representing the business community of the district;
- b. One member shall, at the time of appointment, be active in a senior citizens' organization, which may be a local, regional, statewide or national organization;
- c. One member shall, at the time of appointment, be active in a bona fide taxpayers' organization, which may be a local, regional, statewide or national organization;
- d. One member shall, at the time of appointment, be the parent or guardian of at least one child currently enrolled in a school of the district;
- e. One member shall, at the time of appointment, be a parent or guardian of at least one child currently enrolled in a school of the district and be an active member in a district parent-teacher organization, such as the PTA or school site council.
- f. Committee membership shall also include the following community members:
 - 1) Seven members shall be selected at-large including three residents of the City of Richmond, one resident each from the Cities of El Cerrito, Hercules, Pinole, and San Pablo, excluding sitting elected officials;

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- 2) ~~Two members~~ One member shall reside in an unincorporated ~~areas~~ area of the district and shall be selected at-large from unincorporated areas ~~in~~ ~~of~~ the district, excluding sitting elected officials;
- 3) ~~One member shall, at the time of appointment, represent the Contra Costa Building and Construction Trades Council.~~
- 4) ~~One member shall, at the time of appointment, be a representative of the five four employee unions, United Teachers of Richmond (UTR), Public Employees Local 1 Teamsters Local 856, School Supervisors Association (SSA), and West Contra Costa Administrators Association (WCCAA) and Adult School Teachers United (ASTU). This member may not be a current WCCUSD employee.~~
- 5) One member shall, at the time of appointment, be a WCCUSD student, and represent district students.

Pursuant to Education Code Section 15282(b), no employee or official of the district shall be appointed to the Committee. Additionally, no vendor, contractor, or consultant of the district shall be appointed to the Committee. If, while serving on the Committee, a member becomes an official or employee of the district or becomes a vendor, contractor or consultant of the district, their membership on the Committee shall cease immediately.

Members of the Citizens' Oversight Committee may serve for no more than three consecutive terms of two years each. Committee members who wish to be appointed for a second or third two-year term shall reapply to the Board for consideration. (Education Code 15282). Committee members shall receive no remuneration for their participation on the Committee.

A Committee member who no longer serves as a representative of the designated group she/he was appointed to represent (e.g., ceases to be active within a taxpayers' organization, or ceases to have a child enrolled in the

**CITIZENS' BOND OVERSIGHT COMMITTEE
PROPOSED REVISIONS
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district) shall be allowed to complete his/her term. However, that Committee member shall not be entitled to serve a subsequent term as a representative of the designated group.

Within sixty (60) days of being notified of a Committee vacancy, the Board will appoint a new member to complete the term of the vacancy following the process used to select the original Committee members, provided an eligible and willing candidate is available and ready to serve.

~~Committee members shall be subject to prohibitions regarding incompatibility of office pursuant to Government Code 1125-1129 and financial interest in contracts pursuant to Government Code 1090-1098.~~

~~The Committee shall establish an attendance policy and procedures for the removal from the Committee for a violation of this policy.~~

The Committee will determine when a seat on the Committee becomes vacant. ~~and a new Committee member will be named by the Board if one or more of the following events occur:~~

- ~~a. The Committee member submits a written resignation;~~
- ~~b. The Committee member fails to meet the participation requirements above~~

~~An individual who replaces such a member shall serve until the completion of the original member's term. Thereafter, the member must apply for an additional term if she/he wishes to remain on the Committee. A member who is replaced may appeal to the Board for the Board to reappoint that person to the Committee.~~

Support for Committee Operations
Audits

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In accordance with Education Code 15278, 15286, and 15280, the Committee receives and reviews the annual financial and performance audits required by Article 13A, section 1, subdivision (b)(3)(C) and (D) of the California Constitution.

- The District shall solicit input from the Committee on the scope and objectives of the performance audit.
- The District shall solicit input from the Committee on the nature, timing, and extent of the financial audit work. To accomplish this, the District shall coordinate input from the Committee to the auditors at the beginning and end of each financial audit, including an entrance conference and an exit conference with the CBOC or its Audit Subcommittee.
- The Committee shall participate in the interviews to select auditors and shall participate with the District in a yearly review of the Auditors' performance.
- The District shall direct the Auditors to deliver progress reports, and draft and final copies of the audits to the Committee at the same time as they are delivered to the District.
- The District shall provide the Committee with responses to any and all findings, recommendations, and concerns addressed in the Audits within three months of receiving the Audits.

Liaison and Joint Meetings

In order to foster good communication between the Committee, the District, and the Board:

- The Associate Superintendent of Operations will serve as a resource and District liaison to the Committee and shall attend Committee meetings. He/she shall assign such other district staff and professional service providers as needed to assist the Committee in carrying out its duties.
- A member of the Board shall act as liaison to the Committee and attend Committee meetings.

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- The Committee and Board shall hold joint meetings during the first quarter (January through March) and third quarter (July through September) of each year.
- The Committee shall make reports to the Board of Education at each regular Board meeting. This report shall be placed on the Board's agenda. All recommendations approved by the Committee shall be presented to the Board of Education. The Board shall respond to the Committee's recommendation(s) within sixty (60) days after receipt of the recommendation(s).

Publicizing Committee Work

Education Code Section 15280 establishes that the Board shall provide sufficient resources to publicize the conclusions of the Committee. The District shall:

- Establish and maintain a Committee website for the Committee to post its activities, documents, and conclusions.
- Authorize one Committee member, selected by the Committee, with appropriate security measures, to post documents to the Committee website and maintain the Committee website on a current basis.
- Provide resources to publicize the annual report and other findings and conclusions of the Committee.
- Publicize Committee membership vacancies and recruit new members.

Technical and Administrative Assistance

Education Code 15280 establishes that the Board shall, without expending bond funds, provide the Committee with any necessary technical assistance and shall provide administrative assistance in furtherance of its purpose. To this end, the District shall:

- Establish in April of each year an annual budget for the operation of the Committee in the following fiscal year as mutually agreed between the District and the Committee.

**CITIZENS' BOND OVERSIGHT COMMITTEE
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- Provide financial reports to the Committee, with form and frequency as mutually agreed between the District and the Committee.
- Provide administrative support for Committee and subcommittee meetings including assistance in preparing agenda packets, meeting logistics, meeting notes and recordings, and posting agendas, minutes, and recordings to the Committee website.
- Provide Committee members training on the Brown Act on an annual basis.
- Provide the Committee independent legal counsel.
- Facilitate Committee inspection of school sites and construction projects.
- Facilitate Committee member contact with district staff, district contractors or consultants, including, accountants, auditors, architects, financial advisors and legal counsel. Committee members shall inform the District liaison of such contact.

Board Policies Relevant to School Bond Construction Program

Board Policy 3400 Management of District Assets/Accounts and Administrative Regulation 3400

Board Policy 7000 Facilities

Legal References

EDUCATION CODE

15278-15288

CALIFORNIA CONSTITUTION

Article, XIII A, Section 1 (b)

Article, XVI, Section 18 (b)

Policy WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT adopted:

~~August, August 2008~~ ~~Richmond, California~~

revised: January 9, ~~2008~~ 2009

revised: November 16, 2011

revised: May 14, 2014

revised: December 9, 2015

Background

The Forensic Accounting Investigation report includes a recommendation that Board Policy 7214.2 regarding the CBOC be revised (recommendation FI 6-2). At the joint CBOC Board meeting of September 12, 2018 District staff presented a proposed revision. The CBOC requested the opportunity to review the policy and make its own recommendations for revision, and the Board agreed.

Explanation of Proposed Amendments

On March 14, 2019 the Citizen's Bond Oversight Committee (CBOC) unanimously approved proposed amendments to the Board Policy BP 7214.2 regarding the role and operation of the CBOC. It is proposed that these proposed amendments be discussed at the March 27, 2019 Joint Board/CBOC meeting.

These proposed amendments were informed by:

- extensive discussion by the CBOC over many months
- research of the California Legislature intent in establishing CBOC's
- Education Code sections about the role and operation of the Proposition 39 independent oversight committees.
- Advice from CBOC Legal Counsel Adam Ferber
- Recommendations made by VLS in their September 2016 Forensic Accounting Investigation Report.
- Restatement of Education Code – In the existing Board Policy, there are many sections that are lifted word-for-word from the Education Code. The tack we took in the revision was to include policies that address implementation of the Code and leave out the restatement of the code except via reference.
- Directives on Committee Operations. The CBOC is an independent body, and the Board cannot dictate how we operate. The tack we took was to include policies that address District support for our operation, and to delete clauses that would appear to dictate how the CBOC operates.
- Irrelevant Sections. Section 4 – “Financial Operations” in the existing Board Policy do not relate specifically to the CBOC, so was deleted.

Shown below is an explanation of each of the proposed amendments displayed in the attached redline version of BP 7214.2.

WCCUSD CBOC
BP 7214.2 Citizen's Bond Oversight Committee
Explanation of Proposed Amendments

3/19/2019 12:12 AM

Page	Line	Proposed Amendment	Explanation
1	25-28	Provides for the establishment of one CBOC for the District's Proposition 39 Bond measures, current and future.	Current practice.
1	30-31	States that this policy establishes the practices and procedures for CBOC selection and support.	States the purpose of this policy.
2	32	The CBOC is independent of the Board of Education.	Education Code
2	33-36	The Board and Superintendent shall not adopt any policy or practice that would interfere with the independence of the CBOC.	The CBOC is independent of the Board and the Board policy should reflect this status.
2	38-65	Deletes the current policy on the Committee's purpose.	Repeats what is in the California Constitution and Education Code.
3	67-118	Deletes the current policy on the Committee's duties.	The provision on audits are included in the proposed new section on <i>Audits</i> . The remaining duties are all included in Education Code.
4	121-188	Deletes the current policy on Committee's operations.	The Committee's operations are described in the proposed new sections on <i>Liaison and Joint Meetings, Publicizing Committee Work and Technical and Administrative Assistance</i> described below.

WCCUSD CBOC
BP 7214.2 Citizen's Bond Oversight Committee
Explanation of Proposed Amendments

3/19/2019 12:12 AM

Page	Line	Proposed Amendment	Explanation
6	190-199	Deletes the current policy on facilities program budget.	Adoption of annual Facilities Program Budget is not part of Committee's role.
8	232	Proposes to reduce the size of the CBOC from 17 members to 14 members. See details below.	The three positions proposed to be removed have been vacant for months.
9	263	Reduce the number of unincorporated membership category from two members to one member.	Position has been vacant for months.
9	267-268	Remove the Contra Costa Building Construction Trades Council membership category.	Position has been vacant for months.
9	270-275	Remove the Solution Team membership category.	Position has been vacant for months.
10	305-307	Remove reference to Government Code about incompatibility of office.	Government Code applies without inclusion in Board Policy.
10	309-310	Remove provision that Committee shall establish an attendance policy.	CBOC has this authority without Board Policy.
10	313-325	Remove provisions about replace of Committee members.	CBOC has this authority without Board Policy.
10	327	Adds a new section to the Policy, <i>Support for Committee Operations</i> , organized in four parts: <ul style="list-style-type: none"> • Audits • Liaison and Joint 	New sections for the Board to prescribe how it will support the operation of the CBOC as an independent Proposition 39 oversight committee.

WCCUSD CBOC
BP 7214.2 Citizen's Bond Oversight Committee
Explanation of Proposed Amendments

3/19/2019 12:12 AM

Page	Line	Proposed Amendment	Explanation
		<p>Meetings</p> <ul style="list-style-type: none"> • Publicizing Committee Work • Technical and Administrative Assistance 	
11	329-332	Cites legal requirement for CBOC to receive and revise annual financial and performance audits.	Existing Education Code and current practices.
11	333-334	The District shall solicit input from the Committee on the scope and objectives of the performance audit.	Current practice.
11	335-339	CBOC participate in entrance and exit conference for annual financial audit.	Current practice.
11	340	CBOC participate in interviews to select auditors.	Current practice.
11	346-348	The District will provide CBOC with responses to findings and recommendations.	Existing Education Code. Normally the District provides its response in the audit report itself.
11	350-352	Add procedures to foster good communication between the Committee, the District, and the Board.	Current practice
11	357-358	A member of the Board shall act as liaison to the Committee.	Current practice.

BP 7214.2 Citizen's Bond Oversight Committee

Explanation of Proposed Amendments

Page	Line	Proposed Amendment	Explanation
12	369	Add a new section on <i>Publicizing Committee Work.</i>	Current practice.
12	373-374	Establish and maintain Committee website.	Current practice.
12	375-376	Authorize one Committee member to maintain website.	Current practice.
12	380	Publicize Committee membership vacancies and recruit new members.	Current practice.
12	382-386	Add a new section <i>Technical and Administrative Assistance.</i>	Current practice.
12	388-390	Provides for the establishment in April of each year an annual budget for the following fiscal year mutually agreed between District and the Committee.	Recommended by VLS in the Forensic Accounting Investigation report (FI 6-3).
13	391-392	Provides mutually agreed financial reports will be distributed to the Committee.	Recommended by VLS in the Forensic Accounting Investigation report (FI 6-1).
13	393-396	Provides administrative support for the Committee and subcommittees.	Current practice.
13	397-398	Provides Committee members annual Brown Act training.	New requirement consistent with VLS recommendation for Board Members.
13	399	Provide the Committee independent legal counsel.	Current practice. Adam Ferber has been the CBOC Independent Legal Counsel for several years.

Attachments

1. Board Policy BP 7214.2 Today's Policy as Amended Version
2. Board Policy BP 7214.2 Redline Version
3. CBOC Legal Council Adam Ferber's Legal Opinion

Prepared: March 19, 2019

Prepared by CBOC Members : Mac Moore, Vanessa Hill and Anton Jungherr

Citizens' Bond Oversight Committee (CBOC)

Proposition 39, approved by California voters in the General Election of November 7, 2000 provides that the Governing Board of a school district may pursue the authorization and issuance of general obligation bonds passed by a vote of 55 percent or more of the electorate.

As a result of the passage of Proposition 39, language was added to the Education Code requiring school districts passing a bond designated as a Proposition 39 bond to establish a Citizens' Oversight Committee ("Committee" or "CBOC") to actively review and report on uses of bond proceeds to ensure that they are spent only on school facilities improvements allowed under each bond measure and not for any other purpose. The Committee shall be established within sixty (60) days of the date that the Board enters the election results in its minutes. A school district may also establish a voluntary bond oversight committee for a general obligation bond adopted by a two-thirds (2/3) vote of the electorate.

District voters have approved four Proposition 39 School Bond Measures requiring a CBOC. The District has established an independent CBOC to provide oversight for these ballot measures. California Education Code Sections 15264 through 15288 govern the operation of the CBOC.

The purpose of this policy is to establish the practices and procedures for CBOC selection and support for its operations.

- The CBOC is independent of the Board of Education, and
- The Board and Superintendent shall not adopt any policy, administrative regulation, practice or procedure that would interfere with the independence of the CBOC. In the event of any conflict between this policy and the Education Code, the provisions of the Education Code shall apply.

Committee Selection and Composition

The Superintendent or designee and the Committee shall solicit by all means available applications for membership on the Committee.

The Committee shall be comprised of individuals who either live or work within the boundaries of the district, except that no elected officials shall be appointed to the Committee.

Nominations for the five positions required by law shall be made by the respective organization for each position shown below.

Nominations for all the other positions on the Committee shall be by self-nomination.

All nominations shall be made using the Committee approved Application Form and shall include a resume and statement to why the candidate wants to be a Committee member.

Applicants shall submit all application documents to the Superintendent and Committee Chair.

Board Policy BP 7214.2 Citizens' Bond Oversight Committee (CBOC)**Proposed Substitute Policy as Unanimously Approved by CBOC on March 14, 2019**

The Application Package for all nominees shall be published in a regular Facilities Subcommittee Agenda Package and all candidates shall be interviewed by the Facilities Subcommittee at a regular public meeting.

The Facilities Subcommittee shall make recommendations based on merit to the Board of Education for appointment to the Committee.

The Board of Education shall appoint the Committee members. While the Committee must consist of at least seven members, the Board intends the Committee to consist of 14 members as shown below members.

As required by law, Committee membership shall include the following categories:

a. One member shall, at the time of appointment, be active in a business organization representing the business community of the district;

b. One member shall, at the time of appointment, be active in a senior citizens' organization, which may be a local, regional, statewide or national organization;

c. One member shall, at the time of appointment, be active in a bona fide taxpayers' organization, which may be a local, regional, statewide or national organization;

d. One member shall, at the time of appointment, be the parent or guardian of at least one child currently enrolled in a school of the district;

e. One member shall, at the time of appointment, be a parent or guardian of at least one child currently enrolled in a school of the district and be an active member in a district parent-teacher organization, such as the PTA or school site council.

f. Committee membership shall also include the following community members:

(1) Seven members shall be selected at-large including three residents of the City of Richmond, one resident each from the Cities of El Cerrito, Hercules, Pinole, and San Pablo, excluding sitting elected officials;

(2) One member shall reside in unincorporated areas of the district and shall be selected at-large from unincorporated areas of the district, excluding sitting elected officials;

(3) One member shall, at the time of appointment, be a WCCUSD student, and represent District students.

Pursuant to Education Code Section 15282(b), no employee or official of the district shall be appointed to the Committee. Additionally, no vendor, contractor, or consultant of the district shall be appointed to the Committee. If, while serving on the Committee, a member becomes an official or employee of the district or becomes a vendor, contractor or consultant of the district, their membership on the Committee shall cease immediately.

Board Policy BP 7214.2 Citizens' Bond Oversight Committee (CBOC)**Proposed Substitute Policy as Unanimously Approved by CBOC on March 14, 2019**

Members of the Citizens' Bond Oversight Committee may serve for no more than three consecutive terms of two years each. Committee members who wish to be appointed for a second or third two-year term shall reapply to the Board for consideration. (Education Code 15282) Committee members shall receive no remuneration for their participation on the Committee.

A Committee member who no longer serves as a representative of the designated group she/he was appointed to represent (e.g., ceases to be active within a taxpayers' organization, or ceases to have a child enrolled in the district) shall be allowed to complete his/her term. However, that Committee member shall not be entitled to serve a subsequent term as a representative of the designated group.

Within sixty (60) days of being notified of a Committee vacancy, the Board will appoint a new member to complete the term of the vacancy following the process used to select the original Committee members, provided an eligible and willing candidate is available and ready to serve.

The Committee will determine when a seat on the Committee becomes vacant.

Support for Committee OperationsAudits

In accordance with Education Code 15278, 15286, and 15280, the Committee receives and reviews the annual financial and performance audits required by Article 13A, section 1, subdivision (b)(3)(C) and (D) of the California Constitution.

- The District shall solicit input from the Committee on the scope and objectives of the performance audit.
- The District shall solicit input from the Committee on the nature, timing, and extent of the financial audit work. To accomplish this, the District shall coordinate input from the Committee to the auditors at the beginning and end of each financial audit, including an entrance conference and an exit conference with the CBOC or its Audit Subcommittee.
- The Committee shall participate in the interviews to select auditors and shall participate with the District in a yearly review of the Auditors' performance.
- The District shall direct the Auditors to deliver progress reports, and draft and final copies of the audits to the Committee at the same time as they are delivered to the District.
- The District shall provide the Committee with responses to any and all findings, recommendations, and concerns addressed in the Audits within three months of receiving the Audits.

Liaison and Joint Meetings

In order to foster good communication between the Committee, the District, and the Board:

Board Policy BP 7214.2 Citizens' Bond Oversight Committee (CBOC)**Proposed Substitute Policy as Unanimously Approved by CBOC on March 14, 2019**

124 • The Associate Superintendent of Operations will serve as a resource and District liaison to the
125 Committee and shall attend Committee meetings. He/she shall assign such other district staff
126 and professional service providers as needed to assist the Committee in carrying out its duties.

127 • A member of the Board shall act as liaison to the Committee and attend Committee meetings.

128 • The Committee and Board shall hold joint meetings during the first quarter (January through
129 March) and third quarter (July through September) of each year.

130 • The Committee shall make reports to the Board of Education at each regular Board meeting.
131 This report shall be placed on the Board's agenda. All recommendations approved by the
132 Committee shall be presented to the Board of Education. The Board shall respond to the
133 Committee's recommendation(s) within sixty (60) days after receipt of the recommendation(s).

134 Publicizing Committee Work

135 Education Code Section 15280 establishes that the Board shall provide sufficient resources to
136 publicize the conclusions of the Committee. The District shall:

137 • Establish and maintain a Committee website for the Committee to post its activities,
138 documents, and conclusions.

139 • Authorize one Committee member, selected by the Committee, with appropriate security
140 measures, to post documents to the Committee website and maintain the Committee website on
141 a current basis.

142 • Provide resources to publicize the annual report and other findings and conclusions of the
143 Committee.

144 • Publicize Committee membership vacancies and recruit new members.

145 Technical and Administrative Assistance

146 Education Code 15280 establishes that the Board shall, without expending bond funds, provide the
147 Committee with any necessary technical assistance and shall provide administrative assistance in
148 furtherance of its purpose. To this end, the District shall:

149 • Establish in April of each year an annual budget for the operation of the Committee in the
150 following fiscal year as mutually agreed between the District and the Committee.

151 • Provide financial reports to the Committee, with form and frequency as mutually agreed
152 between the District and the Committee.

153 • Provide administrative support for Committee and subcommittee meetings including assistance
154 in preparing agenda packets, meeting logistics, meeting notes and recordings, and posting
155 agendas, minutes, and recordings to the Committee website.

156 • Provide Committee members training on the Brown Act on an annual basis.

- 157 • Provide the Committee independent legal counsel.
- 158 • Facilitate Committee inspection of school sites and construction projects.
- 159 • Facilitate Committee member contact with district staff, district contractors or consultants,
160 including, accountants, auditors, architects, financial advisors and legal counsel. Committee
161 members shall inform the District liaison of such contact.

162 Board Policies Relevant to School Bond Construction Program

163 Board Policy 3400 Management of District Assets/Accounts and Administrative Regulation 3400

164 Board Policy 7000 Facilities

165 Legal References

166 *EDUCATION CODE*

167 *15264-15288*

168 *CALIFORNIA CONSTITUTION*

169 *Article XIII A, Section 1 (b)*

170 *Article, XVI, Section 18 (b)*

171 *POLICY WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT*

172 *Adopted: August 2008*

173 *Revised: January 9, 2009*

174 *Revised: November 16, 2011*

175 *Revised: May 14, 2014*

176 *Revised: December 9, 2015*

177 Revised: _____

CITIZENS' BOND OVERSIGHT COMMITTEE
PROPOSED REVISIONS ATTACHMENT 2
TO BP 7214.2 CBOC EXPLANATION
MARCH 19, 2019
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
BOARD POLICY 7214.2

**THESE PROPOSED AMENDMENTS TO THE BOARD POLICY
REMOVE SOME VERBAGE, ADD NEW VERBAGE AND
RELOCATES OTHER VERBAGE.
LANGUAGE PROPOSED TO BE ALTERED IS IN RED.
NEW LANGUAGE IS IN RED.
LANGUAGE TO BE REMOVED IS IN RED AND INCLUDES A
STRIKETHROUGH**

Proposition 39, approved by California voters in the General Election of November 7, 2000 provides that the Governing Board of a school district may pursue the authorization and issuance of general obligation bonds passed by a vote of 55 percent or more of the electorate.

As a result of the passage of Proposition 39, language was added to the Education Code requiring school districts passing a bond designated as a Proposition 39 bond to establish a Citizens' Oversight Committee ("Committee" or "CBOC") to actively review and report on uses of bond proceeds to ensure that they are spent only on school facilities improvements allowed under each bond measure and not for any other purpose. The Committee shall be established within sixty (60) days of the date that the Board enters the election results in its minutes. A school district may also establish a voluntary bond oversight committee for a general obligation bond adopted by a two-thirds (2/3) vote of the electorate.

District voters have approved multiple Proposition 39 School Bond Measures requiring a CBOC. The District has established an independent CBOC to provide oversight for these ballot measures. California Education Code Sections 15264 through 15288 govern the operation of the CBOC.

The purpose of this policy is to establish the practices and procedures for CBOC selection and support for its operations.

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- The CBOC is independent of the Board of Education, and
- The Board and Superintendent shall not adopt any policy, administrative regulation, practice or procedure that would interfere with the independence of the CBOC. In the event of any conflict between this policy and the Education Code, the provisions of the Education Code shall apply.

~~1. COMMITTEE'S PURPOSE~~

~~The purpose of the Committee is to inform the public concerning the expenditure and uses of bond revenues. The Committee's legal charge is to actively review and report on the expenditure of taxpayer's money for school construction. The Committee shall convene to provide oversight of the following:~~

- ~~a. That bond revenues from bonds adopted by a 55 percent vote of the electorate are expended only for the purpose described in Article 13A, section 1, subdivision (b)(3) of the California Constitution including the construction, reconstruction, rehabilitation or replacement of school facilities, including for a Proposition 39 bond measure the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities; and~~
- ~~b. That, for bonds adopted by a 55 percent vote of the electorate, as prohibited by Article 13A, section 1, subdivision (b)(3)(A) of the California Constitution, no funds are used for any teacher and administrative salaries or other school operating expenses, except for salaries of bond facilities project administrators paid pursuant to the November 2001 and February 2003 resolutions validated by the Judgment of Validation in the Superior Court of California, Contra Costa County Action No. N03-0216; and~~
- ~~c. That, for bonds adopted by a two-thirds (2/3) vote of the electorate, funds are used only for the purposes described in Article 13A, section 1,~~

CITIZENS' BOND OVERSIGHT COMMITTEE
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subdivision (b)(2) of the California Constitution including the acquisition or improvement of real property.

~~2. COMMITTEE'S DUTIES~~

~~The Committee may engage in the following activities in furtherance of its purpose:~~

~~a. Receiving and reviewing copies of the annual performance audits required by Article 13A, section 1, subdivision (b)(3)(C) of the California Constitution.~~

~~1) The Auditor shall deliver directly to the Audit Subcommittee a draft copy of each audit report at the same time as delivery is made to the district.~~

~~2) The Auditor shall deliver directly to the Committee progress reports at the same time as these reports are issued to the district.~~

~~3) The Committee shall participate with the district in a yearly review of the Auditor's performance.~~

~~b. Receiving and reviewing the annual financial audits required by Article 13A, section 1, subdivisions (b)(3)(D) of the California Constitution.~~

~~1) The Auditor shall deliver directly to the Audit Subcommittee a draft copy of each audit report at the same time as delivery is made to the district.~~

~~2) The Auditor shall deliver directly to the Committee progress reports at the same time as these reports are issued to the district.~~

~~3) The Committee shall participate with the district in a yearly review of the Auditor's performance.~~

CITIZENS' BOND OVERSIGHT COMMITTEE
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~~c. Inspecting school facilities and grounds to ensure that Bond revenues are expended in compliance with the requirements of Article 13A, section 1, subdivision (b)(3) of the California Constitution.~~

~~d. Receiving and reviewing copies of any deferred maintenance proposals or plans developed by the district, including any reports required by Education Code section 17584.1.~~

~~e. Reviewing efforts by the district to maximize Bond revenues by implementing cost-saving measures including, but not limited, to the following:~~

~~1) Mechanisms designed to reduce the costs of professional fees;~~

~~2) Mechanisms designed to reduce the cost of site preparation;~~

~~3) Recommendations regarding the joint use of core facilities;~~

~~4) Mechanisms designed to reduce costs by incorporating efficiencies in school site design;~~

~~5) (Recommendations regarding the use of cost-effective and efficient reusable facility plans.~~

~~3. COMMITTEE OPERATIONS~~

~~The Committee's legal charge is to review Bond expenditures and to inform the public about the uses of Bond proceeds.~~

~~The Committee shall have the authority to:~~

~~a. Inspect a job site or construction project in coordination with the district Superintendent or designee. Visits to job sites require that the Committee member(s) be accompanied by a representative of the district and require that all safety measures in effect at the job site be followed.~~

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~~b. Contact district staff, district contractors or consultants, including without limitation, accountants, auditors, architects, financial advisors and legal counsel in coordination with district Superintendent or designee.~~

~~The Committee shall not have the authority to:~~

~~a. Participate in the bond sale and issuance process or make decisions concerning the timing, terms or structure of a bond issuance, except that the Committee may review the district's plans for any bond sale and may review bond issuance documents upon the conclusion of a bond sale if desired;~~

~~b. Determine how bond funds shall be spent;~~

~~c. Select contractors or consultants for bond projects or participate in the negotiation or bid process for such contractors and consultants;~~

~~d. Require the district to prepare reports or conduct audits more frequently than those required by law.~~

~~The Committee shall not be entitled to legal representation by district legal counselor at district expense, unless permitted by the Board.~~

~~The Superintendent or his/her designee shall attend Committee meetings. Members of the Board shall attend as necessary or desirable.~~

~~Upon completion of all Bond projects, the Committee shall prepare a final written report summarizing its activities and conclusions.~~

~~The Board shall, without expending Bond funds:~~

~~a. Provide the Committee with any necessary technical assistance;~~

CITIZENS' BOND OVERSIGHT COMMITTEE
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~~b. Provide administrative assistance in furtherance of the Committee's purpose; and~~

~~c. Provide the Committee with sufficient resources to publicize the Committee's conclusions.~~

~~The Associate Superintendent of Operations will serve as a resource to the Committee. He/she shall assign such other district staff and professional service providers as needed to assist the Committee in carrying out its duties.~~

~~The Committee and Board shall hold joint meetings during the first quarter (January through March) and third quarter (July through September) of each year.~~

~~The Committee shall make reports to the Board of Education at each regular Board meeting. This report shall be placed on the Board's agenda. All recommendations approved by the Committee shall be presented to the Board of Education. The Board shall respond to the Committee's recommendation(s) within sixty (60) days after receipt of the recommendation(s).~~

~~The CBOC shall establish a set of bylaws and operational rules to manage the operation of the committee. These bylaws and operational rules shall be in compliance with Board Policy and all applicable laws.~~

4.—FINANCIAL OPERATIONS

~~The Board of Education shall adopt an annual Facilities Program Budget.~~

~~a. District staff shall identify the budget by fund and account code on each Board action memo that recommends the expenditure of funds for facility projects.~~

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~~b. The Facility Program Budget shall be formally amended by the board of Education during the calendar year, as needed, for new and revised projects and change orders.~~

5. COMMITTEE SELECTION AND COMPOSITION

The Superintendent or designee and the CBOC shall solicit by all means available applications for membership on the Committee.

The Committee shall be comprised of individuals who either live or work within the boundaries of the district, except that no elected officials shall be appointed to the Committee.

Nominations for the five positions required by law shall be made by the respective organization for each position shown below.

Nominations for all the other positions on the Committee shall be by self-nomination.

All nominations shall be made using the CBOC approved Application Form and shall include a resume and statement as to why the candidate wants to be a Committee member.

Applicants shall submit all application documents to the Superintendent and CBOC Chair.

The Application Package for all nominees shall be published in a regular or special meeting of the Facilities Subcommittee Agenda Package and all candidates shall be interviewed by the Facilities Subcommittee at a regular or special public meeting.

The Facilities Subcommittee shall make recommendations based on merit to the Board of Education for appointment to the CBOC.

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The Board of Education shall appoint the Committee members. While the Committee must consist of at least seven members, the Board intends the Committee to consist of ~~17~~ 14 members as shown below: ~~members.~~

As required by law, Committee membership shall include the following categories:

- a. One member shall, at the time of appointment, be active in a business organization representing the business community of the district;
- b. One member shall, at the time of appointment, be active in a senior citizens' organization, which may be a local, regional, statewide or national organization;
- c. One member shall, at the time of appointment, be active in a bona fide taxpayers' organization, which may be a local, regional, statewide or national organization;
- d. One member shall, at the time of appointment, be the parent or guardian of at least one child currently enrolled in a school of the district;
- e. One member shall, at the time of appointment, be a parent or guardian of at least one child currently enrolled in a school of the district and be an active member in a district parent-teacher organization, such as the PTA or school site council.
- f. Committee membership shall also include the following community members:
 - 1) Seven members shall be selected at-large including three residents of the City of Richmond, one resident each from the Cities of El Cerrito, Hercules, Pinole, and San Pablo, excluding sitting elected officials;

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263 2) ~~Two members~~ One member shall reside in an unincorporated ~~areas~~ area
264 of the district and shall be selected at-large from unincorporated areas in
265 ~~of~~ the district, excluding sitting elected officials;
266

267 ~~3) One member shall, at the time of appointment, represent the Contra~~
268 ~~Costa Building and Construction Trades Council.~~
269

270 ~~4) One member shall, at the time of appointment, be a representative of the~~
271 ~~five four employee unions, United Teachers of Richmond (UTR), Public~~
272 ~~Employees Local 1 Teamsters Local 856, School Supervisors Association~~
273 ~~(SSA), and West Contra Costa Administrators Association (WCCAA)~~
274 ~~and Adult School Teachers United (ASTU). This member may not be a~~
275 ~~current WCCUSD employee.~~
276

277 5) One member shall, at the time of appointment, be a WCCUSD student,
278 and represent district students.
279

280 Pursuant to Education Code Section 15282(b), no employee or official of
281 the district shall be appointed to the Committee. Additionally, no vendor,
282 contractor, or consultant of the district shall be appointed to the Committee.
283 If, while serving on the Committee, a member becomes an official or
284 employee of the district or becomes a vendor, contractor or consultant of
285 the district, their membership on the Committee shall cease immediately.
286

287 Members of the Citizens' Oversight Committee may serve for no more than
288 three consecutive terms of two years each. Committee members who wish
289 to be appointed for a second or third two-year term shall reapply to the
290 Board for consideration. (Education Code 15282). Committee members
291 shall receive no remuneration for their participation on the Committee.
292

293 A Committee member who no longer serves as a representative of the
294 designated group she/he was appointed to represent (e.g., ceases to be active
295 within a taxpayers' organization, or ceases to have a child enrolled in the

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district) shall be allowed to complete his/her term. However, that Committee member shall not be entitled to serve a subsequent term as a representative of the designated group.

Within sixty (60) days of being notified of a Committee vacancy, the Board will appoint a new member to complete the term of the vacancy following the process used to select the original Committee members, provided an eligible and willing candidate is available and ready to serve.

~~Committee members shall be subject to prohibitions regarding incompatibility of office pursuant to Government Code 1125-1129 and financial interest in contracts pursuant to Government Code 1090-1098.~~

~~The Committee shall establish an attendance policy and procedures for the removal from the Committee for a violation of this policy.~~

The Committee will determine when a seat on the Committee becomes vacant. ~~and a new Committee member will be named by the Board if one or more of the following events occur:~~

~~a. The Committee member submits a written resignation;~~

~~b. The Committee member fails to meet the participation requirements above~~

~~An individual who replaces such a member shall serve until the completion of the original member's term. Thereafter, the member must apply for an additional term if she/he wishes to remain on the Committee. A member who is replaced may appeal to the Board for the Board to reappoint that person to the Committee.~~

Support for Committee Operations
Audits

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In accordance with Education Code 15278, 15286, and 15280, the Committee receives and reviews the annual financial and performance audits required by Article 13A, section 1, subdivision (b)(3)(C) and (D) of the California Constitution.

- The District shall solicit input from the Committee on the scope and objectives of the performance audit.

- The District shall solicit input from the Committee on the nature, timing, and extent of the financial audit work. To accomplish this, the District shall coordinate input from the Committee to the auditors at the beginning and end of each financial audit, including an entrance conference and an exit conference with the CBOC or its Audit Subcommittee.

- The Committee shall participate in the interviews to select auditors and shall participate with the District in a yearly review of the Auditors' performance.

- The District shall direct the Auditors to deliver progress reports, and draft and final copies of the audits to the Committee at the same time as they are delivered to the District.

- The District shall provide the Committee with responses to any and all findings, recommendations, and concerns addressed in the Audits within three months of receiving the Audits.

Liaison and Joint Meetings

In order to foster good communication between the Committee, the District, and the Board:

- The Associate Superintendent of Operations will serve as a resource and District liaison to the Committee and shall attend Committee meetings. He/she shall assign such other district staff and professional service providers as needed to assist the Committee in carrying out its duties.

- A member of the Board shall act as liaison to the Committee and attend Committee meetings.

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• The Committee and Board shall hold joint meetings during the first quarter (January through March) and third quarter (July through September) of each year.

• The Committee shall make reports to the Board of Education at each regular Board meeting. This report shall be placed on the Board's agenda. All recommendations approved by the Committee shall be presented to the Board of Education. The Board shall respond to the Committee's recommendation(s) within sixty (60) days after receipt of the recommendation(s).

Publicizing Committee Work

Education Code Section 15280 establishes that the Board shall provide sufficient resources to publicize the conclusions of the Committee. The District shall:

• Establish and maintain a Committee website for the Committee to post its activities, documents, and conclusions.

• Authorize one Committee member, selected by the Committee, with appropriate security measures, to post documents to the Committee website and maintain the Committee website on a current basis.

• Provide resources to publicize the annual report and other findings and conclusions of the Committee.

• Publicize Committee membership vacancies and recruit new members.

Technical and Administrative Assistance

Education Code 15280 establishes that the Board shall, without expending bond funds, provide the Committee with any necessary technical assistance and shall provide administrative assistance in furtherance of its purpose. To this end, the District shall:

• Establish in April of each year an annual budget for the operation of the Committee in the following fiscal year as mutually agreed between the District and the Committee.

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- Provide financial reports to the Committee, with form and frequency as mutually agreed between the District and the Committee.
- Provide administrative support for Committee and subcommittee meetings including assistance in preparing agenda packets, meeting logistics, meeting notes and recordings, and posting agendas, minutes, and recordings to the Committee website.
- Provide Committee members training on the Brown Act on an annual basis.
- Provide the Committee independent legal counsel.
- Facilitate Committee inspection of school sites and construction projects.
- Facilitate Committee member contact with district staff, district contractors or consultants, including, accountants, auditors, architects, financial advisors and legal counsel. Committee members shall inform the District liaison of such contact.

Board Policies Relevant to School Bond Construction Program

Board Policy 3400 Management of District Assets/Accounts and Administrative Regulation 3400

Board Policy 7000 Facilities

Legal References

EDUCATION CODE

15278-15288

CALIFORNIA CONSTITUTION

Article, XIII A, Section 1 (b)

Article, XVI, Section 18 (b)

Policy WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT adopted:

~~August, August 2008~~ ~~Richmond, California~~

revised: January 9, ~~2008~~ 2009

revised: November 16, 2011

revised: May 14, 2014

revised: December 9, 2015

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Memorandum

The information in this document is confidential
and protected by attorney-client and attorney work product privileges.

TO: Don Gosney
Chair – WCCUSD Citizens’ Bond Oversight Committee

FROM: Adam S. Ferber

SUBJECT: Intent of Proposition 39 With Regard to Bond Program

DATE: March 8, 2019

In a letter dated March 2, 2019, which I received on March 5, 2019, you asked for my opinion concerning how, in general, California courts would likely interpret the purview of a Citizens Bond Oversight Committee in light of Proposition 39, the 2001 ballot measure which amended California Constitution Section 1 of Article XIII A, and Section 13 of Article XVI.

The precise interpretation by a court of any Constitutional or statutory language would depend primarily on the specific facts of the matter in front of it. However, in my opinion, in general, a court would likely construe that purview liberally.

Discussion

The principal impact of Proposition 39 was to lower the threshold required to pass California local school district bond measures from a two-thirds super majority vote to a 55% super majority vote, subject to certain oversight and accountability requirements.¹ These oversight and

¹ In the interest of economy, this memorandum is brief. For a fuller discussion of the purview of the CBOC, I refer you to pertinent portions of my September 16, 2015 opinion letter to Ms. Ivette Rico, then CBOC Chair. A copy of that letter is transmitted electronically along with this memorandum.

accountability requirements ultimately included the creation, by the enactment of Education Section 15278, of a Citizens Bond Oversight Committee (“CBOC”) upon the first successful passage of a school district bond measure pursuant to Proposition 39.

The ultimately prevailing proponents of Proposition 39 stated the following in their arguments in support of the measure:

Passing Prop. 39 will:

Hold Administrators accountable for spending school bond construction money:

- Prohibit using funds for administration or bureaucracy.
- Require school administrators to produce a detailed list of specific school construction and repair projects to be funded.
- Require schools to undergo two rigid, independent financial and performance audits every year.
- Require bonds to be passed by a tough 55% supermajority vote.

This initiative helps fix classroom overcrowding and provides much needed repairs of unsafe and outdated schools. It mandates the **strictest accountability requirements** to ensure that bond funds are spent only on schools and classrooms, protecting taxpayers. (Emphasis supplied)

It therefore appears that the drafters of the Measure, and the voters who passed it, understood and expected that the accountability measures provided for were to be of the strictest kind. Conversely, especially in light of the expansion of taxing authority accorded to school districts, it appears that the drafters wished to avoid the “evil” of less than the strictest accountability requirements including any possible obfuscation or concealment, however inadvertent. It can be fairly inferred that citizen oversight to enforce accountability measures would be liberally construed.

In the interest of brevity, this memorandum omits the precise language of the ballot measure, and the language of the Constitutional amendments that effectuated it. I will happy to provide this language upon request.

West Contra Costa County Unified School District Facilities Master Plan Discussion

Joint CBOC/Board of Education Meeting, March 27th, 2019
Presented by: Gregg Visineau (CBOC Member)

Then: June/July 2016 [slides 2 and 3]

\$181.8 million budget for Board-approved projects.

Now: March 2019 [slides 4 and 5]

Some perspective on escalation and mitigation.

June 2016 Board-approved Projects

- 21 school site projects in this initial FMP program.
 - Scheduled to conclude by 2023.
 - Each project had its cost estimated as of June 2016.
 - For budgeting, these were then escalated at 5% per year, from mid-2016 to the scheduled mid-point of each of the 21 projects.
- The result was a \$181.8 million budget for these projects.

“Closing the Gap at the Get-Go”

- June 2016 projected budget funding \$ 164.7 million
 Source of Funds: Local Bonds Only
 2016 = \$ 8.5 million
 2018 = \$ 60.5 million
 2020 = \$ 95.7 million
 Total = \$ 164.7 million, directly from the FMP
- <less> June 2016 FMP budget req'ts \$ <181.8> see Slide 2
- Funding <gap> to-be-filled \$ <17.1> million
- “Closing the Gap at the Get-Go” \$ ~ 26 State grants thru 2023
- Projected Surplus vs \$181.1 million \$ ~ 9 million

Some Perspective

- Actual escalation has been around 8% so far, based on projects comprising a third of the \$181.8 million budget.
 - ✦ This is on the low end of the State DSA's 7-12% range from Feb 2018.
- Extrapolated over all 21 school site projects, 8% v 5% escalation would add about \$25 million more to the \$181.8 million FMP budget.
- But this does not account for any mitigation, such as:
 - Re-scoping or downsizing of projects;
 - Re-timing (advancing or delaying) individual projects;
 - Re-prioritizing (or re-ordering) several projects;
 - Re-phasing (spreading out or splitting up) projects;
 - Placing specific projects on hold (for re-assessment); or
 - Cancelling (or long-term deferring) projects altogether.

Mitigation:

Projected surplus @ 5% escalation ~ \$9 million.

See Slide 3

8% escalation adds about \$25 million to the budget,
leaving a new \$16 million gap to-be-filled.

See Slide 4

On the COST Side: Thru Program Management

- Budget Savings = \$1.4 million-to-date; assume pro rata performance, so maybe \$4 – 6 million over the full program.
- Re-scope & re-prioritize to constrain escalating costs. See Slide 4

On the MONEY Side: Via Sources of Funds

- Additional state grants (beyond original \$26 million projection, Slide 3).
- New local school bond measures.

WRAP UP

Facilities Master Plan Discussion

Joint CBOC/Board of Education Meeting, March 27th, 2019

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Some perspective on escalation and mitigation.

Analysis and "FMP Escalation Discussion v4.pptx" prepared by G Visineau, March 16th, 2019

1

We'll quickly review the original Board-approved FMP project budget on the next two pages.

Then offer up a two-page perspective based on evidence from the past 3-years:

Challenges

Escalation is exceeding the 5% annual rate assumed in the original FMP budget, under pressure from several fronts, such as:

- Construction of replacement homes for northern California wildfire victims.
- A proposed strategy to build 3.5 million new homes across the State by 2025.
- Import tariffs on key materials like cement, wood and metals.

Positives

The District is actively engaged in budget management to address this escalation, for example:

- Generating budget savings-to-date.
- Utilizing design-build entities.
- Accessing state grant funding.

June 2016 Board-approved Projects

- 21 school site projects in this initial FMP program.
 - Scheduled to conclude by 2023.
 - Each project had its cost estimated as of June 2016.
 - For budgeting, these were then escalated at 5% per year, from mid-2016 to the scheduled mid-point of each of the 21 projects.
- The result was a \$181.8 million budget for these projects.

Analysis and "FMP Escalation Discussion v4.pptx" prepared by G Visineau, March 16th, 2019

2

Source: From the FMP → "WCCUSD *Long Range Facilities Master Plan* - July 2016.pdf", authored by Darden Architects and Integrated Education Planning & Programming LLC. It's a 200-page document housed on the District's website.

The Page #'s in the FMP to find these data are as follows:

They are all from *Section 7: Implementation*, except for the 3rd bullet from *Section 6: Option Development*.

- "21 school site projects": Page 110.
 - "Scheduled to conclude by 2023": Page 112.
 - "Cost estimates as of June 2016": Pages 101 through 103.
 - "Escalated at 5% per year": Page 109 – "Five percent inflation has been applied to the midpoint of construction, compounded yearly, to account for inflation." The midpoint of construction can be determined from the schedule on Page 112.
- June 2016 Board-approved projects = "\$181.8 million budget": Page 110.

“Closing the Gap at the Get-Go”

- June 2016 projected budget funding \$ 164.7 million
 Source of Funds: Local Bonds Only
 2016 = \$ 8.5 million
 2018 = \$ 60.5 million
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 Total = \$ 164.7 million, directly from the FMP
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- “Closing the Gap at the Get-Go” \$ ~ 26 State grants thru 2023
- Projected Surplus vs \$181.1 million \$ ~ 9 million

Analysis and “FMP Escalation Discussion v4.pptx” prepared by G Visineau, March 16th, 2019

3

Source: The data comprising “the funding gap” is in the FMP, Page 109 (\$164.7 million) and Page 110 (\$181.8 million).

Page 109: “Considering the bond dollars already committed to existing projects outside this Master Plan, the District has estimated a total of approximately \$164.7 Million dollars available in these time periods”. And: “Obviously, these remaining funds do not accomplish the extent of the identified Master Plan need” (i.e., \$181.8 million). And further: “Strategies for covering this gap include:

- State Funding
- Change Critical Need Expectations
- Additional Savings from revising *Educational Specifications* and *Material/Product Standards*
- A change in escalation, deflation or the reduction of construction costs”

➤ We’ll discuss these and other Mitigations on the next couple slides.

At the Get-Go: Please refer to various District financial Reports #13, “*Bond Program Financial Status*”, between February 2017 and February 28th, 2019 (Slide 5). These show State grant funds – applied for & pending; approved; cash received – at various times, destined for both pre-FMP projects as well as for Board-approved FMP projects.

Some Perspective

- Actual escalation has been around 8% so far, based on projects comprising a third of the \$181.8 million budget.
 - ✦ This is on the low end of the State DSA's 7-12% range from Feb 2018.
- Extrapolated over all 21 school site projects, 8% v 5% escalation would add about \$25 million more to the \$181.8 million FMP budget.
- But this does not account for any mitigation, such as:
 - Re-scoping or downsizing of projects;
 - Re-timing (advancing or delaying) individual projects;
 - Re-prioritizing (or re-ordering) several projects;
 - Re-phasing (spreading out or splitting up) projects;
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 - Cancelling (or long-term deferring) projects altogether.

Analysis and "FMP Escalation Discussion v4.pptx" prepared by G Visineau, March 16th, 2019

4

Source for "the State DSA's 7 – 12% range": "DSA 20/20 Focus on the Future – Feb. 2018" from Lisa LeBlanc's presentation to the Board Study Session on "Facilities", May 30th, 2018.

Backup to "around 8% escalation so far"; "add about \$25 million more to the FMP":

Site	Original	Revised	Delta *
Valley View	\$1.0	\$1.15	\$0.15
Harmon Knolls	\$0.3	\$0.55	\$0.25
Crespi MS	\$3.1	\$3.9	\$0.8
Richmond HS	\$15.1	\$19.0	\$3.9
Wilson ES	\$40.3	\$43.0	\$2.7
TOTAL	\$59.8	\$67.6	\$7.8
Full FMP	\$181.8 5% escalation	\$205.5 8.3% escalation **	\$23.7

* Valley View & Harmon Knolls (8/9/17) & Richmond (11/14/18) are Board-approved FMP Budget Supplements; Crespi & Wilson are "close-in" planning estimates.

** From GV modeling.

Mitigation:

Projected surplus @ 5% escalation ~ \$9 million.
8% escalation adds about \$25 million to the budget,
leaving a new \$16 million gap to-be-filled.

See Slide 3

See Slide 4

On the COST Side: Thru Program Management

- Budget Savings = \$1.4 million-to-date; assume pro rata performance, so maybe \$4 – 6 million over the full program.
- Re-scope & re-prioritize to constrain escalating costs. See Slide 4

On the MONEY Side: Via Sources of Funds

- Additional state grants (beyond original \$26 million projection, Slide 3).
- New local school bond measures.

Analysis and "FMP Escalation Discussion v4.pptx" prepared by G Visineau, March 16th, 2019

5

“Budget Savings” are as reported to the Board on July 25th, 2018, as follows:

Harmon Knolls	\$ 101,565
Valley View ES	\$ 58,553
Grant ES	\$ 688,533
Ohlone ES	\$ 176,115
Lake (critical needs only)	<u>\$ 352,499</u>
TOTAL	<u>\$ 1,377,265</u>

3 or 4 times that rate-of-savings over all FMP projects = \$ 4 – 6 million.

Projected receipts of “State grants” (as of February 28th, 2019) are as follows:

Pinole Valley HS	\$ 16,502,885	February 2020
Helms	<u>\$ 4,133,414</u>	February 2023
TOTAL	<u>\$ 20,636,299</u>	

The projection may change if/when the District applies for additional grants.
The timing of receipts may change if/when the State issues additional bonds.

WRAP UP

Facilities Master Plan Discussion

Joint CBOC/Board of Education Meeting, March 27th, 2019
Presented by: Gregg Visineau (CBOC Member)

Then: June/July 2016 [slides 2 and 3]

\$181.8 million budget for Board-approved projects.

Now: March 2019 [slides 4 and 5]

Some perspective on escalation and mitigation.

Analysis and "FMP Escalation Discussion v4.pptx" prepared by G Visineau, March 16th, 2019

6

There you have it: The original Board-approved FMP is a well-known, well-defined and well-done statement of District strategy. It's got all the information necessary to test the impact on budget numbers if key assumptions change over time – e.g., escalation rates, site scopes or project timings.

Over the past 3-years, several clear-cut challenges have reared their heads, which the District has been addressing and will continue to chase down:

Challenges

Escalation is exceeding the 5% annual rate assumed in the original FMP budget:

- Construction of replacement homes for northern California wildfire victims.
- A proposed strategy to build 3.5 million new homes across the State by 2025.
- Import tariffs on key materials like cement, wood and metals.

Positives

The District is actively engaged in budget management to address this escalation:

- Generating budget savings-to-date.
- Utilizing design-build entities.
- Accessing state grant funding.

Serious challenges remain: The current funding gap with 8% escalation is estimated at about \$16 million; and the pressure on it is UP, not DOWN!