



FINAL REPORT

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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

March 28, 2019

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



MOSSADAMS

March 28, 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

Moss Adams LLP
San Francisco, CA

Table of Contents

I.	Background Information	1
	West Contra Costa Unified School District-Approved Bond Funds	1
	California State Requirements	1
II.	Objective, Scope, and Methodology	3
III.	Audit Results	10
	Conduct a Performance Audit (CAPA)	10
	Objective No. 1 – District and Professional Services Staffing Plan for the Bond Program	10
	Objective No. 2 – Design and Construction Schedules Cash Flow Analysis (No Exception)	11
	Objective No. 3 – Design and Construction Budget Management	12
	Objective No. 4 – Bidding and Procurement Procedures	13
	Objective No. 5 – Procurement Fraud Prevention and Detection Controls	15
	Objective No. 6 – Bond Program Master Planning and Reporting	16
	Objective No. 7 – Cost, Schedule, Budgetary Management, and Reporting Controls Implementation	18
	Objective No. 8 – Claim Avoidance and Control Procedures	19
	Objective No. 9 – Materials Specifications	19
	Objective No. 10 – Cost Benefit and Value Engineering Analyses	20
	Objective No. 11 – Maintenance of District Assets Funded by Local Bond and Warranty Conditions Compliance	22
	Objective No. 12 – Implementation of Schedule Quality, Scope, and Performance Management Controls	23
	Objective No. 13 – Change Order Management and Controls Application	23
	Objective No. 14 – Contractor Billing Compliance Controls	25

Table of Contents – Continued

Objective No. 15 – Project Close-Out Controls	26
Objective No. 16 – Post Financing Review	26
Objective No. 17 – Refunding of Outstanding Bonds (No Exception)	27
Objective No. 18 – Arbitrage and Investments (No Exception)	27
Objective No. 19 – Timeliness of Payment	28
Objective No. 20 – Local Participation Requirements	29
Objective No. 21 – CBOC Compliance (No Exception)	29
Objective No. 22 – Transparency of Bond Program	30
IV. Reporting Views of Responsible Officials	32
Appendix A: List of Interviewees	42
Appendix B: Cost Benefit and Value Engineering Analyses	43
VE Scoping	43
VE Study Performance	43
Appendix C: San Diego Taxpayers Educational Foundation Criteria for School Bond Transparency	45



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.”*



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.



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>
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.	
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



	<p>school environment, safety, and general requirements for educational spaces within elementary schools (i.e., classrooms, flexible learning suite, etc.).</p> <ul style="list-style-type: none">• <i>Middle School Educational Specifications</i> – 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.).• <i>High School Educational Specifications</i> – 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.). <p>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.</p> <p>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.</p>
--	--

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	<p>The District has taken steps to address the <i>Cost Benefit and Value Engineering Analyses</i> 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.</p> <p><i>Cost Benefit Analysis</i></p> <p>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</p>



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

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).

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.

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

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:

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

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.

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.

Recommendation: 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).



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	DDLN.INC		6/15/2018	28,050.00	8/7/2018	53

19

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	1000002187-1	8/30/2017	96,200.00	10/3/2017	34
49120	Angotti & Reilly Inc	1000002449-03	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
	<p>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.</p>						

OBJECTIVE NO. 20 – LOCAL PARTICIPATION REQUIREMENTS

<p>Observation No. 20: The District no longer tracks local participation and instead relies on construction firms to comply with these requirements.</p>	
20	<p>The District has not taken steps to address the <i>Timeliness of Payments</i> 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.</p> <p>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).</p>

OBJECTIVE NO. 21 – CBOC COMPLIANCE (NO EXCEPTION)

21	<p>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.</p>
----	---



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

The District has taken steps to address *Transparency of Bond Program* 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.

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:

- *Committee Bylaws* – The CBOC bylaws were not available or easily identified on the CBOC website.
- *Project Lists* – 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.
- *Project Descriptions* – A brief written description of currently funded projects was not available or easily identified on the CBOC website through June 30, 2018.
- *Project Progress* – 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.
- *Number of Vacancies* – SDTEF recommends having no vacancies when possible.

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.

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



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
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



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
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.	<p>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.</p> <p>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.</p>	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



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
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



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
					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



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
				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



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.

