



FINAL REPORT

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**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**  
**PROPOSITION 39 BOND PERFORMANCE AUDIT REPORT FOR THE**  
**FISCAL YEAR ENDED JUNE 30, 2019**

March 12, 2020

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





T (415) 956-1500  
F (415) 956-4149

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101 Second Street  
Suite 900  
San Francisco, CA 94105

**March 12, 2020**

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, 2019

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, 2019.

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. However, on June 3, 2019, the District facilitated a Time Card Allocation Meeting with Bond Program personnel and conducted a Pilot Time study from June 3, 2019 to June 28, 2019. The District prepared the "Instruction for Time Study Log-in Sheet" and the "Weekly Reporting Log-in Sheet" to provide guidance for Bond Program District employees. The results of the Pilot Time study were not implemented through June 30, 2019.

Additionally, we noted improvement recommendations as reported below regarding the District and Professional Staffing Plan, Design and Construction Schedules Cash Flow Analysis, 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, CBOC Compliance, and Transparency of Bond Program.

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

- Though not formally adopted, the Bond Program Management Plan (BPMP) was being drafted during the period under review, 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 have been organized into a table of contents and will be referenced to address recommendations received from prior program reviews.

- A formal update to the Bond Program master plan was presented to the Board on May 22, 2019, 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.
- The District utilizes project notification tools to notify local contractors of bid and RFQ/RFP solicitations to better achieve competitive and best value procurement.

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 that 23 of the prior year's 25 recommendations were not fully addressed. There were 14 recommendations where steps had been taken by the District, nine recommendations where no steps had been taken by the District, and two recommendations that were fully addressed by the District. Five additional improvement opportunities were identified during the current period under review, for a total of 28 open recommendations. Of the 28 open recommendations, 12 relate to policies and procedures development and implementation.

As noted above, the District has made significant strides in developing the Bond Program Management Plan (BPMP). Management responses from the District Facility staff are reported in Reporting Views of Responsible Officials for each recommendation. Many of the opportunities for improvement related to the District not having formalized and Board-approved policies and procedures. Based on inquiry with the District and review of draft procedural documentation, significant progress had been made on a Program Management Plan; however, documentation was still in draft and not yet formalized and approved.

We identified the following internal control improvement opportunities related to compliance with Bond Program requirements, effectiveness, and efficiency of operations:

## **Expenditure Management and Payment Procedure Controls**

- The District needs to provide adequate documentation to support staff charge allocations to the Bond Program (see Observation Conduct a Performance Audit No. 1 in Section II).
- The District should define approval authority for vendor payment processing within the Bond Program policies and procedure manual to ensure appropriate review and controls (see Observation No. 14 in the report body).
- There were two instances where payment processing took longer than 30 days and was not supported by a payment application or invoice rejection letter justifying the delay (see Observation No. 19 in the report body).

## **Design and Construction Schedule Cash Flow Analysis**

- The District should support or validate amounts documented within the sampled cash flow report titled Bond Financial Status, Cash Projection FY 19 Preliminary Closing (see Observation No. 2 in the report body).

## **Design and Construction Budget Management and Controls**

- The District should establish policies and procedures for design and construction budget establishment and management for the Bond Program (see Observation No. 3a in the report body).
- The District should support or validate the reported amounts within the Bond Program Spending to Date by Site, Data as of June 30, 2019 and FY Preliminary Closing (Report No. 2) (see Observation No. 3b in the report body).

## **Bidding and Procurement Procedures**

- The District should formalize Board-approved written policies and procedures regarding bidding and procurement (see Observation No. 4a in the report body).
- We were unable to determine whether the District evaluated total price of the project consistent with the Education Code for the Richmond High School design build project (see Observation No. 4b in the report body).
- The District needs to provide evidence of complete competitive solicitation documentation for one construction vendor (see Observation No. 4c in the report body).

## **Change Order Management and Controls**

- The District should prepare adequate change order reporting, to ensure end users understand change order impacts, and document assigned reporting responsibility (see Observation No. 13b in the report body).
- Several professional service contracts had change orders (in excess of 10%) compared to the original contract amounts, which highlights an opportunity to improve change order management and controls (see Observation No. 13c in the report body).

## **Program Management Policies, Procedures, and Controls**

- The District should formalize policies and procedures for in-house or consultant staff for the Bond Program (see Observation No. 1 in the report body).
- The District should formalize policies, procedures, and monitoring controls to prevent and detect procurement fraud (see Observation No. 5 in the report body).
- District policies and procedures should have formal master planning processes and procedures (see Observation No. 6a in the report body).
- District policies and procedures should clearly identify roles and responsibilities for preventing or limiting claim exposures (see Observation No. 8 in the report body).

- The District 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 analysis and value engineering studies (see Observation No. 10 in the report body).
- The District should provide documentation to evidence assets funded by the Bond Program were compliant with warranty condition requirements and District requirements (see Observation No. 11 in the report body).
- The District should have formal change order policies and procedures (see Observation No. 13a in the report body).
- The District should have formalize policies and procedures surrounding project close-out controls, which should be approved by the Board (see Observation No. 15 in the report body).
- District policies and procedures should 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. Upon request, no update on District goals or Board Policies was made available for FY 19 (see Observation No. 20 in the report body).
- Bond Program policies and procedures should be formalized and approved by the Board (see Observation No. 22a).

## **Bond Oversight Compliance and Transparency of the Bond Program**

- Program reporting should include adequate details to allow key stakeholders to analyze the project forecast at program and project levels to actual committed contract values and the associated timing of revenues, expenditures, cash flow, and fund balances as recommended by the Government Finance Officers Association's (GFOA) and the San Diego County Tax Payers Association (SDCTA) (see Observation No. 6b in the report body).
- The Draft Board Policy surrounding the role and operations of the CBOC should be formalized (see Observation No. 21).
- Based on San Diego Taxpayers Educational Foundation (SDTEF) best practice guidance, Bond Program transparency can be improved through readily available information on the CBOC website (see Observation No. 22b).
- The District conducted periodic public outreach for the Bond Program; the District should have an approved formal community outreach and communication plan (see Observation No. 22c).

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

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# I. BACKGROUND INFORMATION

## WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT-APPROVED BOND FUNDS

The District has a goal of completing an approximately \$1.63 billion facility improvement program, which includes Measure D (2010) and Measure E (2012) Bond Program funds that were audited for FY 2019. 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, 2019, showed \$58,045,732 in Proposition 39 Bond Program expenditures in FY 2019.

## 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 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, 2019. The Bond Program expended \$58,045,732 in FY 2019.

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. 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 62 expenditures totaling



\$49,136,444. 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.

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. 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 reporting controls.
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.
  - Project schedule with well-defined milestones that match project requirements.
  - Compliance with project funding legal requirements.
  - Comparison of project and District accounting records.
  - 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.
  - 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 and reviewed procedures surrounding the District's established material specification policy.
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, and billing reconciled to contract terms.

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 whether controls were in place 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.





18. **Arbitrage and Investments:** 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.
19. **Timeliness of Payments:** We verified that the District pays vendors within payment terms timeframes. 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. We reviewed the District's tracking controls related to Board policies for local participation requirements. The District's reported results were 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 1: The District did not provide adequate documentation to support compliant staff charge allocations to the Bond Program.**

The District has taken steps to address the Conduct a Performance Audit (CAPA) recommendation regarding timekeeping controls provided in the prior years’ reports (Moss Adams 2017 and 2018 reports—Objective CAPA). Based on sampled documentation, no timecards or other time certification support validating the percentage of time allocation and cost were provided. However, on June 3, 2019, the District facilitated a Time Card Allocation Meeting with Bond Program personnel and conducted a Pilot Time study from June 3, 2019 to June 28, 2019. The District prepared the “Instruction for Time Study Log-in Sheet” and the “Weekly Reporting Log-in Sheet” to provide guidance for Bond Program District employees. The results of the Pilot Time study were not implemented through June 30, 2019. Additionally, timesheets were not available for the entire period for all personnel charged to the Bond Program, documentation was marked draft, and not all timecards had both employee and program administrator sign offs. As such, the Pilot Time study results were not complete and accurate and it is unclear whether they can be relied upon as a basis for staff allocation support documentation for the Bond Program. A FY 2018–2019 Fund 21 Labor Allocation report was provided for Moss Adams to assess during the current fiscal year including the following labor allocations by personnel:

Position Description per District records	FY19 FTE (%) Allocated to Bond Program
ASSO SUPT-FAC MAI BO	75
SR ADMIN SECRETARY	75
ENGINEERING OFFICER	90
DIRECTOR OF CONTRACT	90
BOND REGIONAL FACILT	100
BOND REGIONAL FACILT	05
COORDINATOR-FISCAL	80
ADMIN SVCS MANAGER	90
ADMIN SVCS MANAGER	10
SR SCH FACILITY SPEC	50



SR SCH FACILITY SPEC	.50
ADMINISTRATIVE TECH	90
ASSOC SUPT BUSINESS	10
SR ADMIN SECRETARY-BUSIN	10
DIRECTOR INT AUDIT	20
INTERNAL AUDITOR	40
PRINCIPAL ACCOUNTANT	90
SR BUDGET CLERK	60

Based on the 2018 – 2019 Fund 21 Labor Allocation report provided by the District, the total charges for personnel who were not 100% dedicated to the Bond Program (\$1,398,060) accounted for 89.7% of the total staffing charges (\$1,558,273). 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. 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.” Absent a timekeeping system, or equivalent tracking system, we were unable to validate that the staffing allocation percentages and/or amounts were compliant and consistent with Opinion No. 04-110.

**Recommendation:** The District should continue efforts to 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. Additionally, the District should evaluate labor amounts charged to the Bond Program to ensure appropriateness and compliance with Opinion 04-110. Results of this evaluation should be reported to District management, the Board, and CBOC to ensure transparency and remediation takes place, as necessary.

## OBJECTIVE NO. 1 – DISTRICT AND PROFESSIONAL SERVICES STAFFING PLAN FOR THE BOND PROGRAM (NO EXCEPTION)

Observation No. 1: WCCUSD should formalize policies and procedures for in-house or consultant staffing for the Bond Program.

The District has taken steps to address the Professional Service Staffing Plan (Staffing Plan) for the Bond Program recommendation provided in the prior years’ reports (Moss Adams 2017 and 2018 reports—Objective No. 2). Upon request, a FY 19 staffing plan with key metrics and staffing requirements was available. However, policies and procedures were not formalized and approved to ensure that staffing plans are prepared and approved by appropriate personnel on a consistent basis. The District provided a staffing plan for FY 19, including project schedule and resourcing



need, broken down by estimated FTE for each project by month. The staffing plan did not include the dollar value of planned projects. However, staffing needs were broken down by month and projects to support overall resource requirements. Additionally, the District maintains expected FTE Allocation and Cost reporting, including detail for District Staff and Consultants (see Observation CAPA No. 1 for further information). Per the provided documentation, the planned Bond Program staffing needs for the year amounted to 9.75 FTEs, while actual FTEs charged to the Bond Program amounted to 10.35, per District reporting.

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’s needs. This staffing plan should be reported to key stakeholders on a periodic basis. We recommend that the staffing plan policies and procedures are established and assessed at least annually to determine if the needs for the current and upcoming fiscal years are being met.

## OBJECTIVE NO. 2 – DESIGN AND CONSTRUCTION SCHEDULES CASH FLOW ANALYSIS

Observation No. 2: The District was unable to support or validate amounts documented within the sampled cash flow report titled *Bond Financial Status, Cash Projection FY19 Preliminary Closing*.

The District was unable to support or validate select amounts reported within the sampled cash flow report titled *Bond Financial Status, Cash Projection FY19 Preliminary Closing*. 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. Upon request, the following supporting documentation to source the reported amounts within the *FY19 Preliminary Closing Bond Financial Status Cash Projection Report* (Report No. 13) was made available for review:

Reported Description	Reported Amount	Support Provided (Y/N)
Adjusted Cash Balance	\$85,369,681	Yes
Projected Revenues		
• Bond Sales 2010 Measure D	\$65,000,000	Yes
• Bond Sales 2012 Measure E	\$65,000,000	Yes
• Less: Cost of Issuance	(\$510,000)	Yes
• Other Revenues	\$2,820,000	No
Budgeted and Projected Expenses		
• Committed Costs	\$65,248,340	No
• Budget Balance	\$53,403,498	No



Further, no evidence of review sign-off or an equivalent quality assurance control was available to help support data accuracy to key stakeholders. This report indicated a \$99,027,844 favorable variance between the projected cash balance, revenues, the sum of committed costs, and budget balance amounts.

Additionally, as a good practice, the District continues to include the following key information within the Project Cash Flow Reports to support projected cash flow amounts:

- Project Title
- Board Approved Amount
- Expenditures to date
- Commitments by fiscal year
- Projected Cash Flow Variances

These reports had expenditures by timeframe based on project budget amounts (see [Observation 6b](#) for further information on reported budget amounts).

**Recommendation:** The District should continue producing cash flow reports that include key details as noted above. However, the District should implement controls to consistently and accurately report total expected revenues and expenses. This will enable the District to ensure accurate reporting and monitoring of Bond projected net position. Reconciled District cash balances, revenues, committed costs, and budget balances, both at the detailed and summary level, should be readily available and consistent on capital program reporting to District management and key stakeholders. Additionally, formal written policies and procedures, including defined responsibilities and approval authority for internal and public reporting, should be created and added to a comprehensive Bond Program manual to ensure appropriate review and approval controls are in place for both internal and public reporting procedures (see [Recommendation No. 22a](#) for more detail).

## OBJECTIVE NO. 3 – DESIGN AND CONSTRUCTION BUDGET MANAGEMENT

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

The District has taken steps to address the *Design and Construction Budget Management* recommendation provided in the prior years' reports (Moss Adams 2017 and 2018 reports—Objective No. 4). During the current fiscal year, the District made progress on drafting the BPMP. However, established formal and reviewable policies and procedures were not available as of June 30, 2019. 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 as of June 30, 2019; however, a draft table of contents for the proposed BPMP, dated July 24, 2019, was presented to the Facilities Subcommittee and made available for review. Per the draft table of contents, Section IV of the BPMP will include fiscal policies and procedures, including program/project budgets management and reporting.



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 during the fiscal year:

- 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?
- Who is responsible for recording budget information in Munis and Primavera?

Further, Colbi and Munis include 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 (see [Observation No. 6b](#) for further information). 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 Bond Program stakeholders.

**Recommendation:** The District should continue efforts to develop and implement policies and procedures for budget establishment and management activities for the Bond Program (see [Recommendation No. 22a](#) for more detail). Details on defined roles and responsibilities 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 to reduce projected costs while still meeting the District’s objectives and needs. Muni and Primavera project amounts should be reconciled, reviewed, and approved by WCCUSD project management, WCCUSD accounting, and the Construction Manager to ensure completeness and accuracy.

**Observation No. 3b:** The District was unable to support or validate the reported amounts within the *Bond Program Spending to Date by Site, Data as of June 30, 2019 and FY Preliminary Closing* (Report No. 2).

Our review procedures included the review of the reconciliation of reported FY 19 expenditures to the provided FY 19 Bond Program General Ledger Detail Report, in total and by project, as well as validation of the reported budget amounts by project. We also reviewed reporting controls in place to ensure reported amounts were accurate and appropriate for sampled line items.

Based on our review, we noted a \$1,730,335 variance between the reported FY 19 expended amounts (\$56,315,397) and the Bond Program GL Detail (\$58,045,731). Additionally, upon request, the District was unable to provide support for the following reported amounts:

Bond Program Spending to Date by Site, Data as of June 30, 2019 and FY Preliminary Closing (Report No. 2).				Auditor Amounts Reviewed	
Site Name	Committed as of 6/30/19	Committed Support Provided (Y/N)	Expended FY19 July 2018 to June 2019	Year End General Ledger Subtotal by Site	Unsupported Variance
CHAVEZ	-	N/A	\$46,172	\$46,172	-



FAIRMONT	\$493,853	No	\$331,066	\$331,066	-
HIGHLAND	-	N/A	\$46,725	\$46,725	-
OLINDA	\$453,084	No	\$257,055	\$266,748	\$(9,693.37)
RIVERSIDE	\$191,351	No	\$56,562	\$60,379	\$(3,817.00)
STEGE	-	N/A	\$35,900	\$35,900	-
WILSON	\$33,547,256	No	\$2,989,781	\$3,252,598	\$(262,817.20)
CRESPI MS	\$3,378,023	No	\$939,345	\$969,243	\$(29,897.60)
KOREMATSU MS	\$151,086	No	\$71,507	\$71,507	-
PINOLE VALLEY HS	\$7,860,942	No	\$45,457,722	\$46,362,101	\$(904,379.20)
RICHMOND HS	\$17,428,928	No	\$1,212,967	\$1,220,962	\$(7,994.51)
CENTRAL	\$1,255,339	No	\$2,509,621	\$2,939,851	\$(430,230.48)
TECHNOLOGY	\$139,565	No	\$2,360,976	\$2,442,480	\$(81,503.57)

No support for reported Committed Cost by Site amounts was provided. While it is understandable that variances may exist between the preliminary closing expense report and the final General Ledger expense detail, reconciliation detail that supports the reported amounts was not available. Upon request for support, the GL Detail Report expense total provided (dated 7/17/19 and noted as the source to generate reported amounts) did not reconcile with total reported expenditure FY 19 amounts. Finally, no evidence of review sign-off or equivalent quality assurance control was available to help support data accuracy to key stakeholders.

**Recommendation:** The District should continue producing project level expenditure reporting, including the key details noted above. However, the District should implement controls to consistently and accurately report total Bond expenditures. This will enable the District to accurately monitor and report Bond expenditures in order to 1) help prevent non-compliant and excessive charges and 2) better control and manage project costs. Reconciled Bond expenditures (both at the detailed and summary level) should be readily available and consistently detail capital program reporting to District management and key stakeholders. Any discrepancies or reconciling amounts should be reviewed and addressed in a timely manner by appropriate parties to ensure accurate reporting. Regular reconciliation exercises should be conducted to ensure both project management and accounting records are complete and accurate. Policies and procedures should be updated accordingly to ensure roles and responsibilities are clearly defined and adequate controls are in place to ensure completeness and accuracy of reported amounts.

Additionally, formal written policies and procedures, including defined responsibilities and approval authority for internal and public reporting, should be created and added to a comprehensive Bond Program manual to ensure appropriate review and approval controls are in place for both internal and public reporting procedures (see [Recommendation No. 22a](#) for more detail).





## OBJECTIVE NO. 4 – BIDDING AND PROCUREMENT PROCEDURES

We reviewed and evaluated bidding and procurement procedures for compliance with District policy and applicable state requirements. 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 continued drafting bid and procurement procedural documents. The following bid and procurement observations were noted within our procedures performed:

Observation No. 4a: The District did not have formalized, Board-approved written policies and procedures regarding bidding and procurement.

The District has taken steps to address the *Bidding and Procurement Procedures* recommendation provided in the prior year’s report (Moss Adams 2018 report—Observation No. 4a). During the current fiscal year, the District made progress on drafting the BPMP. However, Board-approved written policies and procedures regarding bidding and procurement were not available as of June 30, 2019. The District has provided a draft table of contents for the proposed BPMP, dated July 24, 2019, that was presented to the Facilities Subcommittee and made available for review. Per the draft table of contents, Section III of the BPMP will include administrative policies and procedures, including extensive procurement and bidding sections.

**Recommendation:** The District should continue efforts to develop and implement formal written policies and procedures including defined approval authority for bid and procurement to ensure appropriate review and approval controls are in place for procurement procedures (see [Recommendation No. 22a](#) for more detail).

Observation No. 4b: We were unable to determine whether the District evaluated total price of the project consistent with the Education Code for the Richmond High School design-build project.

Two proposals were received and Lathrop Construction Associates was selected as the best value vendor. Based on the “Design Build Construction Services for Richmond HS “Best Value Summary” provided by the District, both vendors obtained the same score on pricing, while the proposed total price differed by each vendor. The District was provided the following proposal information for the Richmond High School design-build project:

Vendor Name	Total Price per “Best Value Summary” Provided by District	Total Score by District
Lathrop Construction Associates	\$13,940,741	325
Alten Construction, Inc.	\$13,732,625	325

Per Education Code 17250.25(f)(1), best value selection method for design-build procurement at a minimum must include

“(A) Price, unless a stipulated sum is specified.





(B) Technical design and construction expertise

(C) Life-cycle costs over 15 or more years.”

The District’s review included these factors; however, it is unclear why the District’s total score by vendor was consistent whereas pricing differed.

Additionally, we were unable to determine whether the District’s total price included or excluded contingency. We obtained the “pooled” bid summary sheet. However, we did not obtain individual evaluation forms completed by the District to assess criteria, compliance, and consistency of vendor selection. Lathrop Construction Associates proposal’s not-to-exceed amount clearly excluded markup for construction contingency, while the Alten Construction’s proposal not-to-exceed amount appeared to include all mark-ups, allowances, alternates, and contingencies. Based on the Lathrop Construction’s proposal “Lathrop + HKIT recommends initially carrying no more than 5% of the construction cost for contingency for the Gym Building and New Science Building and 20% on the Science Building Renovation.” Section 1.2.1 – Pricing of RFP #2018-RichmondDB, dated August 6, 2018, outlines the proposal’s minimum provisions to be included within the total project cost detail, which is consistent with Education Code requirements. Based on the RFP, there was no notation regarding contingencies to be excluded from the total project cost detail. Absent further information, we were unable to validate that the best value vendor selection process performed by the District was consistent with price requirements required by the RFP and Education Code.

**Recommendation:** The District should continue to work with legal to ensure evaluation and scoring of total price on design-build projects is consistent with Education Code. Additionally, the District should retain complete procurement and evaluation documentation to ensure vendor selection is consistent with RFP and Education Code requirements. Supporting documentation for appropriate vendor procurement should be readily available in a central location, either physically or electronically. A checklist or equivalent mechanism should be maintained with appropriate sign-offs on procurement requirements to validate compliance with policy and procedure requirements and adequate segregation of duties and controls. Additionally, as a best practice (as specified in Objective 5), the District should maintain a consolidated bid and procurement checklist and activity report that allows District senior management and key stakeholders to identify, prevent, or detect non-compliance with District policies and procedures, State laws, and regulations.

**Observation No. 4c: The District was unable to provide evidence of complete competitive solicitation documentation for one construction vendor.**

The District has taken steps to ensure advertisement solicitation documentation is maintained (Moss Adams 2018 Report—Observation No. 4c); however, a vendor procured in prior fiscal years had inadequate procurement documentation. The District was unable to provide evidence of a fair and competitive solicitation process for professional construction services for the following vendor procured in prior fiscal years:

Project Site	Scope	Vendor Selected	Contract Executed Date	Original Contract Value	Proof of Advisement Provided (Y/N)
Various Sites	Provide Technology Equipment and/or Services	Convergeone Inc	4/19/2016	\$1,481,862.33	No



Per CUPCCAA and District policy for FY 2019, construction service procurements over \$200,000 are subject to the formal bidding process, which includes advertisement and/or an RFP/RFQ, selection of lowest bidder and/or best value, and Board approval. After several requests, the District could not provide advertisement documentation for a construction vendor procured in previous fiscal years.

**Recommendation:** The District should comply with District procedures to ensure competitive pricing for the Bond Program. Supporting documentation for appropriate vendor procurement should be readily available in a central location, either physically or electronically. A checklist or equivalent mechanism should be maintained with appropriate sign-offs on procurement requirements to validate compliance with policy and procedure requirements and adequate segregation of duties and controls. Additionally, as a best practice (as specified in Objective 5), the District should maintain a consolidated bid and procurement checklist and activity report that allows District senior management and key stakeholders to identify, prevent, or detect non-compliance with District policies and procedures, state laws, and regulations.

## OBJECTIVE NO. 5 – PROCUREMENT FRAUD PREVENTION AND DETECTION CONTROLS

Observation No. 5: Policies, procedures, and monitoring controls to prevent and detect procurement fraud were not formalized.

The District has taken steps to address the *Procurement Fraud Prevention and Detection Control* recommendations provided in the prior years' reports (Moss Adams 2017 and 2018 reports—Objective No. 5). During the current fiscal year, the District made progress on drafting the BPMP; however, formal, reviewable policies and procedures were not available as of June 30, 2019. A draft table of contents for the proposed BPMP, dated July 24, 2019, was presented to the Facilities Subcommittee and made available for review. Per the draft table of contents, Section III of the BPMP will include administrative policies and procedures, including fraud prevention. The following reporting and controls were not in place based on 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 (see [Observation No. 4b](#) and [Observation No. 4c](#) for further information). 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. However, 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 to assist in identifying, preventing, and detecting procurement fraud (see [Recommendation No. 22a](#) for more detail). The policies should include reporting protocols, training requirements, and escalation procedures specific to procurement fraud. The 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 non-compliance 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 have been brought to the attention of responsible parties by 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 their evaluation of the government's internal control framework, examine the documentation of how complaints were handled to verify that the mechanisms for reporting instances of potential fraud, abuse, and/or questionable accounting or auditing practices are in place and working satisfactorily.

## OBJECTIVE NO. 6 – BOND PROGRAM MASTER PLANNING AND REPORTING

Observation No 6a: WCCUSD policies and procedures did not have formal master planning processes and procedures.

The District has taken steps to address the *Bond Program Master Planning and Reporting* recommendation provided in the prior years' reports (Moss Adams 2017 and 2018 reports—Objective No. 6). During the current fiscal year, the District made progress on drafting the BPMP; however, formal policies and procedure surrounding master planning was not available and program reporting had select areas for improvement as of June 30, 2019. A draft table of contents for the proposed BPMP, dated July 24, 2019, was presented to the Facilities Subcommittee and made available for review. Per the draft table of contents, Section I of the BPMP will include program and operations policies and procedures, including *Long Range Facilities Master Plan* updates and reassessments. From the prior year's audit, Darden Architects and Integrated Educational Planning and Programming created a comprehensive *Long Range Facilities Master Plan*, which was Board-approved on June 15, 2016. The *Long Range Facilities Master Plan* was a highly integrated process that included several community meetings, focus groups, surveys, and school site and steering committee meetings, including 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 *Long Range Facilities 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 ranked in a reasonable manner, assigned a weight, and systematically applied to the priority that school sites identified.

The prioritization of projects is clearly defined and an integral part of the *Long Range Facilities Master Plan*. Rough order of magnitude estimates based on a per square foot analysis were developed (excluding cost escalation or cost for temporary housing). The District presented a formal annual update to the *Long Range Facilities Master Plan* and facility operations to the Board on May 22, 2019. The update included information on specific projects and next steps, an implementation plan and budget update, critical needs updates, timeline and schedule updates, cash flow projection, additional funding updates, and success stories. Proposed cash flow projections through 2023, for all Master Plan projects, were included in the update, including additional incoming revenue from future Bond sales and additional state funding. A positive cash flow projection was reported through 2023.

**Recommendation:** As a best practice, WCCUSD should continue its efforts to ensure defined and documented processes are in place for master planning, including when to utilize these procedures (e.g., thresholds), who is responsible for each activity, and procedures for final approval (see [Recommendation No. 22a](#) for more detail). Documentation requirements for any Master Plan changes from the 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. The District should continue efforts to align policies and procedures to Guide to Development of Long Range Facilities Plan Prepared by the California Department of Education, or equivalent. Part 5, or the Evaluation Plan, includes the following guidance surrounding the evaluation plan:

- Evaluating the Long-Range Facilities Plan. State the policy of the district for reviewing and evaluating continually the long-range facilities plan. An annual schedule with specific responsibilities and a deadline for submitting the plan to the superintendent is preferable.
- Updating the Long-Range Facilities Plan. State the policy to ensure continual updating of all divisions of the long-range facilities plan. Any changes in program, facilities, or demographic data should be immediately analyzed for their implication to the overall plan and accommodated through the implementation plan, by appropriate revisions recommended to the district's board of trustees.

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.

Observation 6b: Program reporting did not 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.

The District has not taken steps to address the *Bond Program Reporting* recommendation provided in the prior years' reports (Moss Adams 2017 and 2018 reports—Objective No. 6b). Program



reporting reviewed was consistent with last year, but continued to lack sufficient information to be in line with best practices recommended in the prior year. 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 CBOC Meeting Packet on May 15, 2019 (see [Observation No. 22c](#) for further information regarding report frequency). The meeting packet's attached reports included the following information:

- Project status update
- Construction budget information including Board approved amount and billed amount.
- Construction spending by school site through April 30, 2019, with original budget, current budget, actuals, commitments, and balance amounts.
- Cash projections with budget amounts (see [Observation No. 2](#) for further information)
- Pinole Valley High School specific updates

Per the SDCTA Oversight Committee Best Practices, at minimum, the following should be reported to the Independent Citizens Oversight Committee (ICOC):

- 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 an adequate change order, schedule, and budget to forecast alternation information for all projects (see [Observation No. 3a](#) for further information). Per inquiry with District Management, project forecasting is based on the 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. 13b](#) for further information). Specific change order reporting was available for Pinole Valley. Additionally, CBOC meeting minutes were available on a monthly basis; however, Bond Program updated status reporting was not available for five of 11 CBOC meeting packets posted to the website for FY 19 (July 2018 through June 2019). 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 recommend that budget-to-actual comparisons of revenues, expenditures, cash flow, and fund balances be periodically reported. Board of Education-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 comment that this information is essential input for demonstrating accountability and transparency. This documentation will also serve as a useful tool for District management and stakeholders to understand the timing of project schedules. Additionally, policies should be updated to formalize minimum reporting requirements to the CBOC and stakeholders.





## 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:

- Conduct a performance audit
- Objective No. 2 – Design and Construction Schedules Cash Flow Analysis
- 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 did not clearly identify roles and responsibilities to be taken to prevent or limit claim exposures.

The District has taken steps to address the *Claims Avoidance and Control Procedures* recommendation provided in the prior years' reports (Moss Adams 2017 and 2018 reports—Objective No. 8). During the current fiscal year, the District made progress on drafting the BPMP; however, formal proactive claims avoidance policies and procedures were not available as of June 30, 2019. The proposed BPMP, dated July 24, 2019, was presented to the Facilities Subcommittee and made available for review. Per the draft table of contents, Section II of the BPMP will include project management policies and procedures, including Part B, Construction Management and Quality Assurance, specifically referencing disputes and claims avoidance. We evaluated and reviewed the procedures used to limit the number of claims filed against the District related to construction projects for the period. During our review procedures, we confirmed that the District maintains 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, the draft policies and procedures provided were consistent with contractual language. However, the District's current processes are reactive, as opposed to proactive, in avoiding claims and 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:** The District should continue efforts to formalize policies and procedure identifying roles and responsibilities 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. 22a](#) for more detail).



## OBJECTIVE NO. 9 – MATERIALS SPECIFICATIONS

Observation No. 9: WCCUSD did not have formal policies and procedures surrounding how to make updates to the Material Specifications log.

The District has taken steps to address the *Materials Specifications* recommendation provided in the prior year's report (Moss Adams 2018 report—Objection No. 9). During the current fiscal year, the District made progress on drafting the BPMP; however, formal material specification policies and procedures were not available as of June 30, 2019. A draft table of contents for the proposed BPMP, dated July 24, 2019, was presented to the Facilities Subcommittee and made available for review. Per the draft table of contents, Section II of the BPMP will include project management policies and procedures, including Part A. Design Management and Quality Assurance, specifically referencing materials and product standards.

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

The items listed above clearly identify critical products and systems, allowable alternative items, needs for each type of school (elementary, middle, and high school), and processes for material and product substitutions. The design standards are to be provided to architects and consultants during the bid or RFP process to ensure compliance. Additionally, the District presented a formal update to the *Long Range Facilities 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 detailed documentation as well as Board approvals and dates, for communication and transparency surrounding District material specifications. Additionally, the District provided what appeared to be a draft packet titled *WCCUSD Elementary School*



*Educational Specification*, which notes at length educational specifications including material and product standards, marked to be last edited in February 2020.

**Recommendation:** The District should continue its efforts to formalize policies and procedure regarding how to update the Material Specifications log. WCCUSD should define how to make updates to the standards specifications document and update Bond Program policies and procedures accordingly (see [Recommendation No. 22a](#) for more detail). This policy should ensure that documentation exists, including the requestor and date of request, description of change, cost-benefit relationship for the change (see [Recommendation No. 10](#) for further information), approver and date of approval, and a time-stamped updated specifications document. The cost-benefit analysis for significant specification changes should be approved by appropriate WCCUSD management. The Standard Specifications document should avoid including narrow scope requirements to prevent excessive pricing to WCCUSD.

## OBJECTIVE NO. 10 – COST BENEFIT AND VALUE ENGINEERING ANALYSES

Observation No. 10: The District did not have approved policies and procedures for conducting cost benefit analysis and value engineering studies.

The District has not taken steps to address the *Cost Benefit and Value Engineering Analyses* recommendation (Moss Adams 2017 and 2018 Report—Objective No. 10). Consistent with the prior year, formalized policies and procedures were not available as of June 30, 2019 and specific sections relating to value engineering or cost benefit analysis were not identified within Draft Bond Program Management Plan (BPMP) table of contents.

We assessed the District’s processes to determine whether 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. We reviewed draft procedural documents as well as documentation to support cost benefit and value engineering analyses. The following is our assessment of draft procedural documents:

### *Cost Benefit Analysis*

Based on the prior year’s audit, in 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 alternative items are approved by the District in advance of being incorporated into the design. As part of this process, the architect or consultant must include a cost benefit analysis. However, no guidelines for the cost benefit analysis were outlined by the District’s policies and procedures.

### *Value Engineering*

During the current fiscal year, the design-build agreement for the Richmond High School critical needs construction, executed December 18, 2018, included contract terms regarding value engineering analysis. The contract outlines the expectations of the design-build contractor in regard to documentation available 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. 22a](#) 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 did not provide documentation to evidence assets funded by the Bond Program were compliant with warranty condition requirements and District requirements.

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 years' reports (Moss Adams 2017 and 2018 reports—Objective No. 11). Consistent with prior years, no documentation or policies and procedures surrounding warranty conditions compliance was provided for our audit period. 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 available. A maintenance log was provided that documented 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.



As background from the prior year's audit, 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 that, as construction projects are completed, training is conducted by contractors with the District's maintenance team on the products, systems, and equipment for each facility and the contractor provides all warranties as well as operation and maintenance manuals to the District to perform sufficient preventative maintenance. The maintenance performed at the District is scheduled in SchoolDude and conducted accordingly. Further, during the current fiscal year, the District provided various inspection reports for facilities and safety equipment. However, absent a formal system, or documentation of warranty information, or equivalent, it is unclear whether or not the District has sufficient documentation showing compliance with the warranty in case a product or system that is 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 and District requirements. 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.

We reviewed Bond Program goals and objectives to assess how well they were communicated and whether they are being implemented and applied by District and contractor personnel. Overall, the District's Master Plan (approved by the Board on June 15, 2016) has provided an excellent resource to facilitate the Bond Program. It provides clear goals and objectives and was communicated to 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. 13a: WCCUSD did not have formal change order policies and procedures.

The District has taken steps to address the *Change Order Management and Controls Application* recommendation (Moss Adams 2018 Report—Observation No. 13a). During the current fiscal year, the District made progress on drafting the BPMP; however, formalized policies and procedures were not available as of June 30, 2019. The proposed BPMP, dated July 24, 2019, was presented to the Facilities Subcommittee and made available for review. Per the draft table of contents, Section II of the BPMP will include project management policies and procedures, including Part B. Construction Management and Quality Assurance, specifically addressing change directives and change management.

**Recommendation:** The District should continue efforts to formalize 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. 22a](#) for more detail).

Observation No. 13b: Adequate change order reporting to ensure end users understand change order impact and assigned responsibility was not available.

The District has not taken steps to address the *Change Order Management and Controls Application* recommendation (Moss Adams 2018 Report—Observation No. 13b). Upon request for FY 19 change order reporting, no documentation was provided. The District was able to provide specific examples of Board-approved change order amounts; however, summary and detail reporting for change orders, including information such as itemized change amount, percentages, descriptions, change responsibility, date of approval, subtotals, and totals, were not available. Absent further information, change order reporting is not in line with best practices and lacks information to adequately report to key stakeholders.

**Recommendation:** As a best practice, District change order reporting should include accurate information, such as itemized change amount, percentages, descriptions, change responsibility (e.g., owner-initiated, scope changes, design errors, contract errors, and unforeseen conditions), 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: Several professional service contracts had change orders (in excess of 10%) compared to the original contract amounts.

The District has not taken steps to address the *Project Close-Out Controls* recommendations from prior years' reports (Moss Adams 2017 Report—Objective No. 5 and Moss Adams 2018 Report—Objective No. 13c). 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	Percent increase from OG Contract
District Wide	Technology Equipment and/or Services	CONVERGE ONE INC	4/19/2019	\$1,481,862	\$236,390	\$1,718,253	15.95%
District Wide	Primavera Design and Construction Controls System Services	DDLN.INC	3/31/2016	\$218,440	\$918,696	\$1,137,136	420.57%
Crespi Middle School	Architects for Gymnasium Seismic Retrofit Project	HMC ARCHITECTS	2/2/2017	\$257,500	\$77,553	\$335,053	30.12%
District Wide	Construction Management Services	ROEBBELE N CONSTRUCTION MANAGEMENT SERVICES	7/23/2014	\$2,743,720	\$678,012	\$3,421,732	24.71%

Although this practice is compliant with Public Contracting Code (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 professional service agreements 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 costs for change order work.

## OBJECTIVE NO. 14 – CONTRACTOR BILLING COMPLIANCE CONTROLS

Observation No. 14: The District did not have defined approval authority for vendor payment processing within the Bond Program policies and procedures manual to ensure appropriate review and controls.

The District has taken steps to address the *Contractor Billing Compliance Controls* recommendation (Moss Adams 2018 Report—Objective No. 14). During the current fiscal year, the District made progress on drafting the BPMP; however, formalized policies and procedures were



not available as of June 30, 2019. The District provided a draft table of contents for the proposed BPMP, dated July 24, 2019, which was presented to the Facilities Subcommittee and made available for review. Per the draft table of contents, Section II of the BPMP will include project management policies and procedures, including Part B Construction Management and Quality Assurance, specifically addressing contractor payments. Additionally, Section IV of the BPMP will include fiscal policies and procedures, specifically addressing payment processing (Part C). We analyzed processes to review and approve contract charges to prevent overcharges and to understand the workflow 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 approval forms 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 and were approved by the Principal Accountant or the Fiscal Coordinator on behalf of the Fiscal department. However, it is unclear whether these personnel have the authority limits to approve these expenditures. Additionally, one sampled expenditure lacked approval sign-off on the payment approval form from the Bonds and Finance department (Vendor: Lathrop Construction Associates Inc; Invoice No. 31; Amount: \$2,990,143.48); however, electronic approval reporting from the Principal Accountant was available within the Munis System. 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. 22a](#) for more detail).

## OBJECTIVE NO. 15 – PROJECT CLOSE-OUT CONTROLS

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

The District has not taken steps to address the *Project Close-Out Controls* recommendations (Moss Adams 2017 and 2018 Reports—Objective No. 15). Through June 30, 2019, 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 policies and procedures. Per the District, the Chavez Critical Needs Project is the only project pre-closed in FY 19. The District has draft Bond Program Close Out Procedures, consistent with contract requirements, that includes 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. Upon request, no close-out documentation or checklist was provided for this project. Further, draft policies and procedures do not establish District approval requirements to support an adequate and successful project close out. Additionally, no specific section related to close-out documentation was identified within the draft BPMP table of contents.

**Recommendation:** The District should compile a consolidated project-close out checklist to ensure and report on turnover of documentation by contractors and compile 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. 22a](#) for more detail).

## OBJECTIVE NO. 16 – POST-FINANCING REVIEW

Observation No. 16: WCCUSD policies and procedures did not include pricing goals and requirements for future Bond issuances.

The District has not taken steps to address the *Post-Financing Review* recommendation (Moss Adams 2017 and 2018 reports—Objective No. 16). Consistent with the prior year, no formal or draft policies and procedures updates were available as of June 30, 2019. Additionally, no specific sections were identified within the draft Bond’s PMP table of contents for post-financing review. We evaluated post-financing reviews completed by the District and compared to established policy and procedures. In the prior fiscal year, 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. No new information regarding pricing goals or financing review was provided for FY 19. Additionally, the District did not update policies 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. 22a](#) for more detail).

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

17 Upon request, the District noted no instance of refunding, or any future plans of refinancing during FY 19. The District has Board Policy 7214.3, adopted on April 24, 2013, which 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.

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, 2019, provided a report detailing the investment allocations. The investment categories include the following: U.S. Treasuries (0.48%), U.S. Agencies (home





loan banks, credit banks, mortgage corporations, municipal bonds) (13.88%), Supranationals (9.38%), Money Market Instruments (48.80%), Corporate Notes (10.56%), Local Agency Investment Fund (6.52%), Cash (3.44%), and other (3.96%).

No exception taken.

### OBJECTIVE NO. 19 – TIMELINESS OF PAYMENT

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

The District has taken steps to address the *Timeliness of Payments* recommendation provided in the prior years’ reports (Moss Adams 2017 and 2018 reports—Objective No. 19). Two instances of payments processed in excess of 30 days of the received date were identified as of June 30, 2019. In the prior year’s audit, we noted seven instances where payment processing took longer than 30 days. We reviewed sampled invoices and payment applications for compliance with the District’s 30-day payment process. The District has a step-by-step payment process, included within the unofficial policies and procedures, that 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. The following two invoices warrant (payment) date was greater than 30 days from the date the invoice was noted as received per the payment approval form:

Vendor No.	Vendor Name	Invoice Number	Invoice Received Date	Amount	Check Date	Days
45785	LATHROP CONSTRUCTION ASSOCIATES INC	1000003023-00003	4/5/2019	\$127,920	5/7/19	32
48746	ROEBBELEN CONSTRUCTION MANAGEMENT SERVICES	33	3/15/2019	\$84,140	4/23/19	39

**Recommendation:** The District’s Facility Planning and Construction department should continue to ensure that each invoice is processed for payment in a timely manner. For any instances where payment has been delayed due to contractor inaccuracies within invoices/payment applications, disagreements between work billed and performed, or other discrepancies, the District should provide rejection letters to contractors detailing why payment is being delayed. This document should be maintained within files or attached to the invoice/payment application.

### OBJECTIVE NO. 20 – LOCAL PARTICIPATION REQUIREMENTS

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

The District has not taken steps to address the *Local Participation Requirements* recommendation provided in the prior years’ reports (Moss Adams 2017 and 2018 reports—Objective No. 20). Consistent with prior years, no update to the Board’s policy or draft procedural documents defining



the District's role in achieving local participation goals was provided. We reviewed District and Board policies to determine whether there were 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 continued to defer management and measurement of local participation goals to the construction firms responsible for the collection and production of all certified payroll reports. The District provided *Local Hire by Contractor* reporting for one construction project, Wilson Elementary, completed by the Design-Build contractor dated February 10, 2020. However, complete documentation regarding compliance of good faith efforts to achieve District-wide local participation goals was not available. Upon request, no update on District goals or Board Policies was made available for FY 19.

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

## OBJECTIVE NO. 21 – CBOC COMPLIANCE

Observation No. 21: The Draft Board Policy surrounding the role and operations of the Citizens' Bond Oversight Committee (CBOC) was not formalized.

We assessed the CBOC's compliance with the Board Policy, CBOC bylaws, and related Education Code sections. On March 14, 2019, the CBOC approved proposed amendments to the Board Policy 7214.2 regarding the role and operation of the CBOC. Board Policy 7214.2, first adopted in 2008, was to set forth the establishment, operating, and funding guidelines for the CBOC. However, through June 30, 2019 the Draft Board Policy was not approved by the District. We noted no exception on the CBOC's compliance with law, the Committee's bylaws, or related Education Code sections.

**Recommendation:** The District should formalize the amendments to Board Policy 7214.2 to establish roles and operations of the CBOC. The District should ensure all revisions are compliant with the Education Code and Proposition 39. Additionally, the District should evaluate the reasonableness and appropriateness of the policy to meet the needs of all key stakeholders.

## OBJECTIVE NO. 22 – TRANSPARENCY OF BOND PROGRAM

Observation No. 22a: Bond Program policies and procedures were not formalized and approved by the Board.

The District has taken steps to address *Transparency of Bond Program* recommendation (Moss Adams 2017 and 2018 Report Objective No. 22). During the current fiscal year, the District made significant progress on drafting the Program Management Plan, as demonstrated on the draft BPMP; however, formalized policies and procedures were not available through June 30, 2019.

Although no formalized, adopted policies and procedures were available, the District was able to show progress on the draft BPMP, including draft table of contents and drafted procedural documents for particular processes for the Bond Program. Per the District website, the District has been providing monthly updates of the progress of the BPMP to the CBOC and Facilities





Committee and allowing periods for open comment to ensure all key stakeholders' input is considered for the final document.

**Recommendation:** As a best practice, the District should continue to consolidate all Bond Program policies, procedures, and resolutions into one document to ensure effective controls and communication of the policies and procedures and obtain Board approval. This manual should highlight all 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. 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.

Observation No. 22b: Based on SDTEF best practice guidance, Bond Program transparency can be improved through readily available information on the CBOC website.

The District has not taken steps to address *Transparency of Bond Program* recommendation (Moss Adams 2017 and 2018 reports—Objective No. 22). Consistent with the prior year, the CBOC website lacked readily available 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 SDTEF for School Bond Transparency.

The CBOC website included information such as meeting minutes (see [Observation No. 22c](#) for additional information on posted meeting minutes), member vacancies, and various Bond Program reports. However, consistent with the prior years, the following benchmark items were not easily 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 as of June 30, 2019.
- *Project Descriptions* – A brief written description of currently funded projects was not available or easily identified on the CBOC website as of June 30, 2019.
- *Project Progress* – The current status and plan of action for each currently funded project was not available or easily identified on the CBOC website as of June 30, 2019.
- *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.

**Recommendation:** The District should continue efforts to follow best practices, as specified by SDTEF, to support demonstration of accountability and transparency to all stakeholders.



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

- Update all information on the ICOC 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 and should take no longer than a few months to prepare. Similarly, project status updates should be regularly provided—including budget updates and construction progress with expected timelines for completion.
- Adjust ICOC website organization to make it easy to navigate to 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 available information. All files are important, but it is often not easy to differentiate between them, 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 websites with a user-friendly interface in which all information is categorized and presented separately for better navigation.

Additionally, as of June 30, 2019, 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.

**Observation No. 22c:** The District conducted periodic public outreach for the Bond Program, but did not have an approved formal community outreach and communication plan.

We assessed the effectiveness of the public outreach and communication plan addressing 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. We reviewed the District's means of community outreach and communication to interested parties (e.g., community stakeholders, community members, local entities, etc.) compared to good practices at other clients. We assessed the community outreach and communication policies and procedures, links to the various methods of communication utilized during the project, and any additional supporting documentation deemed necessary to demonstrate the outreach and communication before and during construction.

Based on documentation provided, we observed that the District's primary means of communication with the community was the District website, Facebook page, area mailings, and neighborhood meetings. Based on inquiry, communication and community outreach occurred on an as needed basis, as events occurred, or as an issue arose.

**Recommendation:** As a best practice, the District should develop a communications strategy and plan for projects for key and public stakeholders. WCCUSD should ensure that there is a clear and consistent message that delivers accurate information on the cost of the project, duration, impact, and benefit. Messaging should be developed with input from various groups within the organization (management, finance, engineering, operations, etc.) to ensure that information is complete and accurate. WCCUSD should review current methods of communication and verify that communications are organized, consistent, timely, and reach the appropriate audience. WCCUSD should periodically review its communication and outreach plans to determine their effectiveness and make adjustments accordingly for ongoing and future projects.



## IV. REPORTING VIEWS OF RESPONSIBLE OFFICIALS

Below is a schedule of the audit observations and management's responses for 28 open exceptions and improvement opportunities noted as a result of the performance audits completed for fiscal years ended June 30, 2017, June 30, 2018, and June 30, 2019. Five recommendations are new for fiscal year 2019, and 25 were reported in prior years. Of the 25 open exception and improvement opportunities reported in prior years, the District has taken steps for 14 recommendations, the District had not taken steps for nine, the District closed two. Management responses from the District Facility staff are reported below for each recommendation.

FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	OBSERVATION THROUGH JUNE 30, 2019	AUDITOR'S RECOMMENDATION THROUGH JUNE 30, 2019	MANAGEMENT RESPONSE PROVIDED ON FEBRUARY 29, 2020	STATUS OF RESOLUTION THROUGH JUNE 30, 2019	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.	After the closing date of the audit period, the District refunded the Bond Fund \$50,208.50 in February 2020 for the project-specific State Facility Program reporting services charges from 2017.	<b>Open</b> – The District has taken steps to address the School Facilities Consultants recommendation from prior fiscal years. Per inquiry and journal entry detail provided by the District, The District plans to refund the Bond Program for School Facilities Consultant expenditures during FY 2020.	February 2020
2017–2019	Conduct a Performance Audit 1 (CAPA 1)	Conduct a Performance Audit	The District needs to provide adequate documentation to support staff charge allocation to the Bond Program.	The District should continue efforts to 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. Additionally, the District should evaluate labor amounts charged to the Bond Program to ensure appropriateness and compliance with Opinion 04-110. Results of this evaluation should be reported to District management, the Board, and CBOC to ensure transparency and remediation takes place, as necessary.	The District continues to perform periodic time studies to validate FTE allocations and make adjustments accordingly. Effective July 1st, 2019, there was a reduction of bond-funded FTE. During the current fiscal year, the staff made FTE allocation adjustments to align with work performed.	<b>Open</b> – The District has taken steps to address the Staff Allocation recommendation provided in the prior year's report.	Ongoing Implementation
2017–2019	1	District and Professional Services Staffing Plan for the Bond Program	WCCUSD should have well-defined policies 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 the organizational structure's alignment with the	The District develops an annual staffing plan to ensure that staffing resources are appropriate and align with the needs of the Bond Program. The staffing plan does not project the responsibilities of the Associate Superintendent of	<b>Open</b> – The District has taken steps to address the District and Professional Services Staffing Plan for the Bond Program in FY 2018. However, established formal and reviewable policies	July 2020



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				Bond Program's needs. This staffing plan should be reported to key stakeholders on a periodic basis. We recommend that the staffing plan policies and procedures are established to be assessed at least annually to determine if the needs for the current and upcoming fiscal years are being met.	Business Services & Secretary, Director of Audit, Internal Auditor, and substitute costs. The actual cost for FY 19, as compared to the staffing plan FTE, accounts for the noted variance.	and procedures were not available as of June 30, 2019.	
2019	2	Design and Construction Schedules Cash Flow Analysis	The District was unable to support or validate amounts documented within the sampled cash flow report titled Bond Financial Status, Cash Projection FY19 Preliminary Closing.	The District should continue producing cash flow reports that include key detail as noted in the detailed observation for Objective 2. However, the District should implement controls to consistently and accurately report total expected revenues and expenses. This will enable the District to ensure accurate reporting and monitoring of Bond projected net position. Reconciled District cash balances, revenues, committed costs, and budget balances, both at the detailed and summary level, should be readily available and consistent on capital program reporting to District management and key stakeholders. Additionally, formal written policies and procedures, including defined responsibilities and approval authority for internal and public reporting, should be created and added to a comprehensive Bond Program manual to ensure appropriate review and approval controls are in place for both internal and public reporting procedures (see <a href="#">Recommendation No. 22a</a> for more detail).	The District does provide consistent and accurate financial information. Recently, the District has developed a suite of financial reports in collaboration with the CBOC that include cash flow reporting. The Bond Program Management Plan details the frequency, format, and reporting procedures.	<b>Open</b>	February 2020
2017–2019	2017 and 2018: 3 2019: 3a	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 continue efforts to develop and implement policies and procedures for budget establishment and management activities for the Bond Program (see <a href="#">Recommendation No. 22a</a> for more detail). Details on defined roles and responsibilities 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	The Bond Program Management Plan details the implementation of budget management procedures in MUNIS and Colbi. The District provides reconciled reporting from MUNIS and Colbi that demonstrate monthly reconciliation. Also, the Project Team prepares a monthly Project Status Report that is reviewed by the Fiscal Approver for accuracy and then presented at the	<b>Open</b> – The District has taken steps to address the <i>Design and Construction Budget Management</i> recommendation provided in the prior years' reports. However, established formal and reviewable policies and procedures were not available as of June 30, 2019.	Spring 2020



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				stakeholders. Any forecasted overruns should be addressed with detailed plans to secure additional sources of funding and identify alternative options to reduce projected costs while still meeting the District's objectives and needs. Muni and Primavera project amounts should be reconciled, reviewed, and approved by WCCUSD project management, WCCUSD accounting, and the Construction Manager to ensure completeness and accuracy.	Facilities Committee and CBOC meetings.		
2019	3b	Design and Construction Budget Management	The District was unable to support or validate the reported amounts within the Bond Program Spending to Date by Site, Data as of June 30, 2019 and FY Preliminary Closing (Report No. 2).	<p>The District should continue producing project-level expenditure reporting, including the key details noted in the detailed observation for Objective 3b. However, the District should implement controls to consistently and accurately report total Bond expenditures. This will enable the District to accurately monitor and report Bond expenditures in order to 1) help prevent non-compliant and excessive charges and 2) better control and manage project costs. Reconciled Bond expenditures (both at the detailed and summary level) should be readily available and consistently detail capital program reporting to District management and key stakeholders. Any discrepancies or reconciling amounts should be reviewed and addressed in a timely manner by appropriate parties to ensure accurate reporting. Regular reconciliation exercises should be conducted to ensure both project management and accounting records are complete and accurate. Policies and procedures should be updated accordingly to ensure roles and responsibilities are clearly defined and adequate controls are in place to ensure completeness and accuracy of reported amounts.</p> <p>Additionally, formal written policies and procedures, including defined responsibilities and approval authority for internal and public reporting, should be created and added to a comprehensive Bond Program manual to</p>	The District is currently reconciling every month and producing project level expenditure reporting. The Bond Program Management Plan details the reconciliation and reporting procedures.	<b>Open</b>	February 2020





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				ensure appropriate review and approval controls are in place for both internal and public reporting procedures (see <u>Recommendation No. 22a</u> for more detail).			
2017–2019	2017: 4 2018 and 2019: 4a	Bidding and Procurement Procedures	The District did not have formalized, Board-approved written policies and procedures regarding bidding and procurement.	The District should continue efforts to develop and implement formal written policies and procedures including defined approval authority for bid and procurement to ensure appropriate review and approval controls are in place for procurement procedures (see <u>Recommendation No. 22a</u> for more detail).	The Bond Program Management Plan details the procedure for each type of procurement.	<b>Open</b> – The District has taken steps to address the <i>Bidding and Procurement Procedures</i> recommendation provided in the prior year's report (Moss Adams 2018 report—Observation No. 4a). During the current fiscal year, the District made progress on drafting the BPMP. However, Board-approved written policies and procedures regarding bidding and procurement were not available as of June 30 2019.	Spring 2020
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 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 only entity that could have timely and cost-effectively performed these services.	<b>Closed</b> – No exceptions noted during the current fiscal year.	N/A



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					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.		
2019	4b	Bidding and Procurement Procedures	We were unable to determine whether the District evaluated total price of the project consistent with the Education Code for the Richmond High School design build project.	The District should continue to work with legal to ensure evaluation and scoring of total price on design-build projects is consistent with Education Code. Additionally, the District should retain complete procurement and evaluation documentation to ensure vendor selection is consistent with RFP and Education Code requirements. Supporting documentation for appropriate vendor procurement should be readily available in a central location, either physically or electronically. A checklist or equivalent mechanism should be maintained with appropriate sign-offs on procurement requirements to validate compliance with policy and procedure requirements and adequate segregation of duties and controls. Additionally, as a best practice (as specified in Objective 5), the District should maintain a consolidated bid and procurement checklist and activity report that allows District senior management and key stakeholders to identify, prevent, or detect non-compliance with District policies and procedures, state laws, and regulations.	The District agrees with this recommendation. The Bond Program Management Plan details the Design-Build procurement process.	<b>Open</b>	Spring 2020
2017–2019	4c	Bidding and Procurement Procedures	The District was unable to provide evidence of complete competitive solicitation documentation for one construction vendor.	The District should comply with District procedures to ensure competitive pricing for the Bond Program. Supporting documentation for appropriate vendor procurement should be readily available in a central location, either physically or electronically. A checklist or equivalent mechanism should be maintained with appropriate sign-offs on procurement	The advertisement for the procurement in question took place in April 2016. The District has evidence of advertisement compliance with the Public Contract Code during FY 19. The Bond	<b>Open</b> – The District has taken steps to ensure advertisement solicitation documentation is maintained; however, a vendor procured in prior fiscal years had inadequate procurement documentation.	FY 19/20 (Timing estimated based on inquiry with District)





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				requirements to validate compliance with policy and procedure requirements and adequate segregation of duties and controls. Additionally, as a best practice (as specified in Objective 5), the District should maintain a consolidated bid and procurement checklist and activity report that allows District senior management and key stakeholders to identify, prevent, or detect non-compliance with District policies and procedures, state laws, and regulations.	Program Management Plan details the procedures.		
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.	<b>Closed</b> – Board approvals were available for sampled vendors.	N/A
2017–2019	5	Procurement Fraud Prevention and Detection Controls	Policies, procedures, and monitoring controls to prevent and detect procurement fraud were not formalized.	Consistent with the GFOA, WCCUSD should implement policies and procedures to assist in identifying, preventing, and detecting procurement fraud (see <a href="#">Recommendation No. 22a</a> for more detail). The policies should include reporting protocols, training requirements, and escalation procedures specific to procurement fraud. The 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 non-compliance 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 have been brought to the attention of responsible parties by employees or citizens	Currently, all proposed commitments must complete department or Project Management, Fiscal, Engineering & Contract signature approvals, and then multiple electronic approvals in MUNIS. The Purchasing department must post all commitments before any financial authority is available for payment to the vendor. Resources for fraud prevention, detecting, and reporting information are available on the back of employee badges and the District website.	<b>Open</b> – The District has taken steps to address the <i>Procurement Fraud Prevention and Detection Control</i> recommendations provided in the prior years' reports. During the current fiscal year, the District made progress on drafting the BPMP; however, formal reviewable policies and procedures were not available as of June 30, 2019.	Spring 2020



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				<p>who become aware of such practices. The GFOA provides the following recommendations:</p> <ul style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ul> <p>Have the appropriate party, as part of their evaluation of the government's internal control framework, examine the documentation of how complaints were handled to verify that the mechanisms for reporting instances of potential fraud, abuse, and/or questionable accounting or auditing practices are in place and working satisfactorily.</p>			
2018–2019	6a	Bond Program Master Planning and Reporting	WCCUSD policies and procedures did not have formal master planning processes and procedures.	As a best practice, WCCUSD should continue its efforts to ensure defined and documented processes are in place for master planning, including when to utilize these procedures (e.g., thresholds), who is responsible for each activity, and procedures for final approval (see <a href="#">Recommendation No. 22a</a> for more detail). Documentation requirements for any Master Plan changes from the original approved	The Bond Program Management Plan details the controls in place to document, approve, and update any revisions to the Specifications.	<b>Open</b> – The District has taken steps to address the <i>Bond Program Master Planning and Reporting</i> recommendation provided in the prior years' report. During the current fiscal year, the District made progress on drafting the BPMP; however, formal policies and procedure	Spring 2020



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				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.		surrounding master planning was not available and program reporting had select areas for improvement as of June 30, 2019.	
2018–2019	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 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.	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	The District has developed a suite of financial reports in collaboration with the CBOC that include cash flow reporting. The Bond Program Management Plan details the frequency, format, and reporting procedures.	<b>Open</b> – The District has not taken steps to address the <i>Bond Program Reporting</i> recommendation provided in the prior year's report.	Spring 2020



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				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.			
2017–2019	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.	The District should continue efforts to formalize policies and procedure identifying roles and responsibilities 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 <a href="#">Recommendation No. 22a</a> for more detail).	The Bond Program Management Plan details the management of claim prevention and limitation of claim exposure throughout the life cycle of a Project.	<b>Open</b> – The District has taken steps to address the <i>Claims Avoidance and Control Procedures</i> recommendation provided in the prior years' reports. During the current fiscal year, the District made progress on drafting the BPMP; however, formal proactive claims avoidance policies and procedures were not available as of June 30, 2019.	Spring 2020
2018–2019	9	Materials Specifications	WCCUSD did not have formal policies and procedures surrounding how to make updates to the Material Specifications log.	The District should continue its efforts to formalize policies and procedures regarding how to update the Material Specifications log. WCCUSD should define how to make updates to the standards specifications document and update Bond Program policies and procedures accordingly (see <a href="#">Recommendation No. 22a</a> 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 <a href="#">Recommendation No. 10</a> 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 Bond Program Management Plan details the controls in place to document, approve, and update any revisions to the Specifications.	<b>Open</b> – The District has taken steps to address the <i>Materials Specifications</i> recommendation provided in the prior year's report. During the current fiscal year, the District made progress on drafting the BPMP; however, formal material specification policies and procedures were not available as of June 30, 2019.	Spring 2020



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2017–2019	10	Cost Benefit and Value Engineering Analyses	The District did not have approved policies and procedures for conducting cost benefit analysis and value engineering studies.	<p>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 <a href="#">Recommendation No. 22a</a> 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.</p> <p>SAVE International® specifies that the following six phases be conducted to analyze cost and value:</p> <ol style="list-style-type: none"> <li><i>Information Phase:</i> Review and define the current conditions of the project and identify the goal of the value engineering study and cost benefit analysis.</li> <li><i>Function Analysis Phase:</i> Review and analyze the project to determine what needs improvement, elimination, or creation to meet the project's goals.</li> <li><i>Creative Phase:</i> Generate ideas on all the possible ways to accomplish the requirements, with an emphasis on cost and functional needs.</li> <li><i>Evaluation Phase:</i> 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.</li> </ol>	The Bond Program Management Plan details cost benefit analysis and value engineering management throughout the Project life cycle.	<b>Open</b> – The District has not taken steps to address the <i>Cost Benefit and Value Engineering Analyses</i> recommendation. Consistent with the prior year, formalized policies and procedures were not available as of June 30, 2019 and specific sections relating to value engineering or cost benefit analysis were not identified within draft BPMP table of contents.	Spring 2020





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				<p>5. <i>Development Phase:</i> Develop the selected ideas into alternatives with sufficient documentation to allow decision makers to determine if the alternative should be implemented.</p> <p>6. <i>Presentation Phase:</i> Prepare a presentation and/or report to key stakeholders that convey the adequacy of the alternative(s) and the associated value improvement.</p> <p>Specific areas of focus and attention that should be considered when conducting these types of analyses have been incorporated in <a href="#">Appendix B</a> of this report.</p>			
2017–2019	11	Maintenance of District Assets Funded by Local Bond and Warranty Conditions Compliance	The District did not provide documentation to evidence assets funded by the Bond Program were compliant with warranty condition requirements and District 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 and District requirements. 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 Bond Program Management Plan details the Project closeout and turnover process to the Maintenance & Operations department.	<b>Open</b> – The District has not taken steps to address the <i>Maintenance of District Assets Funded by Local Bond and Warranty Conditions Compliance</i> recommendation provided in the prior years' reports.	Spring 2020
2018–2019	13a	Change Order Management and Controls Application	WCCUSD did not have formal change order policies and procedures.	The District should continue efforts to formalize 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	The Bond Program Management Plan section details the change order review and approval process	<b>Open</b> – The District has taken steps to address the <i>Change Order Management and Controls Application</i> recommendation provided in the prior year's report. During the current fiscal year, the District	Spring 2020



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				review and approval controls are in place before vendor payment release (see <a href="#">Recommendation No. 22a</a> for more detail).		made progress on drafting the BPMP; however, formalized policies and procedures were not available as of June 30, 2019.	
2018–2019	13b	Change Order Management and Controls Application	Adequate change order reporting to ensure end users understand change order impact and assigned responsibility was not 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 Bond Program Management Plan details change order reporting, which includes the inclusion of the reason code in the Board precis.	<b>Open</b> – The District has not taken steps to address the <i>Change Order Management and Controls Application</i> recommendation provided in the prior year's report.	Spring 2020
2017–2019	2017: 5 2018 and 2019: 13c	Change Order Management and Controls Application	Several professional service contracts had significant change orders (in excess of 10%) compared to the original contract amounts.	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 professional service agreements 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 costs for change order work.	The Bond Program Management Plan details the change order and amendment process for professional and special services.	<b>Open</b> – The District has not taken steps to address the <i>Project Close-Out Controls</i> recommendation provided in the prior years' reports.	Spring 2020
2018–2019	14	Contractor Billing Compliance Controls	The District did not have defined approval authority for vendor payment processing within the Bond Program policies and procedures manual to	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	The District has a written approval process for invoices as well as an electronic approval process in MUNIS. The Bond Program Management Plan includes workflow and approval procedures for all types of invoices.	<b>Open</b> – The District has taken steps to address the <i>Contractor Billing Compliance Controls</i> recommendation provided in the prior year's report. During the current fiscal year, the District made progress on drafting the BPMP; however, formalized	Spring 2020





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			ensure appropriate review and controls.	place before vendor payment release (see <a href="#">Recommendation No. 22a</a> for more detail).		policies and procedures were not available as of June 30, 2019.	
2017, 2018, and 2019	15	Project Close-Out Controls	WCCUSD policies 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 compile 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 <a href="#">Recommendation No. 22a</a> for more detail).	The Bond Program Management Plan details the Project-specific closeout process.	<b>Open</b> – The District has not taken steps to address the Project Close-Out Controls recommendation provided in the prior year's report.	Spring 2020
2017–2019	16	Post-Financing Review	WCCUSD policies and procedures did not 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 <a href="#">Recommendation No. 22a</a> for more detail).	In FY 2019, the District did not issue any new debt nor refinance outstanding bonds. Therefore, our financial advisor, KNN Public Finance, was not asked to present information pertaining to a transaction overview, pricing highlights, pricing comparison, etc. As a regular practice, the District did have KNN present an Annual Bond Program Report in October 2019 to keep Board members apprised of tax rates, assessed values, future issuance plans, and in the most recent report information about a new bond measure for the March 3rd ballot. The District is currently planning to issue the next series of bonds in 2020 and will have KNN report applicable pricing data back to the Board once the transaction successfully closes. Also, the Bond Program Management Plan will include a Bond Finance section to describe the current policies and procedures.	<b>Open</b> – The District has not taken steps to address the <i>Post-Financing Review</i> recommendation provided in the prior year's report. Consistent with the prior year, no formal or draft policies and procedures updates were available as of June 30, 2019.	Spring 2020



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	OBSERVATION THROUGH JUNE 30, 2019	AUDITOR'S RECOMMENDATION THROUGH JUNE 30, 2019	MANAGEMENT RESPONSE PROVIDED ON FEBRUARY 29, 2020	STATUS OF RESOLUTION THROUGH JUNE 30, 2019	PLANNED RESOLUTION DATE
2017–2019	19	Timeliness of Payments	There were two instances where payment processing took longer than 30 days and was not supported by a payment application or invoice rejection letter justifying the delay.	The District's Facility Planning and Construction department should continue to ensure that each invoice is processed for payment in a timely manner. 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.	<b>Open</b> – The District has taken steps to address the <i>Timeliness of Payments</i> recommendation provided in the prior years' reports. Two instances of payments processed in excess of 30 days of the received date were identified as of June 30, 2019. In the prior year's audit, we noted seven instances where payment processing took longer than 30 days.	N/A
2017–2019	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 Policies should be updated accordingly (see <a href="#">Recommendation No. 22a</a> for more detail).	The District is committed to encouraging local participation through the Local Capacity Utilization Program. The Wilson Elementary School Campus Replacement Project is currently reporting 54.85% local hiring on the Project.	<b>Open</b> – The District has not taken steps to address the <i>Local Participation Requirements</i> recommendation provided in the prior year's report.	Spring 2020
2019	21	CBOC Compliance	The Draft Board Policy surrounding the role and operations of the CBOC was not formalized.	The District should formalize the amendments to Board Policy 7214.2 to establish roles and operations of the CBOC. The District should ensure all revisions are compliant with the Education Code and Proposition 39. Additionally, the District should evaluate the reasonableness and appropriateness of the policy to meet the needs of all key stakeholders.	The District agrees with this recommendation.	<b>Open</b>	Spring 2020
2017–2019	2017 and 2018: 22 2019: 22b	Transparency of Bond Program	Based on SDTEF best practice guidance, Bond Program transparency can be improved through readily available information on the CBOC website.	The District should continue efforts to follow best practices, as specified by SDTEF, to support demonstration of accountability and transparency to all stakeholders.  Per the SDTEF School Bond Transparency Summary Report, continuing improvement recommendations for ICOC websites are as follows:	The District maintains the CBOC website and agrees that update to date information should be available like agendas, meeting packets, audits, and annual reports. The District will consider the second bullet and may propose changes to the CBOC website after consideration. The District	<b>Open</b> – The District has not taken steps to address <i>Transparency of Bond Program</i> recommendation provided in the prior years' reports.	Spring 2020



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	OBSERVATION THROUGH JUNE 30, 2019	AUDITOR'S RECOMMENDATION THROUGH JUNE 30, 2019	MANAGEMENT RESPONSE PROVIDED ON FEBRUARY 29, 2020	STATUS OF RESOLUTION THROUGH JUNE 30, 2019	PLANNED RESOLUTION DATE
				<ul style="list-style-type: none"> <li>Update all information on the ICOC 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 and should take no longer than a few months to prepare. Similarly, project status updates should be regularly provided—including budget updates and construction progress with expected timelines for completion.</li> <li>Adjust the ICOC website organization to make it easy to navigate to 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 available information. All files are important, but it is often not easy to differentiate between them, 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 websites with a user-friendly interface in which all information is categorized and presented separately for better navigation.</li> </ul> <p>Additionally, as of June 30, 2019, the Bond Oversight Committee had vacancies. As a best practice, the District should evaluate communications options (i.e., appropriate communication channels) to ensure no</p>	<p>continues to encourage recruitment for CBOC membership.</p>		



FISCAL YEAR	OBJECTIVE NO.	OBJECTIVE TITLE	OBSERVATION THROUGH JUNE 30, 2019	AUDITOR'S RECOMMENDATION THROUGH JUNE 30, 2019	MANAGEMENT RESPONSE PROVIDED ON FEBRUARY 29, 2020	STATUS OF RESOLUTION THROUGH JUNE 30, 2019	PLANNED RESOLUTION DATE
				vacancies within the CBOC consistent with the SDCTA guidance.			
2017–2019	2017 and 2018: 22 2019: 22a	Transparency of Bond Program	Bond Program policies and procedures were not formalized and approved by the Board.	As a best practice, the District should continue to consolidate all Bond Program policies, procedures, and resolutions into one document to ensure effective controls and communication of the policies and procedures and obtain Board approval. This manual should highlight all 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. 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 agrees with this recommendation	<b>Open</b> – The District has taken steps to address the Transparency of Bond Program recommendation provided in the prior year's report. During the current fiscal year, the District made significant progress on drafting the Program Management Plan, as demonstrated in the draft Program Management Plan; however, formalized policies and procedures were not available through June 30, 2019.	Spring 2020
2019	22c	Transparency of Bond Program	The District conducted periodic public outreach for the Bond Program, but did not have an approved formal community outreach and communication plan.	As a best practice, the District should develop a communications strategy and plan for projects for key and public stakeholders. WCCUSD should ensure that there is a clear and consistent message that delivers accurate information on the cost of the project, duration, impact, and benefit. Messaging should be developed with input from various groups within the organization (management, finance, engineering, operations, etc.) to ensure that information is complete and accurate. WCCUSD should review current methods of communication and verify that communications are organized, consistent, timely, and reach the appropriate audience. WCCUSD should	The Bond Program Management Plan details the standard reporting procedures. The District considers additional communication and outreach based on Program and Project needs.	<b>Open</b>	Spring 2020



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				periodically review its communication and outreach plans to determine their effectiveness and make adjustments accordingly for ongoing and future projects.			



## APPENDIX A: LIST OF INTERVIEWEES

The following key WCCUSD personnel were interviewed during the current fiscal year:

- Associate Superintendent of Business Services
- Associate Superintendent Operations/Former Engineering Officer
- Bond Oversight Committee Members
- Director of Contracts Administration
- 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. See [Observation No. 10](#) in the report body for further information.

### 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. The design project manager will 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 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, maintenance, and design teams to identify any ideas with fatal flaws as well as 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 suggested rejections of 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% and 2% 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. See [Observation No. 22b](#) in the report body for further information.

- **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.

