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# Executive Summary

I first started assembling the documents included here (CD or Binder) in January 2015 to give the performance auditors Vavrinek, Trine, Day & Company LLP (VTD), but it wasn’t so much for them, as for the Board of Trustees of the West Contra Costa Unified School District (WCCUSD), and the Citizen’s Bond Oversight Committee (CBOC) associated with its bond program.

 I had hoped that VTD would use the documents given them in more than a cursory way. Like the auditors before them, Total School Solutions, they did not show much understanding, nor interest in the operational issues and complications involved in running a billion dollar bond program, which is not large as such things go, but is large enough.

The Seville Group Inc. (SGI) is the longstanding program management company for the District’s bond program. Since the conviction, but not sentencing, of SGI’s owner, Rene Flores Sr., for corruption, many have thought that similar corruption was happening in this District. Once the District renewed SGI’s contract, or more correctly made a new contract after a period of some years working without one, even with the conviction of SGI’s owner, it confirmed many people’s long standing opinion that something was going wrong with in the bond program.

The question that I have had is not whether the program is run well, or appropriately, or even adequately, it is not, but rather how much of the problems are due to the inevitable problems that arise whenever politics and money intersect, how much is due to incompetence, how much is due to corruption, and how much is due to staff’s desire to hide problems that occur under their watch. I would say that all are true here in this the West Contra Costa Unified School District.

# Vavrinek, Trine, Day & Company LLP

Most of the documents included here are rather dry, many are public documents directly downloaded from the District’s website, and there are no “gotcha’s”, unless you consider the District’s unwillingness or inability to hire a competent performance auditor.

## Change Orders

District management has identified several key issues that they are currently attempting to correct. One of these is our ability to predict cash flows. The problem is that there are numerous proposed change orders (PCO) that have been identified by SGI, but not processed into the District’s contract management software, Primavera.

One of the larger projects with this issue was recently toured by the CBOC, during which the construction manager (CM) claimed the construction contract change orders would come in under 5% of the initial bid. The Contra Costa Times had a reporter attending the tour, and the claim ended up on video at the end of one of their articles. No it won’t. And we now have a second assistant to the CM in order to clear the backlog of unprocessed PCO’s.

In the 2015 updates section the first section is on change orders. VTD did a very nice job of putting into a schedule (except for missing the vendor name and contract number) the change orders that went to the Board for approval. Unfortunately our problem is the potential change orders that didn’t go to the Board.

In spring of 2014 the District’s Primavera Server went down for ten days. The expected change orders from this incident were estimated to be on the order of several hundred thousand dollars. These change orders won’t come in until the end of vendor’s contracts, so are currently uncosted. VTD never talked to the District head scheduler about issues like this they will end up costing the District money.

## Timely Payments.

VTD has a statement at the end of the section on payments (page 48) that “In addition, the payments to the vendors and contractors appear timely”.

In 2014 the District had two high profile vendor disputes affecting the bond program. The first was with CDW Government Inc., who threatened to cut the District off for non-payment, which would be a problem because it is the principle implementer for the District’s WIFI in the schools program. The second vendor issue is the District’s need to change cell phone provider from AT&T. Without knowledge of the specific issues I can say that: it’s not generally considered AT&T’s fault, it inconvenienced employees who had to learn a new operating system, and AT&T hasn’t treated the District the same on our construction projects since then.

In the Check Register section of 2015 Updates, the file Average Days to pay by Vendor.pdf shows that the average invoice payment period is almost 58 days. It was pointed out that there are reasons, including back dating of invoices, that the actual payment time might not be as long shown. It is also true that there are some vendors, such as employees, that bring the average down. SGI, with 11.5% of total invoices, has an average payment period of 24.4 days, even after District delaying paying some invoices for various reasons.

The District’s bond program has not been a timely pay for many vendors, even without considering sub-contractors.

## Munis Project Ledger

The District’s financial system, Munis, has a project ledger that has been badly set up, and has reporting and consistency issues. VDT acknowledged the issue, but ascribed it to Primavera.

* “It was reported that there were approximately 20 master projects reported in the Munis system were not included in the Primavera system, the discrepancy is approximately $6.5 million.”

The amount is wrong, because the project ledger was off $7.7 million, and the reason is wrong because it had nothing to do with the setup of projects in Primavera, because the reporting system reported those costs, whether the projects were set up or not.

VDT also failed to report that the $6.5 million portion of the 2014 project ledger error had doubled to over $13 million at the time they were at the client site. Neither did they discover whether any corrective actions were being taken (they were not).

## Compliance with District Policies and Guidelines

One of the problems District staff has, and one of the reasons for the implementation of the Primavera project management software is that much of the project information has been kept proprietary or private to SGI. There have been two incidents where SGI’s server has gone down and contract information was lost, the second during the time period it was under investigation. The project management software SGI used, though owned by the District, was modified and run by SGI, and was not available to District personnel.

Because of this the District Primavera, a leading project management software sold and supported by Oracle. SGI has been slow to adopt the program, and slower to enforce the use thereof.

During fiscal 2014 the District put together a manual with guidelines and regulations to be followed by the SGI’s construction managers. On rollout of the manual the District had two days of training for the construction managers. At the end of each day the construction managers were tested on the contents of the manual.

The manual states that the CMs are required to do a daily report and log it in Primavera. It also states that all contractor request for information (RFI) that will have a cost effect on the project need to be turned into a potential change order (PCO) with an estimated cost if none is known. Many of SGI’s contract mangers have not been doing either. SGI’s CM supervisor has been heard telling CM’s that they did not need to do either in Primavera (he has since been fired).

One of the problems the Project Mangers (PM), District employees overseeing the work of the CM’s and the projects, is that when they go to verify vendor invoices the appropriate information is unavailable in Primavera.

## Project Budgets

The District has multiple projects that have either no budget, or are under budgeted. Historically the District increased budgets to match actual costs. So when a CBOC member says that we must be doing a good job because the projects finish under budget, he doesn’t realize that under the District’s system projects would always finish under budget.

After calendar 2011 the Board decided to not fully budget ongoing projects, and to not show the entire program budgets for authorization. Since then the budgets, which were already misaligned because the problems with the CAMP report, slowly drifted even more out of alignment.

VDT never seemed to understand that the Board authorizing an annual budget (renewed twice during the year), did not mean that the Board Approved Project Budgets weren’t relevant. They did do some system checking to verify that the project budgets set up in Munis did control spending. That they had no relationship to Board approvals did not seem to matter to them since they documented that managers had to sign off on budget modification.

Currently, there is no system, or process, or individual, responsible or capable of controlling project spending within the limits the Board has approved. The Board does approve all contracts, frequently after the fact as a consent item, and is never told when there is insufficient project budget for a contract.

## Financial Reporting

The issue of financial reporting on the bond program for the bond program is a major issue. Since 2003 I know of only two reports given to the public that I would consider accurate, and both are for a calendar year, not fiscal. The current KPI’s accurately reflect the Munis project ledger, and so is only off by $60 million.

This issue is directly addressed in CAMP Reconciliation, the two Project Ledger Reconciliation sections, and KPI. In CAMP Reconciliation under the documents given to VTD section is “Performance “Audit analysis – 02. This is a document given to Total School Solutions (TSS) showing how the numbers reported by them for the bond program were in error in the tens of millions of dollars. This was done using only documents available from the CBOC website and available to the public. TSS stopped reporting financial information that year. This analysis could have been done by anyone, public or District staff, at any time with similar results.

## Munis

Munis has been setup badly for the purposes of tracking and reporting District project costs, future commitments, and encumbrances. It does not have the ability to control costs to budgets, or payments to contract amounts. It is also difficult for users to tell what a project is, and what projects are set up.

For further details see Encumbrances, Project Numbers, Zovich Contract, in the 2015 Updates section “Msr M – Munis Projects”.

## Opinion of Legality

VDT in the draft audit report uses phrases such as “the District appears to be in compliance with the laws and regulations”, or “the District appears to be in compliance with the requirements of Proposition 39” It’s nice to know that VDT thinks that we are not criminals. Unfortunately we are.

The District has a pattern of decision making outside of public meetings, which may be a technical violation, or may be more serious. In “Bond Program Manger”, “Feb 11 Facilities Sub-Committee”, and “WLC PVHS CO” I provide evidence of separate and independent decision making beyond what is visible to the public.

Mr. Ramsey is known for telling people, “I am the Board”. He is also known for calling staff and consultants multiple times a day. In the 2013 Performance audit, the auditors noted multiple instances of contracts either not being approved by the Board, or bids being canceled without Board approval. I am glad to say that I looked for contracts going forward without Board approval, and didn’t find any. But the reality is that SGI, the District, and vendors treated approval votes in the Facilities Sub-Committee as sufficient.

There is also the matter of recklessness with public funds. As long as I have been involved or aware of the planning process the program has operated on the basis that there was always another bond authorization to finish current projects. It got so bad that by the time 2012-E was approved, the entire amount of the expected bond funds was already needed for the existing 2010-D projects, with some left over for technology projects and administrative costs. This issue of fiscal recklessness is looked at in Bonds, Valley View, and in the 2015 Updates section Master Planning Projects. On matters of public deceptiveness see “Lance Jackson” in the 2015 Updates.

## What now.

Staff has always known something was wrong. Frequently they knew what was wrong. Few wanted to know sufficiently to either be a witness, or have an obligation to report.

I told VDT in February 2015 that I had given them evidence of illegal conduct. I said the Sheri Gamba is guilty of negligence, and that Dr. Harter was guilty of facilitation. I could have said, but did not, that there was evidence of criminal conduct by Charles Ramsey.

I don’t know what the District does about the problems in the bond program going forward. I don’t know to what extent or for how long it will continue. I do know that, given the parameters it is currently operating in, it will end within a few years. At the end, no matter how fine, or how nice, some schools are, it will probably still have a high school that looks like a minimum security prison, and elementary schools with leaky roofs that you wouldn’t want your child to go to.

It didn’t have to be this way.