

TC (16) Work Step

Review and assess the internal controls concerning the District's preparation and distribution of the various financial reports summarizing program expenditures and encumbrances to ensure they are adequate, thorough, transparent and financially sound. Perform a test of these internal controls to assess overall effectiveness **(A)**.⁷⁰

Ensure the bond program financial reports produced by the Executive Director of Business Services (and staff) accurately and completely reflect the financial position of the bond program **(B)**.⁷⁰

(A) Results of Testing – Preparation and Distribution of Financial Reports

This review was limited to the financial reports prepared by and at the direction of the Executive Director of Business Services, Bond Finance (Executive Director).⁷¹

Process for Creating Reports

VLS reviewed the reports prepared by and at the direction of the Executive Director for February 2016 and then traced the reports' distribution forward up to May 2016. During this time period, there was a significant increase in the number of monthly reports added.⁷²

The District has taken the following steps to implement an adequate reporting system:⁷³

- The District has set up the Munis project ledger to be used with the general ledger, and reconciliations between the two ledgers are being done. Performing these reconciliations and making any needed adjustments assures the project ledger is in agreement with the general ledger. However, as discussed in the TC (14) section, these are not performed on a set schedule, and written procedures for this process have not been established. Recommendation TC14-6 was made in section TC (14) related to this concern.

⁷⁰ The letters included in parentheses after each sentence provide a reference to the applicable section in the "Results of Testing."

⁷¹ Although this review was limited to the reports prepared by and at the direction of the Executive Director, because of their importance, Change Order Reports and KPI reports, were included in step A. However, these two reports are prepared by the District's Chief Engineering Officer and not the Executive Director.

⁷² The increase in the number of reports added was the result of the CBOC requesting additional reports from the Executive Director. Please refer to FI (6) section for recommendations related to assessing the value of proposed monthly reporting requested by the CBOC against the ongoing cost of report development and maintenance.

⁷³ The bullets are a summary of some of the results from the testing performed in TC (14). The information is included here for reference as it is directly related to the effective financial reporting of the bond program.

- A common project matrix is being used between Primavera and the Munis ledgers to allow information from these systems to be matched.
- The District has implemented the multi-year feature in Munis, but its functionality for project reporting purposes has not yet been determined. It may not have Facility project scheduling and projection capabilities; therefore, the Primavera scheduling and financial projection capabilities may continue to be needed.
- Currently, project reports are prepared by consolidating information from Munis, Primavera, and Bitech (the District's former accounting system) into a database referred to by District staff as the "Data Dump." This information is then used for project and special purpose reports.

Types of Reports Created for the CBOC

The responsibility of producing financial reports related to the bond program has been placed under the Executive Director, who is a District employee under the Finance Department. The Executive Director indicated that current efforts are primarily addressed to meet the CBOC report requests. Since March 2016 members of staff have been meeting with the CBOC Reports Subcommittee to address reporting requests from the CBOC.⁷⁴ The specific request from the CBOC in February 2016 stated:

"Request Motion: The eleven (11) reports listed below would be the most useful for the CBOC to review monthly at its meetings and that the District be requested to provide these reports monthly to the CBOC:⁷⁵

1. Bond Program Project Status Report
2. Bonds KPI Summary
3. School KPI Budgeted Costs
4. Bond Program to Date
5. Budget Summary FY2016
6. Project Budget Report FY2016
7. Change Order Information – Sub Project Summary
8. Cash Flow FY2016 and FY2017
9. Bond Program Staffing FY2016
10. Bond Program Unencumbered Funds through December 2021
11. Accounts Payable"

Some of the reports listed by the CBOC were already being prepared on a monthly basis and presented to the Facilities Subcommittee (FSC) and to the CBOC. However, the requested reports had a different order of presentation and different names. Members of District staff

⁷⁴ The Reports Subcommittee is designated by the CBOC as an ad hoc subcommittee not subject to Brown Act requirements.

⁷⁵ This information was provided in the CBOC packet for 2/24/2016.

have been meeting approximately twice a month with the CBOC Report Subcommittee and both the number reports and changes to format and content have evolved.⁷⁶ By the 6/22/2016 CBOC meeting, the CBOC had requested that a total of thirteen reports be provided, twelve of the thirteen reports were provided to the CBOC at this meeting, with a note stating that report number 13 would be available in future meetings. This is a report that as of the June 2016, meeting was still being prepared. This report is discussed in more detail in the following section. Please refer to FI 6 section for recommendations related to assessing the value of proposed monthly reporting requested by the CBOC against the ongoing cost of report development and maintenance.

VLS reviewed the monthly reports presented to the CBOC and obtained a copy of the “crib sheet” prepared by a CBOC member to explain the thirteen reports the CBOC wanted presented as discussed in the 6/22/2016 CBOC meeting.⁷⁷ VLS noticed that the CBOC emphasized that it desired the titles of the reports to be as the CBOC had requested, and that the reports be in the order requested when included in the meeting packets. In addition, the CBOC expressed discontent about the budget figures not having been updated in the reports provided. The purpose of the meetings between members of District staff and the CBOC Report Subcommittee is to understand the requests of the CBOC in order to meet the CBOC’s requests for reports.

Types of Reports Created for the FSC and the Board

Some, but not all of the reports submitted to the CBOC are transmitted to the FSC. VLS’s review of Board minutes for March 2016 through June 2016 did not indicate that the financial reports prepared by the Executive Director are being presented to the Board. However, the first and second interim reports provided to the Board include the Building Fund Revenues, Expenditures, and Changes in Fund Balance Report, which is prepared by the Executive Director.⁷⁸ Other reports that the Board receives related to the Bond program that are not prepared by the Executive Director are Construction Project Status reports, and Change Order reports.

Summary and VLS’s Assessment of Adequacy of Reports for Bond Program

The reports prepared and their distribution for the months of February 2016 through May 2016 are outlined in Table 5. These reports included reports provided to the FSC and the CBOC. (The reports provided directly to the Board are discussed separately) The “Meeting Dates” are the

⁷⁶ The members of the District staff holding meetings with the CBOC Reports subcommittee are the following: Executive Director of Bond Finance, District Engineering Officer (attends only certain meetings), Project Analyst, and Facilities Planning and Construction Master Scheduler.

⁷⁷ A “crib sheet,” also known as a “cheat sheet,” is a concise set of notes used for quick reference.

⁷⁸ Local Education Agencies (LEA) such as WCCUSD are required to file two annual reports on the status of the LEA to the California Department of Education. The first interim report is due on December 15 of each year for the period ending on October 31, while the second interim report is due on March 17 for the period ending January 31.

dates when the CBOC or the FSC meeting took place. The “Financial Report Date” is the date of the financial report.

Table 5: Summary of Reports Produced and Provided for Bond Program⁷⁹

Meeting Date	CBOC			Facilities Sub-Committee		
	3/23/2016	5/18/2016	6/22/2016	3/15/2016	5/17/2016	6/21/2016
Financial Report Date	2/29/2016	4/30/2016	5/31/2016	2/29/2016	4/30/2016	5/31/2016
Current Year Financial Reports						
Financial Status Report Fund 21	X	X	X	X	X	X
Financial Status Report Fund 25	X	X	X	X	X	X
Financial Status Report Fund 35	X	X	X	X	X	X
Project Budget Report	X	X	X	X	X	X
Budget Summary 11 Periods			X			X
Special Reports						
Cash Flow through June 2017	X	X	X	X	X	X
Monthly Warrant Listing ⁸⁰	X	X	X	X	X	X
Change Order Reports ⁸¹			X			X
Fund 21 Position Budget for 15-16 and 16-17			X			
Project Reports - Multi-Year						
Bond Program Key Performance Indicator (KPI) Summary		X	X		X	X
School KPI Cost Report	X					
Bond Program Spending by School Site (School Report #2)			X			
Summarized Cost Codes (School Report #3)			X			
Bond Program Spending by Cost Code % Report #4			X			

Generally, the reports listed in Table 5 are categorized as follows:

- **Current Year Financial Reports** – These reports cover current fiscal year activities and not the full length of facilities projects.
 - Financial Status Report Fund 21: This report shows the Bond Fund year-to-date revised budget, month actuals, and year-to-date actuals for revenues, expenditures and fund balances. Information is presented similarly for Fund 25 which is Capital Facilities Fund, and Fund 35 which is County School Facility Fund. This report is adequate for providing a concise view of current year budget and actuals for the bond fund. (Fund 25 and 35 were not assessed as they are not part of the bond program. It is unusual for CBOCs to receive reports for funds outside of their Bond Programs. If the District decides to use the funds from Fund 25 and Fund 35 for expenditures related to the Bond Program, it

⁷⁹ There were inconsistencies in the naming of certain reports from one month to the next, VLS used the title first used for each report for the period reviewed.

⁸⁰ This report is also referred to as the Accounts Payable Check List.

⁸¹ This report is not provided by the Executive Director, instead, this report is provided by the District Engineering Officer. The Facilities Subcommittee received a summarized version of this report.

must be cautious to follow the rules for the expenditures for these funds even if transferred to Fund 21, the Bond Program Fund.

- Project Budget Report: This report shows the Bond Fund year-to-date budget, actuals (expenditures), encumbrance, and balance as a financial summary by school site, project and cost code for expenditures. This is a very detailed report that is typically not provided to CBOCs at this level of detail.⁸²
- Budget Summary 11 periods: This report shows Bond Fund for fiscal year 2015/16 through May 2016 listing budget, actuals (expenditures), encumbrances, and balance as a financial summary by object code for revenues and expenditures. This report was not part of the February 2016 report. This report was part of the June 2016 reporting and it appears to be a restatement of the Financial Status Report that drills down into details for revenues and expenses by object codes and sub-major object codes and includes encumbrances. This report is not something that is typically provided to CBOCs. This report appears to have too detailed information but if it were to be combined with the Financial Status Reports it would be easier to follow the details if this level of information is desired.
- **Special Reports** – These are reports showing activity for the Bond Fund for the months reported.
 - Cash Flow through June 2017:⁸³ This report shows cash flows by object code and ending cash balance for the month. All months of the year to date are listed beginning with beginning cash on July 1. This report shows the cash flows by major object of expenditure and includes a project to the end of the year and through the next fiscal year. This report appears to provide sufficient information on cash flows. It is a useful report for tracking cash flows and cash flow variances.
 - Monthly Warrant Listing: This report shows a listing of the checks (warrants) issued during the month. The warrants listed show the amount of the warrant and not necessarily the amount of the expenditures. For example, if the total expenditure includes amounts designated as contract retention, the warrant only lists the amount issued to the vendor in payment, the remainder of the expenditure (usually 10%) is held with a fiscal agent or in an escrow account

⁸² At the July 2016 CBOC meeting it was stated in the “crib sheet” that these reports would no longer be requested to be provided to the CBOC.

⁸³ This report includes cash flow actuals to date and projected cash flow for future months for two fiscal years, 2015/16 and 2016/17.

depending on the contract terms with the vendor.⁸⁴ This report is, in the opinion of VLS, the most valuable report for the CBOC as it shows what is being spent by invoice. Having this information allows the CBOC to question a particular payment if necessary. VLS was informed that the CBOC's Audit Subcommittee normally selects two invoices related to the payment listed and requests the related support from the District for their review. VLS was informed that the District complies with this request.

- Change Order Report: This report lists change orders for the month by project. Instead of being a single report it is rather a series of reports provided by the District Engineering Officer together with the District Master Scheduler in order to convey change orders to contracts.⁸⁵ It also provides a code explaining the reason for the change order such as unforeseen conditions, owner initiated scope change, and design deficiency and outside agency. This report is useful to the CBOC as they may pose questions related to the reasoning for a change order and become aware of contract amount increases.⁸⁶
- Fund 21 Position Budget for 15/16 and 16/17:⁸⁷ This report shows the District employee positions charged to the Bond Program, the FTE charged to the Bond program and the annual cost.⁸⁸ The report also shows the contract employees and their hourly rates. This report would be useful if there are concerns over the number of staff supporting the Bond Program. This report would be more useful on a quarterly basis rather than a monthly basis as it gives a snapshot of District staffing for program administration. It was noticed that the District Master Scheduler was not listed. If the CBOC is to receive this report moving forward, it would be prudent to include all District employees, District consultants working on the Bond Program, as well as contract employees providing services to the Bond program. For example, the master scheduler should be included in this report as well as the construction manager for any project such as Pinole Valley.

⁸⁴ Retentions are explained in the KPI Summary report as follows: The District retains up to ten percent of payments on construction contracts, and frequently makes payments to vendor trust accounts for the retained amounts. The trust accounts are reported as cash on the District's financial records.

⁸⁵ This report is not prepared by the Executive Director.

⁸⁶ This report is not provided by the Executive Director, instead, this report is provided by the District Engineering Officer. The Facilities Subcommittee received a summarized version of this report.

⁸⁷ The CBOC in its request on 2/24/2016 had requested the title of this report to be "Bond Program Staffing FY2016."

⁸⁸ FTE stands for Full-Time Equivalent, for example one employee working full time equals one FTE.

It should be decided whether the construction manager for Pinole Valley High School project should be included in this report.⁸⁹

- **Project Reports Multi-Year** – These reports reflect program activities for the full length of the Bond Program and require both the capture of prior year and current year data.
 - **Bond Key Performance Indicator (KPI) Summary:** This report shows details about the bond measures, such as what voters approved, bonds issued and bond payments. It also includes information about other non-bond sources of revenue that are eligible to use in the Bond Program. This report is prepared by the District Engineering Officer. This is a very useful and informative report as it shows the bonds that have been authorized, the debt payments, and the portions of the bond that have not yet been issued. It also shows funds from other sources for the year and prior years, gives a program summary, and also states the average monthly spending. This report is so informative that the District may consider displaying table one of this report on its website for the Bond Program.
 - **School KPI Cost:** This report shows by school site, the budget, actual expenditures, encumbrances, and balance. This report is a summary of spending by site.⁹⁰ If this report is continued to be provided, it may benefit from a revision by presenting the actual expenditures through the prior year in a separate column and an additional column for expenditures for year to date. Additionally, the report lists encumbrances for amounts that may instead be referenced as commitments.⁹¹
 - **Bond Program Spending by School Site (Report #2):** This report shows by school site, the original budget, current budget, actual expenditures, encumbrances, and balance. This report is not something that is typically provided by CBOCs. It appears to be a report that is provided as a topic of interest and it is not clear as to where this report will evolve as it seems to be in the developing stages.
 - **Bond Program Summarized Cost Codes (Report #3):** This report shows original budget, current budget, actual expenditures, and balance by cost codes. This report is not something that is typically provided to CBOCs. It appears to be a

⁸⁹ VLS was informed that although the report submitted in June failed to list certain positions, all positions were listed in this report as provided to the CBOC in the August 2016 meeting.

⁹⁰ This report was provided to the CBOC as of 2/29/2016. After this date it was not provided.

⁹¹ As discussed in section B of this work step, a commitment listed in these types of reports usually should show the full contract commitment while the encumbrance is part of the commitment and includes the amounts committed for that fiscal year only.

report that is provided as a topic of interest and it is not clear as to where this report will evolve as it seems to be in the developing stages.

- Bond Program Spending by Cost Code (Report #4): This reports shows by cost codes the current budget, actual expenditures, and remaining balance. This report is not something that is typically provided to CBOCs. It appears to be a report that is provided as a topic of interest. The CBOC's reports subcommittee is working on providing greater clarity as to how this report could be used.

Summary of Reports Provided to the Board

The District Board is provided the first and second interim reports which include the Building Fund Revenues, Expenditures, and Changes in Fund Balance Report, which is prepared by the Executive Director. The first and second interim reports are high-level District-wide financial reports, which are provided two times during the year. Local Education Agencies (LEAs), such as WCCUSD, are required to file two annual reports on the status of the LEA to the California Department of Education. The first interim report is due on December 15 of each year for the period ending on October 31, while the second interim report is due on March 17 for the period ending January 31. As stated, a report for the Building Fund is part of this District-wide report.

The District Board is also provided a monthly construction Project Status reports. This report shows active construction projects and lists the location and name of the project, the scope, construction status, contract status, period progress, anticipated progress for next period, duration of project, and percentage of work completed. This report is prepared by the Construction Manager.⁹²

One more report the District Board is provided is the monthly Change Order report which is also prepared by the District Engineering Officer. This report lists the monthly change orders that are over 10% of the original contract or are over \$250,000.

Status

As stated in the section above, some of the reports being prepared for the CBOC by and at the direction of the Executive Director are still in the development stage. Looking forward, the proposed schedule for the new Master Plan, which was presented to the FSC in July 2016, envisions incurring expenses on 12 school projects in addition to Pinole Valley High School in fiscal year 2016/17, with eight more projects planned through June 2023. In addition, there are two projects pending completion in October 2016, and there are pending potential change orders for the Korematsu Middle School project. There is also planning and administration associated with the bond program, and the financial reporting system(s) need to be able to accommodate these two areas. See TC16-1 for recommendation related to this area.

⁹² SGI is the Construction Manager for the remaining projects other than Pinole Valley High School. The Construction Manager for Pinole Valley High School is Roebbelen Contracting Inc.

The Master Plan schedule through June 2023 used projections of cash receipts and expenditures to test the viability of the proposed schedule with anticipated available resources. Since these are projections of future events, there will need to be updates to these projections as more current and better information becomes available. These projections are an important planning tool when updated on a regular basis and when major events occur that impact either revenues or expenditures. The District has about 20 projects that include Pinole Valley, which will have to be delegated to the program managers at the regional level. The vendor that is going to manage the Pinole valley project, for example, will need to have that information as the project manager should be held accountable for the budget, and she or he should have the necessary information to manage the budget. See TC16-2 for recommendation related to this area.

It appears that the projection of cash receipts and expenditures on which the proposed Master Plan schedule through June 2023 is based has not been shared with the FSC, or the CBOC. This is an important planning tool and should be presented to all three bodies since it underlies the basis and assumptions for implementing District plans. However, it should be recognized that projections will change, and the projections should be updated and re-shared periodically. The information in the projection of cash receipts and expenditures, on which the proposed Master Plan schedule is based, appears to be similar to the report requested by the CBOC as of the 6/22/2016 CBOC meeting. This report was requested to be provided on a monthly basis as report number 13 “Bond Program Unencumbered Funds Through December 2012.”⁹³ The request by the CBOC is that this report be provided on a monthly basis; however, VLS believes that a report of this nature provided on a monthly basis is too frequent to be useful. As readers may become accustomed to the budget figures in this report not changing monthly, they may stop paying attention to it. Instead, this report should be provided in the same frequency that the master planning projects are updated or annually. (More often if there are significant changes in funding or projected cost.) The District should decide on the format of the report and the timing for periodic updates. See TC16-3 recommendation for this area.

Assessment by VLS

- The District has set up the Munis project ledger to be used with the general ledger, and reconciliations between the two ledgers are being done. Performing these reconciliations and making any needed adjustments assures the project ledger is in agreement with the general ledger. However, as discussed in the TC (14) section, these are not performed on a set schedule, and written procedures for this have not been established. A related recommendation was made in TC14-6.
- It appears that the projection of cash receipts and expenditures on which the proposed Master Plan scheduled through June 2023 is based has not been shared with the Board, the FSC, or the CBOC. This is an important planning tool and should be presented to all

⁹³ “2012” is not a typographical error by VLS. VLS believes that the title is supposed to be “...Through December 2021.”

three bodies since it underlies the basis and assumptions for implementing District plans. This report should be provided in the same frequency that the master planning projects are updated or annually. (More often if there are significant changes in funding or projected cost.) The District should decide on the format for the report and the timing for periodic updates. See TC16-3 recommendation for this area.

- The reports being prepared for the CBOC by and at the direction of the Executive Director are still in the development stage and report contents and distribution are subject to change as the processes and reports evolve. Based on the content of the 8/11/2016 CBOC agenda there is not yet consensus between the CBOC and the District regarding the reports naming, presentation, format, and content. Internal conflicts and personality clashes also seem to be slowing the development of reports. The report development process is ongoing and not yet ready for testing. See TC16-4 for recommendation related to this area. Please refer to FI 6 section for recommendations related to assessing the value of proposed monthly reporting requested by the CBOC against the ongoing cost of report development and maintenance.
- The types of reports and the frequency of the reports submitted to the FSC appear to be consistent and predictable.
- While VLS found that the monthly reports prepared by the Executive Director were not presented to the Board, it appears the Board does receive the first and second interim reports containing the Building Fund Revenues, Expenditures, and Changes in Fund Balance report along with substantial briefings and action items related to the Bonds Program.

(B) Results of Testing - Assess Whether These Reports Accurately and Completely Reflect the Financial Position of the Bond Program

Internal Consistency Tests

To test the internal consistency of the reports VLS performed the following tests on the reports submitted to the CBOC and the FSC in the month of May 2016.

- For the current year reports, VLS assessed whether total expenditures and encumbrances in the Fund 21 Financial Status, the Project Budget Report, and the Budget Summary 11 Periods Report were in agreement. For total expenditures we found the reports in agreement in all cases.

Accuracy Test

To test the accuracy of the reports provided by the Executive Director to the CBOC and the FSC, VLS tested the reports provided to the CBOC and the FSC in the month of March 2016.⁹⁴

⁹⁴ These reports covered the period through 2/29/2016.

- Financial Status Report Fund 21:⁹⁵ VLS noticed that the beginning fund balance stated as of July 1, was \$84,274,449, and showed an audit adjustment of (\$2,403,615).⁹⁶ This indicates that the beginning balance at 7/1/2015 was \$81,870,884,⁹⁷ while the compliance audit report as of 6/30/2015 listed \$78,734,836 or a difference of \$3,136,049.⁹⁸ The reason for this difference is that the bond related revenues are not included in the Bond Program compliance audit, but they are shown in the Financial Status Report. The amount of Bond related revenues object code 9790 equals the difference of \$3,136,049. This is not an issue; however, in order for this information to be presented more clearly to the readers, the Financial Status Report should include an explanation. This explanation should indicate that the amounts listed for fund balance for July 1, are different from the amounts shown for fund balance in the Bond Program compliance audit report as of June 30, due to the inclusion of bond related revenues in the Financial Status Report. See TC16-5 recommendation for this area.
- Financial Status Report Fund 21:⁹⁹ The Year-to-Date actual revenue and expenditure amounts were compared to the general ledger that VLS had been provided. The general ledger included revenues and expenditures up to 2/29/2016, which was the same date of the report. VLS noticed that the amounts listed in the Year-to-Date actual revenue and expenditures reflected the amounts shown in the general ledger.
- Project Budget Report: The actual expenditures listed in this report were also compared to the general ledger and no differences for actual expenditures for the fiscal year were noticed between the general ledger and the Project Budget Report.
- Cash Flow through June 2017:¹⁰⁰ VLS noticed that the beginning fund balance stated as of July 1 was \$96,781,503, which was different from ending cash balance shown in the compliance audit report as of 6/30/2015 of \$95,180,264. This is a difference of \$1,601,239.¹⁰¹ The reason for this difference is that the cash from bond related

⁹⁵ Only reports for Fund 21 were analyzed as only Fund 21 is part of the Bond Program. Reports for Fund 25 and 35 were not analyzed.

⁹⁶ It was noticed that the Financial Status Report Fund 21 for January 2016, had failed to include this audit adjustment.

⁹⁷ The calculation is the following: \$84,274,499 - \$2,403,615 = \$81,870,884.

⁹⁸ The beginning balance for the 2015/16 fiscal year should match the ending balance of the 2014/15 fiscal year. The calculation is the following: \$81,870,884 - \$78,734,836 = \$3,136,049.

⁹⁹ Only reports for Fund 21 were analyzed as only Fund 21 is part of the Bond Program. Reports for Fund 25 and 35 were not analyzed.

¹⁰⁰ This report includes cash flow actuals to date and projected for future months for two fiscal years, 2015/16 and 2016/17.

¹⁰¹ The calculation is the following: \$96,781,503 - \$95,180,264 = \$1,601,239.

revenues, object code 9790 and the cash from “undistributed,” object code 0000, are not included in the Bond Program compliance audit, but they are shown in the Financial Status Report. The amount of cash in County Treasury for Bond related revenues, object code 9790 equaled \$3,136,049 as of 2/29/2016, while the Cash for “undistributed,” object code 0000 equaled (\$1,534,809) as of 2/29/2016. These amounts combined total the difference of $\$3,136,049 + (\$1,534,809) = \$1,601,240$.¹⁰² This is not an issue, however, to be more clear, this report should include an explanation that the amounts for beginning cash for July 1, are different than the amounts shown in the Bond Program compliance audit report for year ended 6/30/2015, due to the inclusion of bond related revenues and undistributed amounts into this report.¹⁰³ See TC16-5 recommendation for this area.

- Cash Flow through June 2017: Within this report, VLS noticed that the ending cash as of the end of January 2016 did not match the beginning cash stated as of February 2016. Ending cash as of January 2016 showed \$36,091,406, while beginning cash as of February 2016 showed \$33,687,792. This is a difference of \$2,403,614.¹⁰⁴ This difference was due to an audit adjustment posted. Per discussion with the Executive director, this report was originally not designed to include audit adjustments, thus the reason for the difference noticed. According to the Executive Director, once this issue was discovered the format of this report was changed to include (audit) changes to Fund Balance that affected cash. See TC16-7 recommendation for this area.
- Monthly Warrant Listing (Accounts Payable Check List):¹⁰⁵ In this report, VLS noticed that the amount listed as a grand total for the month of February 2016 in the warrant listing did not match the total listed for expenditures in the general ledger for the same month. Upon further review it was noticed that the amount recorded in the warrant listing for payments to certain vendors was less by 10% than the amount recorded in the general ledger. It was communicated by the Executive Director that the warrant listing shows the amount of the check issued to the vendor while the general ledger shows the entire expenditure.¹⁰⁶ This is not an issue, however, the Monthly Warrant Listing, should

¹⁰² There is a \$1 rounding difference.

¹⁰³ VLS did not review bank statements or bank statement reconciliations for the months listed in these reports.

¹⁰⁴ The calculation is as follows: $\$36,091,406 - \$33,687,792 = \$2,403,614$.

¹⁰⁵ The Monthly warrant listing includes only payments to vendors and does not include payments for Bond Program classified salaries or payments for employee benefits.

¹⁰⁶ Standard industry practice for construction contracts allows payment withholdings (retentions) to: 1) be deposited in an escrow account with a financial institution at the time progress payments are made or 2) be accumulated and held by the contracting party (the District). Additionally, Subsection “Payments and Contractors” of the District’s Administrative Regulation 3314 addresses retention withholdings.

make it clear that the amount shown does not include retention withholdings. See TC16-6 recommendation for this area.

Other Items Noticed

Common Core Technology Budgets: The District has allocated \$35 million for Common Core Technology and assigned budget responsibility outside the Facilities Department. VLS notes that this allocation is not consistently reported in project reports. In the Bond Program Spending to Date by School Site Report, the budget is shown under Administration/Other as Information Technology with a \$35 million budget and expenditures of \$12,137,437 as of the end of June 2016. See Figure 2 for this information as it was provided to the CBOC and the FSC for period ended 6/30/2016. The Bond Program Summarized Cost Codes Report does not appear to separate Common Core Technology and reports these costs within school sites combined with other technology expenditures. The Summarized Cost Code Report appears to show a budget of \$15 million with expenditures of \$17,218,841. See Figure 3 for this information as it was provided to the CBOC and the FSC for period ended 6/30/2016. Accountability would be improved if these costs and budgets were consistently grouped together in accordance with budget responsibility. See TC16-8 for recommendation related to this area.

Figure 2: Bond Program Spending to Date by School Site¹⁰⁷

		West Contra Costa Unified School District Bond Program Spending to Date by School Site June 30, 2016			Report # 2
Schools	Original Budget	Current Budget	Actuals	Encumbered	Balance
High Schools					
De Anza HS	105,389,888	131,730,043	132,007,640	457,860	(735,457)
El Cerrito HS	93,605,815	149,047,560	144,429,810	252,451	4,365,299
Greenwood Academy / LPS	35,315,772	80,181,895	79,410,138	363,790	407,968
Hercules HS	12,603,343	30,403,028	4,068,686	18,000	26,316,342
Kennedy HS	89,403,130	38,395,795	34,408,975	687,942	3,298,878
Mid College HS	0	0	27,333	0	(27,333)
Pinole Valley HS	124,040,286	216,549,580	38,466,677	137,045,951	41,036,952
Richmond HS	94,720,910	58,523,927	20,530,283	2,368,815	35,624,829
Vista HS	3,568,208	6,701,320	7,481,165	0	(779,845)
High Schools Total	558,645,352	711,533,148	460,830,709	141,194,808	109,507,632
Closed Schools/Programs					
Adams MS	703,660	690,082	691,211	0	(1,129)
Cameron	284,012	284,012	242,138	0	41,874
Castro	11,901,504	651,957	620,944	0	31,013
Delta NSS	152,564	152,564	152,226	0	338
El Sobrante	187,343	505,382	536,231	0	(30,849)
Harbour Way Com Day	121,639	121,639	121,944	0	(305)
Kappa NSS	109,809	109,809	109,831	0	(22)
North Campus	169,849	201,662	492,569	0	(290,907)
Omega NSS	117,742	118,638	118,313	0	325
Seaview	178,534	510,649	499,116	0	11,533
Sigma NSS	110,728	110,728	110,949	0	(221)
Trans Learning Center	118,020	118,020	118,673	0	1,347
West Hercules Elementary	0	216,685	56,847	0	159,838
Closed Schools/Programs Total	14,155,404	3,791,827	3,868,993	0	(77,166)
Administration/Other					
Central	67,713,312	69,924,746	85,244,563	1,483,418	(16,803,235)
Information Technology	35,000,000	34,770,000	12,137,467	214,061	22,418,472
Alvarado Adult Ed	0	0	167,323	0	(167,323)
Richmond College Prep	8,148,550	4,663,308	4,415,204	0	248,104
Serra Adult Ed	0	0	204,212	0	(204,212)
Administration/Other Total	110,861,862	109,358,054	102,168,769	1,697,479	5,491,807
Grand Total	1,261,854,248	1,793,765,815	1,340,322,589	150,414,683	303,028,543

¹⁰⁷ As presented on Bond Program Spending to Date by School Site Report (Report #2) on 7/27/2016 to the CBOC.

Figure 3: Bond Program Summarized Cost codes¹⁰⁸

West Contra Costa Unified School District					Report # 3
Bond Program Summarized Cost Codes					
June 30, 2016					
Projects	Original Budget	Current Budget	Actuals	Balance	
752 – Printing Costs	0	0	1,518,880	(1,518,880)	
756 – Security	0	0	215,395	(215,395)	
764 – Other Services	0	0	450,810	(450,810)	
District Costs	0	0	21,220,838	(21,220,838)	
832 – Supplies, FF&E	0	0	346,207	(346,207)	
840 – Consultants	0	0	1,286,294	(1,286,294)	
844 – Fiscal Audit	0	0	1,152,739	(1,152,739)	
848 – Performance Audit	0	0	2,806,156	(2,806,156)	
852 – Legal Fees	0	0	6,338,491	(6,338,491)	
856 – Bond Finance Consultant	0	0	407,089	(407,089)	
860 – Bond Issuance	0	0	4,926,232	(4,926,232)	
864 – Other Bond Costs	0	0	2,338,270	(2,338,270)	
868 – Other Services	0	0	1,819,382	(1,819,382)	
Staff	0	0	16,914,737	(16,914,737)	
828 – Administrative Support Staff	0	0	16,914,737	(16,914,737)	
Technology	15,000,000	14,770,000	24,135,780	(9,365,780)	
516 – Technology	0	(230,000)	2,847	(232,847)	
720 – Technology	0	0	6,914,092	(6,914,092)	
836 – Technology	15,000,000	15,000,000	17,218,841	(2,218,841)	
Administration Total	102,713,312	104,694,746	97,382,030	7,312,716	
Grand Total	1,261,854,248	1,793,765,815	1,340,322,589	453,443,226	

Liabilities, Encumbrances and Commitments - There may be some misunderstanding in the reports use of the term “encumbrances.” Both the current fiscal year reports and the multi-year reports use this term but there are significant differences in meaning. The “crib sheet” from the 6/22/2016 CBOC minutes, characterized encumbrances as “liabilities that are not yet actual expenditures.”¹⁰⁹ The more common accounting use is that encumbrances are for contractual work not yet done which is expected to be completed in the current fiscal year. This would be reflected in current year reports only. For multi-year reports the term “commitments” is normally used. This would include all the contractual work the District is currently committed to over the life of the project and not just what is expected to be completed during the current year. Multi-year project reports do not completely reflect the current position of the District if “commitments” are not included. For example, Figure 4 details the Bond Program Spending to Date by School Site report as of 6/30/2016 and lists the large Pinole Valley High School projected cost of \$137,045,951 as an encumbered amount, when this amount would be more appropriately listed as a “committed” amount. After assessing how to present commitment

¹⁰⁸ As presented on Bond Program Summarized Cost Codes (Report #3) on 7/27/2016 to the CBOC.

¹⁰⁹ As mentioned, the “crib sheet” was created by a CBOC member intending to provide clarity as to the meaning of the reports.

amounts, the District should consider providing a legend as to the meaning of each column listed in this report in order to provide the clarity needed for the report to be understood. See TC16-9 for recommendation related to this area.

Figure 4: Example of the Use of the Term “Encumbered”



West Contra Costa Unified School District
Bond Program Spending to Date by School Site
June 30, 2016

Report # 2

Schools	Original Budget	Current Budget	Actuals	Encumbered	Balance
High Schools					
De Anza HS	105,389,888	131,730,043	132,007,640	457,860	(735,457)
El Cerrito HS	93,805,815	149,047,560	144,429,810	252,451	4,365,299
Greenwood Academy / LPS	35,315,772	80,181,895	79,410,138	363,790	407,968
Hercules HS	12,603,343	30,403,028	4,068,866	18,000	26,316,342
Kennedy HS	89,403,130	38,395,795	34,408,975	687,942	3,298,878
Mid College HS	0	0	27,333	0	(27,333)
Pinole Valley HS	124,040,286	216,549,580	38,466,677	137,045,951	41,036,952
Richmond HS	94,720,910	58,523,927	20,530,283	2,368,815	35,624,829
Vista HS	3,566,208	6,701,320	7,481,165	0	(779,845)
High Schools Total	558,645,352	711,533,148	460,830,709	141,194,808	109,507,632

Cash-Flow Projections- It appears that the Cash flow projection for the large Pinole Valley project is based on the bid received. The bid price appears to be spread evenly over the 30 months of the project. Given the size of this project, it would be prudent for the Chief Engineer and the Construction Manager to review these projections in light of the schedule of values from the contractor and other more current information to assess if adjustments may be necessary. Figure 5 lists cash flow predictions for the January through June of fiscal year 2016/17. See TC16-10 for recommendation related to this area.

Figure 5: Sample of Cash Flows for Disbursement for Part of Fiscal year 2017¹¹⁰



Fund 21 Cash Flow July 2016
Fiscal 2017

Object	January	February	March	April	May	June
A. BEGINNING CASH	\$ 89,998,534.23	\$ 83,906,152.85	\$ 77,776,271.46	\$ 71,650,390.08	\$ 66,353,841.70	\$ 60,336,793.31
B. RECEIPTS						
Other Local Revenue 8600-8799	37,500.00		4,000.00		29,500.00	0.00
All Other Financing Sources 8930-8999						
TOTAL RECEIPTS	37,500.00	0.00	4,000.00	0.00	29,500.00	0.00
C. DISBURSEMENTS						
Classified Salaries 2000-2999	124,518.00	124,518.00	124,518.00	124,518.00	124,518.00	124,518.00
Employee Benefits 3000-3999	57,038.00	57,038.00	57,038.00	57,038.00	57,038.00	57,038.00
Books & Supplies 4000-4999	627,916.00	627,916.00	627,916.00	627,916.00	627,916.00	627,916.00
Services 5000-5999	421,454.18	421,454.18	421,454.18	421,454.18	1,171,454.18	1,171,454.18
Capital Outlay 6000-6999	5,381,703.12	5,381,703.12	5,381,703.12	4,548,370.12	4,548,370.12	4,548,370.12
Interfund Transfers Out 7600-7629						
TOTAL DISBURSEMENTS	6,129,881.38	6,129,881.38	6,129,881.38	5,296,548.38	6,046,548.38	6,046,548.38
D. BALANCE SHEET TRANSACTIONS						

¹¹⁰ This image was copied from the report as provided to CBOC on 7/27/2016. VLS acknowledges that the image quality is poor.

Internal Controls Related to Budgeting – For Discussion of whether budget figures reflect the financial position of the Bond Program, please refer to TC (6) section for a thorough discussion on detailed budget preparations. Refer to TC (5) section for a discussion on budget amounts as it pertains to the Master Planning budgeting process; and to FI (2) section for a discussion on budgets provided to the Board.

Assessments by VLS

- The reports tested for consistency all appeared to be in agreement.
- The beginning fund balance and beginning cash balance provided in the reports as of 2/29/16, appeared to be reflective of the ending balances shown in the Bond Program Compliance Audit, after accounting for items related to Bond related and undistributed revenue. (These two sources of revenue are not part of the Bond compliance Audit.
- Reports do not contain footnotes or legends that would help the reader understand the information provided. See TC16-6 for recommendation related to this area.
- The cash flows report contained one error in stating an ending cash balance for the month of January.¹¹¹ See TC16-7 for recommendation related to this area.
- Allocation for Common Core Technology budgets is not consistently reported between reports. See TC16-8 for recommendation related to this area.
- Reports use the term “encumbered” and/or “encumbrances” to refer to items that are more commonly reported in standard accounting definitions as “commitments.” See TC16-9 for recommendation related to this area.
- Cash flow projections for expenditures appear to be presented evenly or close to evenly, and may need to be assessed and adjusted based on schedule of values for existing contracts. See TC16-10 for recommendation related to this area.
- Refer to TC (6) section for discussion on detailed budget preparations; to TC (5) for a discussion on budget amounts as it pertains to the Master Planning budgeting process; and to FI (2) for a discussion on budgets provided to the Board.

New Score

Medium

¹¹¹ Some of the reports tested also had the word “February” misspelled.

Recommendations (A)

TC16-1. The financial reporting system(s) should include projections related not only to the construction related cost and master planning, but also cost related to the planning and administration associated with the bond program in order to provide a complete picture of projected expenditures.

TC16-2. The District should ensure that as construction projects are delegated to program managers at the regional level, they are provided with the projections of cash receipts and expenditures related to their specific construction projects. As updates are made to these projections, those updates should be shared with the project managers at the regional level, as they will need sufficient information to enable them to manage the budget for the project.

TC16-3. Share updates to program cash flow projections used in determining the schedule for the new Master Plan with the Board, the FSC, and the CBOC. This should be done on a periodic basis determined by the District in a format selected by the District. This report appears to be similar to the report number 13, which was requested by the CBOC as of the 6/22/2016 meeting.

TC16-4. Once consensus is reached between the CBOC and the District regarding the report naming, presentation, format, and content; and once report development is finalized, develop written procedures for the preparation and distribution of reports so that processes can continue when there are changes in personnel. The written procedures should include the following:

- a. Identify the type of reports to be generated.
- b. Indicate the interval with which reports should be generated, such as monthly.
- c. Require that the Executive Director of Business Services, Bond Finance reviews the reports prior to distribution to other management, staff, or other users.
- d. Identify the individuals that should receive the reports generated and the process for communicating questions or comments back to the Bond Finance department.

Recommendations (B)

TC16-5. Include footnotes in the Financial Status Reports and Cash Flow Reports to explain any differences that can be expected when attempting to compare the beginning balances (for items such a beginning cash balance and beginning fund balance) listed in these reports to the same items' ending balances reported in the Bond Program compliance

audit report for the prior year.¹¹² Furthermore, include footnotes, notes, or legends necessary to help report readers understand information provided in the reports submitted to the FSC and the CBOC.

TC16-6. Include a footnote in the Monthly Warrant Listing reports to explain that the amounts listed in this report are not the total expenditure listed in the general ledger; as this report shows the amount of the check issued to the vendor and does not include not include retention withholdings piece of the expenditure. Additionally, this footnote should explain the meaning of retention withholdings.

TC16-7. Implement a review process prior to finalizing reports. This process should include mathematical, spelling and grammar accuracy verification.

TC16-8. Report the Common Core Technology budget in a consistent manner across reports

TC16-9. Consider using the term “commitments” instead of “encumbrances” when referring to amounts for contractual work the District is currently committed to over the life of the project.

TC16-10. Review Cash Flow projection for Pinole Valley High School in light of the schedule of values from the contractor for this project to assess if adjustments may be necessary in presenting this projection.

Additionally, refer to section TC (5) for TC5-1 and TC5-2 recommendations regarding budgeting procedures related to master planning.

Refer to section TC (6) for TC6-7, TC6-8, and TC6-9 recommendations related to budget preparation and reporting.

Refer to section FI (6) for FI6-1 recommendation related to assessing the value of proposed monthly reporting against the ongoing cost of development and maintenances.

Refer to section FI (6) for FI6-3 recommendation related to ensuring that Bond Program resources are not being used to support the CBOC.

¹¹² As discussed in the Accuracy Test section of this work step, there were differences identified between these reports and the Performance Audit report. These differences are because the Financial Status Reports and Cash Flow Reports list the entire Fund 21 activity, which includes bond related revenues accounts and undistributed amounts accounts as well as Measures D and E accounts, while the Performance audit is strictly for Measures D and E only.

Response by District**Recommendations (A)**

The District is in agreement with Recommendations (A) [TC16-1 through TC16-4].

Recommendations (B)

TC 16-5: The District has been very clear that the Financial Status Reports and the Cash Flow Reports represent Fund 21 in total. The Bond Program compliance audit has been presented as only including Measures D and E.

The District agrees with the recommendations. TC16-6 through TC16-10. The District has made the recommended changes in TC16-6.

VLS's Assessment of District Response

VLS acknowledges that the District is in agreement with the recommendations made by VLS for recommendations TC16-1 through TC16-4 and for recommendations TC16-6 through TC16-10.

VLS acknowledges the District response for TC16-5 that Financial Status Reports and the Cash Flow Reports represent Fund 21 in total, while the Bond Program compliance audit report clearly states being limited to Measures D and E. However, VLS continues to encourage the District to include footnotes, notes, or legends necessary to help report readers understand information provided in the reports submitted to the FSC and the CBOC. For example, a simple note stating that in addition to accounts for Measures D and E, which are the subject of the performance audit, Fund 21 includes bond related revenues accounts and undistributed amounts accounts.

VLS commends the District for having implemented recommendation TC16-6; however, VLS has not verified that this recommendation has been implemented.