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**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**

**REPORT TO MANAGEMENT  
MEASURE M AND D GENERAL OBLIGATION BONDS**

**FOR THE YEAR ENDED  
JUNE 30, 2004**

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**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**  
*Certified Public Accountants and Management, Systems and Financial Consultants*

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21250 Hawthorne Boulevard  
Suite 500  
Torrance, California 90503  
(310) 792-7001  
(310) 792-7068

**THOMPSON, COBB, BAZILIO & ASSOCIATES, PC**  
*Certified Public Accountants and Management, Systems, and Financial Consultants*

21250 Hawthorne Boulevard  
Suite 500  
Torrance, CA 90503  
310-792-7001  
Fax: 310-792-7068

1101 15<sup>th</sup> Street, N.W.100  
Suite 400  
Washington, DC 20005  
203-737-3300  
Fax: 203-737-2684

100 Pearl Street  
14<sup>th</sup> Floor  
Hartford, CT 06103  
203-249-7246  
Fax: 203-275-6504

Ms Ruth Vedovelli  
Associate Superintendent – Business Services  
West Contra Costa Unified School District  
1108 Bissell Avenue  
Richmond, California 90802

Dear Ms. Vedovelli:

In planning and performing our audit of the bond measures M and D of West Contra Costa Unified School District (The District) for the year ended June 30, 2004, we considered the internal control over financial reporting solely for the purpose of determining the nature, timing and extent of auditing procedures necessary for expressing our opinion on the Schedules of Assets and Liabilities and Revenues and Expenditures. Although our audit was not designed to enable us to provide assurance on the effectiveness of internal control over financial reporting, we noted certain matters involving internal control over financial reporting, and we are submitting for your consideration related recommendations designed to help the District make improvements. Our comments reflect our desire to be of continuing assistance to the District.

The accompanying comments and recommendations are intended solely for the use of management.

*Thompson, Cobb, Bazilio & Associates, PC*

Torrance, California  
November 21, 2004

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We have completed our audit of bond Measures M and D of West Contra Costa Unified School District as of and for the year ended June 30, 2004, and have issued our reports thereon dated November 21, 2004.

The following information summarizes the key findings and results of our audit for the fiscal year ended June 30, 2004.

**FINDING 2004-1**

**Strengthen Controls  
Over Cash Disbursements**

In our review of the internal controls over cash disbursements charged to bond Measures M and D, we noted the following:

- Most purchase orders were dated and authorized subsequent to the invoice date. The untimely processing of documentation for board agenda and negotiation of contracts causes services to be rendered prior to board approval. For fiscal year ending 2004, we noted 5 exceptions in the 5 items tested. This condition was identified in our audit of the prior fiscal years. See: Prior Year Finding 2003-01, below.

The lack of proper authorization prior to purchase of goods or services can lead to inappropriate or unapproved charges to the District's bond program.

**RECOMMENDATION**

1. The District should take the necessary steps to ensure that authorized purchase orders exist prior to items being purchased or services being performed to substantiate the proper authorization of cash disbursements.
2. Facilities management should strengthen controls over timelines of placing contracts on board agenda and signed by the contractor prior to the contractor providing services

**DISTRICT RESPONSE**

The District has been working and will continue to work with personnel and vendors to help assure that all transactions are authorized and approved prior to work being performed and/or goods being delivered.

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**FINDING 2003-1**

**Strengthen Controls  
Over Cash Disbursements**

In our review of the internal controls over cash disbursements charged to Bond Measures M and D, we noted the following:

- In some instances the Director of Purchasing approves the purchase order contract and also signs invoices for payment against that purchase order.
- Most purchase orders were dated and authorized subsequent to the invoice date. The untimely processing of documentation for board agenda and negotiation of contracts causes services to be rendered prior to board approval. For fiscal year ending 2001, we selected 5 items for testing and noted 5 exceptions. For fiscal year ending 2002, we noted 16 exceptions in the 23 items tested. For fiscal year ending 2003, there were 10 exceptions in the 25 items tested.

The lack of proper authorization prior to purchase of goods or services can lead to inappropriate or unapproved charges to the District's bond program.

**RECOMMENDATION**

1. The District should take the necessary steps to ensure that authorized purchase orders exist prior to items being purchased or services being performed to substantiate the proper authorization of cash disbursements.
2. Facilities management should strengthen controls over timelines of placing contracts on board agenda and signed by the contractor prior to the contractor providing services.
3. Controls should be established to ensure that the person initiating a Purchase Order does not authorize payment.

**DISTRICT RESPONSE**

In the future, the signing invoices to document authorization for payment on contracts will be completed by someone other than the Director of Purchasing (Contracts Officer). The District has been working and will continue to work with personnel and vendors to help assure that all transactions are authorized and approved prior to work being performed and/or goods being delivered.

**STATUS OF FINDING**

Many of the conditions that resulted in this finding still exist. Please see the current year finding on Page 3 of this report.

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**FINDING 2003-2**

**Maintain Central  
Contract Files**

The District did not have an effective centralized system for maintaining contract files and documentation to support competitive processes. Although complete and centralized files were not maintained, we were able to locate all required information either at the District's Purchasing office or at the Facilities Operations Center. However we noted the following weaknesses in the District's filing system:

- Project contract files were not maintained in one file at one central location. Various pieces of documentation were located in multiple files at multiple locations.
- Documentation to support that contracts issued to firms providing architectural and program management was issued under a fair competitive process was not easily accessible and was not maintained in a central location.
- As required by the Public Contract Code, piggyback bid documentation and documentation to support board approval must be maintained. Source documentation could not be located in the District files. As a result, the District had to contact the originating public agency and obtained the required piggyback contract documentation and authorizations for our examination.
- The District does not maintain documentation in the vendor file to support not going to bid for sole source purchasing.
- There was no documentation to support that the District went to bid for goods purchased from Troxell Communications. The Director of Purchasing indicated that this was a vendor of choice by the District.
- We were not provided information to support that an executed contract with National Econ Corporation for \$51,313 was ever completed or the board resolution adopted. The payment of \$51,313 may have been made under a District purchase order but the district provided no contract. The District indicated that this was an emergency situation; however, it was not documented in the District files.

**RECOMMENDATION**

1. The District's program bond management consulting firm is in the process of implementing a new system that will provide better and more complete access to contract documentation. The District should follow-up to ensure that this new system is established.
2. The District must follow procurement procedures in accordance with Public Contract Code and maintain all support for bidding in a manner that is easily accessible, including appropriate piggyback bid documentation from the originating public agency.

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3. All documentation related to the selection process for all contracts should be maintained. A checklist of the requirements should be maintained to ensure all requirements are followed for purchases subject to public bid requirements.
4. Documentation should be maintained to support any rationale that limited competition in those cases where competition was limited.
5. The District should ensure that piggyback bids are board approved.

**DISTRICT RESPONSE**

The development and implementation of a comprehensive central filing system is in process. The District will continue to work with staff and vendors to assure that this important system meets the needs of the District and is implemented in a timely manner. The District has developed a checklist that will be used to document that all required elements and other purchasing information has been received and appropriately filed prior to awarding a contract. District personnel will make every effort to assure that all approvals and actions are completed prior to the issuance of a contract.

**STATUS OF FINDING**

Sufficient remedial procedures have been implemented and the conditions that resulted in the finding did not exist for the fiscal year ended June 30, 2004.

**FINDING 2003-3**

**Strengthen Change  
Order Procedures**

During our review of the District's change order process, we noted the following internal control deficiency:

- Significant change orders do not have cost/price analysis and a determination that prices are fair and reasonable.
- Prior to work being performed by the contractor, the District did not always approve change orders. One contractor started and completed one significant change order without District approval. The District never approved change order number 1 to the Albay Construction contract for \$101,101.

**RECOMMENDATION**

1. The District should perform cost/price analysis and determination that prices are fair and reasonable for all significant change orders.
2. The District should advise all contractors that no payment would be made for work performed under a contract change order that has not been approved by the appropriate school District official. This letter should identify who at the District

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has the authority to sign contract change orders and at what dollar thresholds they are authorized to approve.

**DISTRICT RESPONSE**

The District has revised its change order procedures in conjunction with the beginning of construction of the Measure M Phase 1A campuses. These procedures require that a preliminary evaluation of the change order request be made prior to authorizing work to begin. This evaluation includes a review of the reasons for the change order request as well as the estimated costs.

**STATUS OF FINDING**

Sufficient remedial procedures have been implemented and the conditions that resulted in the finding did not exist for the fiscal year ended June 30, 2004.