
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

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

**FOR THE YEARS ENDED
JUNE 30, 2001, 2002 and 2003**

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Ms Ruth Vedovelli
Assistant Superintendent
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 years ended June 30, 2001, 2002 and 2003, 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 Revenue 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.

Torrance, California
November 21, 2003

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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 years ended June 30, 2001, 2002 and 2003 and have issued our reports thereon dated November 21, 2003.

The following information summarizes the key findings and results of our audit for fiscal years ended June 30, 2001, 2002, and 2003.

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

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assure that all transactions are authorized and approved prior to work being performed and/or goods being delivered.

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

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- accessible, including appropriate piggyback bid documentation from the originating public agency.
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.

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

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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.

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BEST PRACTICE RECOMMENDATIONS

The following information summarizes best practice recommendations for fiscal years ended June 30, 2001, 2002, and 2003.

- District employees that may sign purchase orders on behalf of the Director of Purchasing should sign their own name and not the name of the Director of Purchasing. The Director of Purchasing has designated purchasing personnel to sign his name and initial their name on his behalf during his absence. We recommend that the District make these personnel authorized signers of purchase orders and have them sign their own name or have them review purchase order, initial and submit to another District Administrator that is authorized to sign purchase orders.
- The wording of the District's policy does not specifically include the word **competitive**. The policy wording requires a fair selection process for contracts for architectural or engineering contracts. The California Government Code 4529.12 requires a fair **competitive** selection process. Our review of contract documentation showed that contracts were being issued and administered under a fair **competitive** selection process, but we are recommending that the District revise the wording of the District's policy and procedures to include the word **competitive** to reflect that the District does comply with the California Government Code.
- Currently, the district sets contracts for architectural and contract management prices based on the final construction value of such projects. Such contracts do not encourage contractors to find less costly facility designs. The Office of Public School Construction's cost containment guidelines also advises Districts that this is not the best practice. We recommend that District contracts be based on cost estimates and the contracts include clauses that provide incentives to these contractors to reduce project cost.
- The District has used the practice of letting construction contracts with contingency allowances for contract growth. The contract value consisted of the base contract value, a contingency allowance and an overtime allowance. We believe these contingencies could provide an expectation for contract growth and recommend that this procedure not be used in the future. The District indicated that there were compensating controls to ensure that the contingency allowance was only used when change orders were agreed to and authorized by the District. The District also indicated that this practice is not being used on the full site construction projects.