

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

MEASURE D AND MEASURE M

PERFORMANCE AUDIT

JUNE 30, 2003

**DISTRICT STATUS REGARDING
FINDINGS AND RECOMMENDATIONS**

AS OF JUNE 15, 2005



**TOTAL SCHOOL SOLUTIONS
2969 VISTA GRANDE
FAIRFIELD, CA 94534**

TABLE OF CONTENTS

<u>Section</u>	<u>Page</u>
State New Construction Eligibility	1
Bond Management Plan	2
Master Architect/Engineer Plan	3
Standard Construction Documents	5
Design and Construction Schedules	6
Design and Construction Cost Budgets	7
Compliance with State Funding Formulas	8
Compliance with District Policies and Guidelines	9
Bidding and Procurement Procedures	10
Change Order and Claim Procedures	12
Procedures for Claim Avoidance	14
Payment Procedures	17
Best Practices for Procurement of Materials and Services	19
Scope, Process and Monitoring of Participation by Local Firms	21
Effectiveness of the Communication Channels among All Stakeholders within the Bond Program	22
Overall Bond Program	24

STATE NEW CONSTRUCTION ELIGIBILITY

Recommendation (Page 13)

It is unclear at this time whether state funds would be maximized under the individual or combined attendance area approach. It is recommended that updated SAB 50-01/02/03 eligibility documents be prepared after the 2003-04 CBEDS enrollments are available. It is further recommended that the District use the appropriate filing method to maximize state funding.

District Status

The District has fully complied with this recommendation by submitting updated SAB 50-01/02/03 documents on August 19, 2004, based on 2003-04 CBEDS enrollments. The updated eligibility documents resulted in significantly reduced new construction eligibility. Eligibility for grades 9-12 in the Hercules High School attendance area decreased from 1,570 to 1,008. The Pinole Valley High School attendance area no longer has any new construction eligibility; therefore, applying on a combined attendance area approach is no longer an option.



BOND MANAGEMENT PLAN

Finding/Recommendation (Page 25)

The scope of services provided by the bond program manager (The Seville Group, Inc.), the master architect (WLC) and the project architects overlap to some extent, contributing to a duplication of effort and confusion regarding areas of responsibility and accountability. The District should review the contract with the bond management team and identify overlapping areas in order to eliminate any duplication of efforts.

District Status

The District has substantially complied with this recommendation. The District, SGI and WLC reviewed their respective roles and responsibilities, culminating in separate contracts being executed in December 2004. In addition, the District added bond management employees, reassigned design phase work from WLC to Don Todd Associates, and augmented SGI's CM staff by contracting for additional CM services with Amanco, RGM and Van Pelt. The effectiveness of the new delineation of roles and responsibilities will be reviewed during future performance audits.

MASTER ARCHITECT/ENGINEER PLAN

Finding/ Recommendation (Page 27)

The master architect arrangement can create the impression that the bond management team functions in a District staff role. This potential for confusion of roles places the master architect in the difficult position of providing services beyond the scope of the contract without payment, declining to provide services, or providing additional services for additional fees. The ambiguity with the master architect contract can cause stress or conflict between the architects and the District. District staff and the leadership of the bond management team should meet regularly to review work in progress, future planned work and the scope of provided services. Such meetings may help avoid, eliminate or mitigate confusion regarding the division of duties, roles and responsibilities between District staff and consultants.

District Status

See "District Status" section under "Bond Management Plan" immediately above.

Finding/ Recommendation (Pages 27-28)

Two architectural firms under one contract have created, or have the potential of creating, uncertainty in the division of roles, duties and responsibilities. The situation is further complicated when WLC functions as the architect of record for a specific project. A regular cycle of meetings with staffs of the District, SGI and WLC would be an important step toward a common understanding of roles and a clear delineation of responsibilities.

District Status

See "District Status" section under "Bond Management Plan" in the previous section.

Finding/ Recommendation (Page 28)

The current projects have included numerous addenda when they were bid. These addenda have caused significant changes to the bid documents, particularly in the front-end documents. These frequent changes lead to confusion in the bidding process, which typically results in a lower number of bids and/or higher priced bids. Bids should be invited only after plans and specifications are finalized. Addenda should be kept to a minimum and utilized only when necessary.

District Status

The District has substantially complied with this recommendation. The finding cited was based on M-1A projects bid during the audit period up to June 30, 2003. The District subsequently updated its standard construction documents for M-1B projects bid between April and June 2004, with significantly improved control over the bidding process and quantity of addenda.

Finding/ Recommendation (Pages 28-29)

Two architectural firms under one contract also create a conflict of interest when one of the firms reviews the work of its partner. This managerial arrangement in the bond management team can weaken the normal system of checks and balances usually found in school facilities projects. SGI should not participate in the constructability review process when WLC functions as the architect of record. In this case, the District should engage an independent architect to conduct the constructability review, and SGI should credit the District the full value of the independent review.

District Status

This finding and recommendation have been resolved with the bifurcation of the SGI and WLC contracts in December 2004.

STANDARD CONSTRUCTION DOCUMENTS

Finding/ Recommendation (Pages 31-32)

A significant number of addenda were utilized in the initial projects for which bids had already been invited. It is understood that the addenda were issued because some of the standard documents were in development and unavailable at the time these projects were bid. The numerous addenda led to some confusion in the bidding process. Such confusion often results in higher bids and/or claims during the course of a project. Future projects should not be bid until contract documents are sufficiently developed to keep addenda to a minimum.

District Status

See status of the third finding ("District Status") in the preceding section.

DESIGN AND CONSTRUCTION SCHEDULES

Finding/ Recommendation (Pages 33-34)

The Measure M and Measure D master schedule indicates that bidding for the first nine (9) elementary schools (Phase 1A) would occur by April 2003, with mobilization in June 2003 and commencement of construction by the end of June 2003. Bid results indicate that this timeline was not adhered to. The bond management team should publish updated schedules to reflect adjustments necessary in the process. The bidding process of future projects should be initiated earlier, making allowances for variances and unexpected delays in the bidding and construction processes while adhering to the published schedule to the extent possible. Updated schedules should be forwarded to all parties affected by these schedule changes.

District Status

The District has fully complied with this recommendation in the bidding process for M-1B projects, which occurred on schedule between April and June 2004, with few problems. The M-1B bidding process had fewer addenda, fewer (and lower cost) alternates, and, to date, apparently fewer change orders. Additionally, all M-1B projects were issued notices to proceed by July 7, 2004, and are on schedule for occupancy by the fall of 2005.

DESIGN AND CONSTRUCTION COST BUDGETS

Finding/ Recommendation (Page 36)

The entire scope of Phase 1A projects has exceeded their cumulative original budgets by 43.79 percent. The original budgets for Phase 1B projects have increased by 53.92 percent. These increases are primarily due to the board's determination of "Option 1C" as the District's facilities standards. The budgets for Phase 1A and Phase 1B projects have been adjusted accordingly. The board considered the option of maintaining the cost of the entire program within the projected available revenues through the "Zero Option." It was decided, however, to pursue a significantly higher standard, acknowledging that the delivery of the entire facilities program depends on the development of additional revenue sources in the future. It is recommended that the bond management team ensure that District standards are met, but not exceeded, through a systematic assessment of the project scope for each project.

District Status

The District has substantially complied with this recommendation. The development of standard construction documents and the addition of Don Todd Associates to the design phase work have led to more control over adherence to District standards, resulting in lower variances between budgets and bids, as well as fewer alternates and change orders.

Finding/ Recommendation (Page 37)

The inclusion of additive and deductive alternates in bids can have a considerable negative impact on facilities budgets. It appears that the District's absence of standards to guide the individual project architects in the development of Phase 1A projects may have contributed to the budget variances. Since a decision has been made to follow Option 1C standards and since the District intends to meet and maintain those standards in all projects, it is recommended that the use of alternates in the bid specifications be reduced substantially or eliminated.

District Status

The District has fully complied with this recommendation. See "District Status" in previous section.

COMPLIANCE WITH STATE FUNDING FORMULAS

Finding/ Recommendation (Page 43)

Facilities project files are not maintained in a central location and appear to be in disarray. For this reason, information needed for the performance audit was not readily accessible. It was necessary to identify specific data needs and request the necessary documents from District staff or the WLC/SGI team. It is recommended that the District, in conjunction with the WLC/SGI team, develop a central filing system to ensure that all documents are properly categorized, filed and controlled. (It should be noted that during the period of this performance audit, the Facilities Operations Center was undergoing a major renovation. Part of that renovation was the creation of a central depository for all documents. It should also be noted that the District, in conjunction with WLC/SGI, is developing a computerized system, Project Solve, which will contain many of the documents in electronic format once it is fully implemented. This step would help ensure that all documents are accessible when needed.)

District Status

The District has made significant progress in complying with this recommendation. The renovated Facilities Operations Center included greatly enhanced central file storage areas for physical plans, specifications, bid documents, etc. However, all materials are not totally organized, and the space is insufficient to store all materials produced as new projects are developed, and consultants continue to maintain files under their exclusive control, including housing some files off-site. Further, the Project Solve (PS) system is still evolving, and many documents are not yet in the PS system. By the completion of consultant contracts, all documents should be completely transferred to District control.

COMPLIANCE WITH DISTRICT POLICIES AND GUIDELINES

Finding/ Recommendation (Page 46)

Due to ever-evolving state statutes and local changes, it is important for District policies and procedures to be updated regularly. The current policies and regulations do not reflect recent changes in law. It is recommended that the District utilize model policy and procedure documents developed by the California School Board Association (CSBA), the Association of California School Administrators (ACSA), the California Association of School Business Officials (CASBO) or policies and procedures developed by other school districts in order to update and develop new board policies and administrative regulations related to the facilities program for the West Contra Costa Unified School District.

District Status

The District has made minimal progress in complying with this recommendation. A new Administrative Regulation (AR) on Williams settlement requirements has been adopted, and the "10 percent" change order regulation is undergoing review. However, most of the ARs date back to 1989 and 1996, and many new ARs included in "model" documents prepared by state organizations are needed locally to reflect changes in California law.

BIDDING AND PROCUREMENT PROCEDURES

Findings (Page 48)

The boilerplate was not ready during the job walk. Legal counsel was still revising the boilerplate at the time of the bids, and the bid boilerplate had to be sent as an addendum. Several bids had at least eight (8) addenda. This piecemeal approach to bidding is likely to cause confusion over how a contractor can bid on a project, resulting in higher bid prices and increased exposure to claims against the District.

During June 2003, the purchasing department's and SGI's filing systems were not appropriately organized. Upon investigation, it was discovered that the bond management team was in the process of organizing the filing system, and many project files were still kept in boxes. Retrieving files was difficult and time-consuming.

The bids opened in June did not have contracts signed until August, delaying construction until late August or September. Because of this delay, some scope of work had to be changed to accommodate the presence of students at the school sites. This change may or may not have caused an impact on schedules or budgets. However, there was no explanation for the delayed contract approval.

Recommendations (Pages 48-49)

It is recommended that that boilerplate language be complete and in place prior to the bidding if the bond management team intends to start construction during the summer. Summer is the prime time for construction work because students and staff are generally not on campus. It is important in the next round of bidding to take full advantage of the summertime, so demolition and abatement of hazardous materials can occur without disruption to the educational process and with a minimum risk of exposure to students and staff.

It is recommended that the purchasing department develop a process to have complete bid documents turned over upon the completion of each facilities project. After closeout, there might be warranty issues where bid information, general conditions and subcontractor lists may be useful to the purchasing department.

It is recommended that bid documents, contracts and all other pertinent project information be filed and organized in an accessible and centralized storage area. Indices and other identifying tools should be utilized to assist in retrieval. Better archival of records will help prepare for Office of Public School Construction (OPSC) required progress reports. Improper filings with OPSC could result in unwarranted financial sanctions.

It is recommended that the bond management team actively solicit bids, recruit and attract qualified contractors to create competition and better pricing.

It is recommended that the District spread bid openings out to avoid competition among its own projects. The concentrated schedule of bid openings creates competition among the

District's own projects. Bidders have limited resources and may be discouraged from submitting bids or may use a higher bid amount to cover uncertainties involved in preparing multiple bid packages.

District Status

The District has substantially complied with the recommendations, as discussed in the above "District Status" sections, particularly related to M-1B projects.

The District has pre-qualified general contractors and engaged in extensive outreach efforts to the local contracting community. Because of the need to initiate construction of M-1B projects during the summer, bids for the 8 M-1B projects were concentrated over a two-month period.

CHANGE ORDER AND CLAIM PROCEDURES

Findings (Page 52)

It has been observed that some RFIs took up to three weeks to respond to. While the policy is to respond in 72 hours, certain decisions require reviews from other consultants. There are occasions when a contractor is not aware that several reissues have to take place before a response could be prepared.

Of the consultants and staff interviewed, only a few knew about the board policy on change orders. While this may be a weakness, the principles used by all consultants in controlling change orders remain the same.

When interviewed, the consultants claim not to be familiar with Public Contract Code Section 20118.4, which cites the procedure to bid and to make alterations to the original contract. This code, however, is cited in each contract's general conditions.

Some engineers do not have the PS2 software and have to transmit their information by fax. Some contractors are using the system more than others depending on a particular contractor's comfort level with computers. This inconsistent use of PS2 creates two different systems for RFIs and is less efficient than having all contractors use the PS2 system.

Recommendations (Pages 52-53)

It is recommended that the board set a contingency budget that includes soft costs for the purpose of budget control. A smaller percentage should be used as the change order allowance because of the exponential nature of change orders. Architects are paid a percentage of total construction, including the costs of change orders excluding any work due to errors or omissions. Other consultants, such as inspectors, also benefit from the contract increases.

It is recommended that the procedure set by the general conditions for Requests for Information (RFI) be observed and reviewed consistently to avoid any misinterpretations or misunderstandings. The procedure is quite detailed and requires an RFI to reference all applicable contract documents including specification sections, page numbers, drawing numbers and sheet numbers.

It is recommended that the bond management team follow up with written documentation for the times when verbal authorization is given to a contractor to start additional work. Verbal authorizations are only effective for changes relatively minor in scope and which do not affect other work. For changes that require complicated calculations and engineering, work should not proceed unless authorization is given in writing and clear drawings are present. It is recommended that the bond management team and the District decrease the time lapsed between a change order request and the approval to proceed.

It is recommended that future projects include a thorough examination of hazardous materials to avoid unexpected but preventable costs associated with overlooked hazardous material discoveries.

It is recommended that the District's legal counsel review the board policy on change orders exceeding 10 percent of the original contract. Public Contract Code Section 20118.4 cites that the board may authorize the contractor to proceed with the performance of changes or alterations without the formality of securing bids if the cost agreed upon does not exceed 10 percent of the original contract or the bid limit. All District consultants must be asked to observe this code and to notify the District when potential change orders cumulatively exceed 10 percent of the value of the contract. Change order status and costs must be discussed with the District's fiscal team weekly to keep projects on budget.

Because of the delegated authorization to approve change orders, it is recommended that the board be informed of the type of change orders encountered and the difference between the actual cost and the original budget. The report may serve as an accountability tool as well as a vehicle for information for the community.

It is recommended that architects and other consultants provide a separate fee structure for change orders.

District Status

The District has substantially complied with the recommendations, as discussed in the "District Status" in the previous sections, particularly related to M-1B projects. The change order process has been revised and has been reported to be working effectively. Improvements include standard procedures for managing and tracking change orders through PS2, upgrades to the contractors' general conditions related to work stoppage and liability, and better written change order directions to contractors. However, while M-1B projects to date are experiencing fewer change orders and the change order procedure is working effectively, there remains a potential problem associated with the "10 percent" rule previously discussed, which is being addressed.

PROCEDURES FOR CLAIM AVOIDANCE

Findings (Pages 56-57)

A few architects reported that the District vacillated with some of the specifications causing changes to the bid documents. Project architects had to redo some of the schematic drawings already provided by the master architect. Some issues reported by the project architects include different ground specifications requiring new topographic surveys, re-shooting grades, and re-engineering of mechanical specifications, among other things.

Bid documents were not completed in a timely manner by the District's legal counsel prior to the job walk and were made available through the addendum process. There were numerous addenda released for some of the projects. Interviewed architects claimed to struggle with incorporating the boilerplate into the bid documents. A few architects felt that four months for design development was inadequate. This complaint is not uncommon by the project architects dealing with high intensity and expedited processes. Numerous bids were opened within days of each other, potentially decreasing the pool of bidders.

The timeline for the prequalification process is inadequate to perform a thorough verification of information. Also, bidders who may feel intimidated by the timeline and the number of addenda might find preparing answers to prequalifications tedious. In the current market, where demand exceeds the supply of good contractors, contractors can forgo bids. Because of the litigious environment, the prequalification process can only disqualify the blatantly egregious contractors, while mediocre contractors may still be able to qualify.

The arrangement for master inspector and master environmental consultant appears to be creating a duplication of tasks. If not tracked or controlled carefully, confusion may arise. Project staff may also think that some work is the responsibility of the lead staff, and vice versa, causing omissions of necessary work. This structure may result in mistakes and claims.

Contractors interviewed were asked to provide a recovery schedule, but it appears that such schedules have not been developed.

The use of PS2 is both a problem and an opportunity for the architects. All of the contractors have been trained in its use. Internet connectivity has been provided to each construction trailer. This standardization of communication helps reduce time delays and facilitates the process. Yet problems with PS2 exist, including occasional system breakdowns and its lack of universal use. A few architects feel that the software is cumbersome and that it takes longer to do a simple task. They also feel that the format of information delivered on PS2 is not specific enough and that messages sent via email with the tag line "no reply" may give an impression that no reply is needed. PS2, however, does provide a reminder to the architect after three (3) days. There are existing technical difficulties, but the bond management team is in the process of resolving these issues.

Recommendations (Pages 57-58)

It is recommended that the bond management team make every effort to understand the drawings and specifications, including the scope of work and how it affects the schedule for each project. Thorough knowledge about projects affords the construction manager better control of the project, thereby shortening response timelines on RFIs. Knowledge of drawing details also prevents contractors from proposing inappropriate or costly solutions to issues that may be resolved in other ways.

It is recommended that addenda be kept to a minimum. The District should clarify, review and publish complete bid documents to prevent bidders from becoming discouraged about the bidding process. Drawings should be complete, corrected and approved by the Division of State Architect prior to conducting the bid process to avoid confusion and inflated pricing. The constructability review is a necessary process and should continue with all new projects to minimize errors or omissions. Architects should verify sites by conducting a general walkthrough to compare the prepared schematics with actual conditions. Because existing as-built drawings are known to lack information, this verification can provide better interpretation and compensate for the loss of information, reducing the likelihood of claims due to misinformation.

It is recommended that the District expedite the execution of contracts and control other time elements, such as the timeline for negotiating and bargaining of change orders.

It is recommended that the project managers ensure that a recovery schedule is submitted promptly for review and approval for projects. This schedule will prevent contractors from taking advantage of discrepancies in drawings due to unforeseen conditions.

It is recommended that District staff and the bond management team build a relationship where information is readily given and accessible, and there is consensus-building. Dispute resolution involves a balance of fairness and firmness, and this method of handling disagreements is often more efficient and less costly for all parties if an agreement cannot be reached through negotiation.

It is recommended that the bond management team further standardize documentation to protect the District from claims.

It is recommended that one department be designated to archive and control all documents. Procedures should also be developed to prepare for the turnover of documents at the end of each project. Files should be kept and organized to allow for easy retrieval of reports, research or audits. (Such filing systems may also assist in answering a dispute or contractor's claim.)

It is recommended that the bond management team continue to require AutoCAD for drawings, so the District can update drawings in the future to reflect the modifications made prior to the next modernization and minimize occurrence of unforeseen events in the future construction projects.

It is recommended that the bond management team extend the five (5) day prequalification timeline to ten (10) days. The extended time will provide staff adequate time to ensure that prospective bidders are scrutinized thoroughly.

It is recommended that a clear delineation of roles and responsibilities be established to avoid redundancy and omissions.

It is recommended that further training be conducted in the PS2 system in an effort to move toward uniformity in RFIs. At some point, key District personnel should consider enforcing this process as the only acceptable process for RFIs.

District Status

The District has substantially complied with the recommendations, as discussed in the above "District Status" sections. The roles and responsibilities of SGI and WLC have been clarified and separate contracts have been negotiated. Additional CM services have been assigned to construction projects. Standard construction documents have been updated. Bid addenda on M-1B projects were greatly reduced over M-1A projects. The contractors' general conditions related to work stoppage and liability have been upgraded. Change order directions to contractors were better written. Document filing and control has improved with central file areas at the FOC and the use of PS2.

The number and cost of change orders on M-1A projects has been excessive, due mostly to unforeseen circumstances and environmental issues. Further categorization and analysis could better reveal causes, allowing the District to take better preventive measures on future projects. The District has addressed many of the environmental deficiencies by employing new environmental consultants, but environmental and soils issues continue to seriously impact projects under construction.

PAYMENT PROCEDURES

Findings (Pages 59-60)

The requests for payment received by the accounting office do not have complete backup documentation. For example, the contract is not always kept with the copy of the purchase order to verify the contracted amount for non-construction invoices. Some of the backup documentation does not clearly explain changes in the purchase orders.

Board policy allows payment of up to 10 percent of the contract amount without seeking board approval. One of the Quick-Start projects included construction at nine (9) schools. A change order occurred for this project; and while the change order did not exceed 10 percent of the total contract, the change order amounts at some of the individual schools in that project have exceeded 10 percent.

It was discovered that invoices were not being processed in a timely manner. Some invoices have approvals signed thirty (30) to sixty (60) days after the invoice date. There were numerous invoices dated prior to the receipt of a purchase order by accounts payable from the purchasing department.

Recommendations (Page 60)

It is recommended that the District make an effort to avoid the use of confirming purchase orders. Whenever possible, a purchase order should be processed and issued prior to the performance of work. Instead of confirming purchase orders, the use of open purchase orders might be a better vehicle for certain vendors that have frequent business with the District. However, it must be noted that open purchase orders require detailed backup information and consistent approval processes to avoid misuse or duplicate payments.

It is recommended that the District and its consultant make an effort to expedite the approval of invoices. Because accounts payable cannot process the invoice until all approvals are received, late approvals are affecting the processing of payments. When payments are not timely, vendors and contractors are more likely to factor in a higher margin. Timely payments also encourage bids from high-quality contractors.

It is recommended that the 10 percent contingency allowance be restricted for emergency and unforeseen needs. Change orders should be controlled by each project site so that the maximum savings may be reached.

Because the county does not audit payments, it is recommended that the District conduct self-audits to ensure complete documentation with each payment request. Backup documentation should be required for all change orders detailing reasons for the change, with an itemization of labor and material costs. Bid numbers should be noted on all purchase orders. It is also recommended that payment files include pertinent information such as payment bonds, performance bonds and insurance certificates in the event of financial claims.

It is recommended that the District take steps to improve communication between the purchasing and facilities departments. Instituting a monthly reconciliation meeting between these two departments should be considered.

District Status

The District has made some progress in complying with the recommendations, but additional effort is needed to ensure that timely payments of invoices are made while proper controls are maintained. Procedures have been developed to ensure that backup material is included with purchase orders. Internal weekly meetings are held to review the status of purchase orders and invoices. Because the District and SGI use two different accounting systems, regular meetings are held to reconcile the accounts.

While efforts have been made to improve the payment process, the second annual performance audit (June 30, 2004) revealed that considerable delays in paying invoices still existed. These payment delays continued to exist at the time of the second midyear report (December 31, 2004). The District is studying the payment process to determine how to best make procedural changes without sacrificing quality control.

BEST PRACTICES FOR PROCUREMENT OF MATERIALS AND SERVICES

Findings (Pages 63-64)

It has been found that confirming purchase orders were issued by the bond management team, which might not have had a previous review or approval from the purchasing department. Confirming purchase orders can be effective in cases where time is of essence, and a proper mechanism of accounting for pre-approved costs is in place. Without proper controls in place, confirming purchase orders may not be the best choice. Accounts payables staff reports that confirming purchase orders hinders its ability to process payments in a timely fashion.

The use of numerous addenda in bids already released to the public may cause confusion on the part of the bidders, especially if the addenda change critical components of the standard construction documents such as the boilerplate language.

The bid boilerplate was reviewed and revised by District's legal counsel in January 2003 for public work bids under Measure M and Measure D bonds. The boilerplate was not fully ready prior to the pre-bid meeting and had to be issued as an addendum.

Board Policy 3310 (c) appears to be in violation of Public Contract Code Section 20118.4, which allows changes to the original contract up to, but not exceeding, 10 percent of the bid limit for public works without bids. This statute requires that anything over the limits set by Public Contract Code must be publicly bid.

Recommendations (Page 64)

It is recommended that board revise its policy language for procurement to set bid limits at the current standard set by the Public Contract Code. Such action would allow the flexibility to implement a more realistic bid threshold given the rising costs of products and services.

It is recommended that District staff and the bond management team have language for bid documents finalized before releasing them for bidding.

It is recommended that the District make an effort to avoid the use of confirming purchase orders. Whenever possible, a purchase order should be processed and issued prior to the performance of work.

It is recommended that the District make an effort to expedite the payments. Because accounts payable cannot process the invoice until all approvals are received, the late approvals affect the processing of payments. When payments are not timely, vendors and contractors are more likely to factor in a higher cost. Timely payments also encourage competition from more contractors.

It is recommended that payment files include information such as payment bonds, performance bonds and insurance certificates.

District Status

The District has made significant progress in complying with the recommendations. Legal language in bid documents was updated to reflect new contract requirements before bidding M-1B projects. All M-1B architectural plans were completed and stamped by DSA before bidding, resulting in greatly reduced addenda during the bidding process. The District bidding process was changed from a two-step blind bid to a low base-bid method. By including a broader scope of work within the base bid, the District reduced the number of bid alternates.

The "10 percent" change order limit conflict between Board Policy 3310 (c) and Public Contract Code 20118.4 discussed in earlier sections continues to exist. The District and legal counsel are reviewing this issue.

SCOPE, PROCESS AND MONITORING OF PARTICIPATION BY LOCAL FIRMS

Finding/ Recommendation (Page 73)

There is no consistent, ongoing review process in place to monitor and review the share of work assigned to local firms. Despite the legal issues involved in public contracts, progress has been made in allocating work to local contractors, consultants and vendors. Without a consistent oversight mechanism, these gains might be lost. It is recommended that the District consider establishing a process to provide continual monitoring of the processes that enhance local vendor participation in the school facilities improvement projects.

District Status

The District has made significant progress in complying with the recommendation. The District hired Davillier-Sloan, Inc. (DSI) to administer the Labor Compliance Program and to oversee a local program to ascertain which services local vendors and the labor pool can provide. The District also formed a Local Advisory Committee consisting of local community stakeholder groups. Additionally, the bond management team provided training and guidance to local firms interested in bidding on public works projects. To establish a list of potential local firms, DSI reviewed 6,000 local firms, selected 3,500 that might be eligible for participation in the District's facilities bond program, and sent letters to those 3,500 firms. The letters yielded 160 responses in 14 categories of services.

The combined effort of the District, bond management team, and consultant resulted in a comprehensive program to identify local capacity and provide opportunities for local firms and employees to participate. The effectiveness of the outreach program will continue to be a topic of future performance audits.

EFFECTIVENESS OF THE COMMUNICATION CHANNELS AMONG ALL STAKEHOLDERS WITHIN THE BOND PROGRAM

Findings (Page 77)

The principals of the schools not currently undergoing modernization have an inadequate level of awareness about the facilities program, nor does it appear that this group is satisfied with the overall public outreach campaign.

The community, in general, does not appear to be adequately informed of the rationale of board decisions and their impacts on the facilities program, including increased project scopes and budgets.

A few civic leaders, including some city officials, do not appear to be knowledgeable and well informed about school facilities issues that local city governments face as a result of city-approved residential growth.

The communication between the bond management team (specifically SGI staff) and District departments needs improvement. The set of information sent to the departments for processing must be timely, accurate and complete.

Recommendations (Page 77)

It is recommended that the District consider conducting a comprehensive information program to keep all principals informed of the District's facilities improvements. A well informed principal is likely to educate and inform his or her respective school community more effectively than centralized efforts to do the same.

The District should consider conducting a parent outreach campaign directly through school newsletters or direct mailing. The District should also consider making presentations to school site councils and soliciting school site council and PTA officers to assist in reaching out to their parent communities.

The District should take measures to inform the community of the chronology of events and decisions that have resulted in the increased scope and costs for almost every project. A question/answer format may be an effective tool in disseminating this information within the broader school community.

The District should consider conducting informational workshops and seminars to educate and inform stakeholders and decision-makers who can significantly impact the planning, financing or construction of school facilities.

The bond management team should obtain clarification on the expectations of the accounting, finance and purchasing departments and provide the necessary documentation to facilitate the processing of payments to contractors and vendors.

District Status

The District has made solid progress toward compliance with the recommendations. The District has hired Craig Communications to perform a comprehensive public outreach campaign at numerous District schools, which has included informational meetings, postcard campaigns, newsletters and brochures. The District's newsletter, Apple Bite, sometimes includes bond program information. In addition to a District website, the District maintains websites on the bond program and the bond oversight committee. The District Board of Education holds joint meetings with the Citizens' Bond Oversight Committee once or twice a year. The District continues to conduct presentations with city agencies and communities to inform them of facilities plans and progress.

While those closest to the bond program—Board members, District administration, school principals and communities undergoing planning or construction—continue to report satisfaction with the communication process, those more distant from the bond program express opinions ranging from total satisfaction to dissatisfaction. There have also been reported delays in posting current information on the District's websites for the bond program and bond oversight committee, whose problems have mostly been corrected by the District.

OVERALL BOND PROGRAM

Findings (Pages 80-81)

In dealing with the bond management team, Total School Solutions (TSS) found WLC to be open and responsive. However, it appears that SGI exercises a higher level of confidentiality than what would be considered appropriate for public work projects. The retrieval of information was difficult, and TSS often required intervention by key District personnel. This hesitation in sharing information also appears to be the root cause of the communication problems reported by the bond oversight committee. Many of the documents, although clearly in the public information domain, are not made readily available, probably consistent with practices typically found in the private sector. TSS does not believe that the bond management staff was intentionally trying to cause difficulties. It appears to be an issue of organizational culture, which needs to be reviewed and addressed by SGI management.

During the negotiation of the scope of the performance audit, the bond management team indicated that the team did not need an evaluation of its performance since it conducts such evaluations internally. However, it appears that the real cause of hesitation was that certain deliverables subject to the audit had not been developed and were not available.

The staff representing the program manager (SGI) did not appear to have adequate authority to share information with the audit team.

The current organizational structure identifies both WLC and SGI as equal partners and maintains parity in responsibility and authority between the two firms. In our opinion, this structure lends itself to confusion and a lack of clarity, resulting in unnecessary delays in performance, especially in the areas for which the responsibility is inadequately defined. As indicated in the other parts of this report, these areas of possible confusion are numerous due to the unique relationship of these two firms. The lack of clarity also causes some duplication of efforts, which could be avoided for the benefit of the District and both firms if a clear hierarchy of responsibility was articulated and established.

Although the decision to employ a bond management team in lieu of hiring District staff was made consciously, the District has come to realize that, in order to establish and maintain strong controls, a few staff positions are needed. Accordingly, a position of District Engineering Officer has been added among others. However, it appears that the previously established organizational structure that placed decision-making authority in the hands of the bond management team, at least informally, still remains in effect.

During interviews, it was noted that, on at least two occasions, hazardous materials discoveries were missed, which should have been recorded during preliminary site surveys and hazardous materials investigations.

During the course of this examination, the hazardous materials plan could not be located. A complete and accurate hazardous materials plan is critical to the success of a building program. A review of existing plans, old specification documents and "as built"

documentation generally would identify most of the potential hazardous materials that would be encountered during modernization projects. These materials may escape detection without a comprehensive plan.

Recommendations (Page 81)

The appropriate District staff and the bond management team should review the protocols for the disclosure of public information and the importance and purpose of audits. A performance audit should be considered an opportunity to improve a program, and as such, the personnel involved in the process need to be willing to share information and exchange ideas.

The District should perform intermittent random checks to ensure that all deliverables have been developed and implemented as required by the agreement between the District and the bond management team.

The District should consider revising the organizational structure and designate one of the two firms (WLC or SGI) as the supervising partner.

The District should consider restructuring the system of authorization and approvals to have the appropriate staff exercise leadership in significant facilities improvement issues. The District Engineering Officer appears to be competent, well informed and capable of providing leadership. To transfer authority for the facilities program back to the District, the organizational structure should clearly delineate the lines of responsibility and authority, with the position of District Engineering Officer empowered to grant approvals and control processes.

The District should consider developing a comprehensive hazardous material abatement program.

Additional Recommendations (Page 83)

Whenever possible and practical, projects of like nature should be grouped together to reduce engineering and construction costs. Maintenance and operations department staff should be included in the development of the construction schedules and should have the opportunity to provide input in regard to any cost saving advantages available to the project. At times, the maintenance and operations staff can recognize costs savings or other advantages that might be missed by consultants.

Maintenance and operations needs to be involved in the phasing of construction activities by outside contractors. The school calendars and the schedules of other capital school projects need to be coordinated with the facilities improvement schedule. Planning should be done to avoid redundant tasks that may occur between the maintenance and operations department and the contractors.

Whenever possible, the size of the planned projects should be established to have much of the work completed during the summer.

District Status

The District has made significant progress in complying with the recommendations. Since the passage of Measure M on November 7, 2000, and Measure D on March 5, 2002, the bond management program has evolved into a mature structure. The completion of the District's Realignment Process—including the addition of District bond personnel, the bifurcation of the original WLC/SGI contract, and the addition of a number of specialty consultants—has resulted in an effective bond management structure and team. After the initial performance audit period with attendant communication/cooperation difficulties, the responsiveness to, and the cooperation with, the audit team has improved. While there are some weaknesses and problems to be addressed and improved upon—interdepartmental and District/consultant communications, payment procedures, change order process, etc., as discussed throughout this document—such weaknesses and problems are not substantial in comparison to the changes the District has made to improve the delivery of the facilities program.

Because the District has identified facilities needs beyond the scopes and funding of Measure M and Measure D, the current management structure should serve the District well for many years to come as the District constructs and modernizes funded projects. The challenge to the District will be its ability to maintain a cost-effective, cohesive facilities management team as the District addresses future facilities needs and expends available funding for its program.