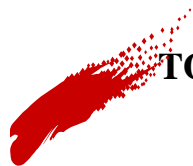


# **WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**

**MEASURE D AND MEASURE M**

**PERFORMANCE AUDIT**

**JUNE 30, 2005**



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

# **West Contra Costa Unified School District**

## **BOARD OF EDUCATION**

**June 30, 2005**

<b>Glen Price</b>	<b>President</b>
<b>Dave Brown</b>	<b>Clerk</b>
<b>Karen Leong Fenton</b>	<b>Member</b>
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## **ADMINISTRATION**

**Dr. Gloria Johnston, Superintendent of Schools**

**Vince Kilmartin, Associate Superintendent-Operations**

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## INTRODUCTION

On March 5, 2002, the West Contra Costa Unified School District submitted for voter approval Measure D, a measure to authorize the sale of \$300 million in bonds to improve school facilities. The measure was approved by 71.6 percent of the voters. Since the bond measure was placed on the ballot in accordance with Proposition 39, it required 55 percent of the vote for passage.

Article XIII of the California State Constitution requires an annual independent performance audit of Proposition 39 bond funds. The District engaged the firm Total School Solutions (TSS) to conduct this independent performance audit and to report its findings to the Board of Education and to the independent Citizens' Bond Oversight Committee.

The District decided to include Measure M funded projects in the scope of the examination even though Measure M is not subject to the performance audit requirements of Proposition 39. Voters previously approved Measure M, a \$150 million two-thirds majority general obligation bond, on November 7, 2000.

TSS has conducted the performance audit in accordance with applicable laws, rules and regulations. Besides ensuring that the District uses bond funds in conformance with the provisions listed in the Measure D ballot, the scope of the examination includes a review of design and construction schedules and cost budgets; change orders and claim avoidance procedures; compliance with state law and funding formulas; District policies and guidelines regarding facilities and procurement; and the effectiveness of communication channels among stakeholders, among other facilities-related issues.

This report covers the Measure D and Measure M funded facilities program and related activities for the fiscal year ending June 30, 2005. The District intends to complete a performance audit and develop a report annually until all Measure D and Measure M funds have been expended. These reports are designed to meet the requirements of Article XIII of the California State Constitution; to inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measure D and Measure M; and to help the District improve its overall bond program.

The District has passed a new Proposition 39 Bond Measure (Measure J) which will also require an independent performance audit. It is anticipated that the next year (2006) audit report will include the expenditures of Measure J funds.

In addition to the annual performance audit, the District has authorized TSS to prepare a midyear report for each year of this engagement. These midyear reports reflect the performance of the bond program for the six-month period from July 1 to December 31 of each year. They also report on the improvements instituted by the District to address any audit findings. The midyear report covering the period of July 1, 2005 through December 31, 2005 is scheduled to be released on June 15, 2006.

## DISTRICT FACILITIES PROGRAM – A PERSPECTIVE

While the scope of the annual performance audit report is limited to Measure M and Measure D, it is useful to review the history of the District’s facilities program to place the current program into context.

The financial status of the District’s facilities program, as documented in the audits and financial reports for the past five (5) fiscal years, is presented in the table below.

Facilities Program Financial Status	Fiscal Year				
	2000/01 June 30, 2001	2001/02 June 30, 2002	2002/03 June 30, 2003	2003/04 June 30, 2004	2004/05 June 30, 2005
Bonds Outstanding <sup>1</sup>	\$54,340,000	\$122,450,000	\$216,455,000	\$315,155,000	\$380,634,377
Certificates of Participation (COPs) Outstanding <sup>2</sup>	11,875,000	11,325,000	9,960,000	9,745,000	9,510,000
Developer Fees Revenues <sup>3</sup>	6,069,815	2,749,539	9,094,400	10,498,724	7,759,844
Developer Fees Ending Balance	3,526,019	1,293,876	8,928,225	21,037,513	27,533,708
State School Facilities Program New Construction Revenues	None	None	\$12,841,930	None	None
State School Facilities Program Modernization Revenues	None	None	\$3,494,161	\$10,159,327	\$13,562,949

<sup>1</sup> Bonds authorized, sold and outstanding include the bond measures listed below. The sold column is for all bonds sold through June 30, 2005. Bonds outstanding include adjustments for refunding of prior bond issues and repayment of principal.

Bond Measure (Passage Date)	Authorized	Sold	Outstanding
Measure E (June 2, 1998)	\$ 40 million	\$ 40 million	\$ 34.3 million
Measure M (November 7, 2000)	150 million	150 million	148.8 million
Measure D (March 5, 2002)	300 million	200 million	197.5 million
<b>Total</b>	<b>\$490 million</b>	<b>\$390 million</b>	<b>\$380.6 million</b>

Education Code Section 15106 states that, for a unified school district, the debt limit “may not exceed 2.5 percent of the taxable property of the district.” Education Code Section 15103 clarifies that “the taxable property of the district shall be determined upon the basis that the district’s assessed valuation has not been reduced by the exemption of the assessed valuation of business inventories in the district or reduced by the homeowner’s property tax exemption.”

On July 10, 2002, the Board of Education of the West Contra Costa Unified School District authorized the administration to submit a waiver request to the California State Board of Education (SBE) to increase the District’s bonding limit from the maximum of 2.5 percent to 3.0 percent of assessed valuation (A/V). On November 13-14, 2002, the SBE approved the waiver request for Measures E, M and D only.

Based on a 2004-05 total assessed valuation of \$19.7 billion, the West Contra Costa Unified School District's debt limit is as follows:

<b>Percent</b>	<b>Debt Limit</b>
2.5	\$492 million
3.0	\$590 million

<sup>2</sup> Certificates of Participation (COPs) are loans, not a source of funds. COPs are repaid over time from collected developer fees.

<sup>3</sup> Developer fees are imposed on residential additions and commercial projects (Level 1) and new residential construction (Level 2). Total revenues include interest earnings.

## EXECUTIVE SUMMARY

This annual audit, conducted between May 2005 and November 2005, includes an examination of the following aspects of the District's facilities program:

- District and Professional Services Staffing Plan for the Bond Program
- Master Architect/Engineer Plan
- Standard Construction Documents
- Design and Construction Schedules
- Design and Construction Costs Budgets
- District Policies and Guidelines for Facilities Program
- Bidding and Procurement Procedures
- Change Order and Claim Avoidance Procedures
- Payment Procedures
- Best Practices in Procurement
- Quality Control Program
- Delivered Quality Review
- Scope, Process and Monitoring of Participation by Local Firms
- Effectiveness of the Communication Channels Among All Stakeholders Within the Bond Program
- Overall Bond Program

Through the examination of numerous documents, interviews with personnel involved in the facilities program and the evaluation of related facilities documentation, assessments were made and conclusions were reached about the development of the bond facilities program. These assessments and conclusions were summarized in this report. Most data used in the annual examination were generated by the Seville Group, Inc. (SGI), WLC Architects (WLC) and the District facilities staff.

In accordance with the scope of its assignment, TSS reviewed and examined the documentation and processes pertaining to the facilities program for the period of July 1, 2004, through June 30, 2005. This examination's scope includes a follow-up on the prior annual and midyear reports, including the findings and recommendations outlined in those reports, and an evaluation on the status of implementation of the actions, as specified in the District's responses.

District management defines the scope of the performance audit. TSS performed this annual audit of Measure D and Measure M funded projects within the District's defined scope. Any known significant weaknesses and substantial noncompliance items have been reported to the management of the District. The annual audit and midyear review are not designed or intended to be fraud audits, which would be much wider in scope and more significant in nature. These reports should not be relied upon as such.



It appears that the District has taken significant steps to address the findings presented in the prior annual performance audits and midyear reports. As a result, TSS has observed substantial improvements in the processes, procedures and controls in many areas.

The readers of this report are encouraged to review the report of the independent financial auditors in conjunction with this report before forming opinions and drawing conclusions about the overall operations of the bond program.

## INDEPENDENT PERFORMANCE AUDITOR'S REPORT

**Board of Education  
West Contra Costa Unified School District  
Richmond, CA 94804**

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We have conducted a performance audit of the Measure D and Measure M funded bond program of the West Contra Costa Unified School District (the "District") as of and for the year ended June 30, 2005. The information provided herein is the responsibility of the District management. Our responsibility is to express an opinion on the pertinent issues included in the scope of our work.

In our opinion, the Measure D funds are being expensed in accordance with Resolution No. 42-0102 passed by the Board of Education on November 28, 2001. It is also our opinion, for the period ending June 30, 2005, the expenditures of the funds generated through Measure D bonds were for projects only included in Resolution No. 42-0102 establishing the scope of work to be completed with Measure D funds.

In regard to the spending of Measure M funds, it is our determination that all expenditures as of June 30, 2005, were for projects within the scope of Measure M in accordance with Resolution 33-0001, approved by the Board of Education in August 2000.

This performance audit was conducted in accordance with the district defined scope of performance audit of the school facilities program. The District, however, is required to request and obtain an independent financial audit of Measure D bond funds. The financial auditor is responsible for evaluating conformance with generally accepted accounting principles and auditing standards pertinent to financial statements. The financial auditor also evaluates and expresses an opinion on such matters as the District's internal controls, controls over financial reporting and its compliance with laws and regulations. Our opinion and the accompanying report should be read in conjunction with the independent financial auditor's report when considering the results of this performance audit and forming opinions about the District's bond program.

This report is intended solely for the use of the management, the Board of Education and the independent Citizens' Bond Oversight Committee of the West Contra Costa Unified School District, which have taken responsibility for the sufficiency of the scope of work deemed appropriate for this audit.

Total School Solutions

December 15, 2005

## COMPLIANCE WITH BALLOT LANGUAGE

### **MEASURE M**

On July 24, 2000, the Board of Education of the West Contra Costa Unified School District approved the placement of a \$150 million bond measure (Measure M) on the ballot with the adoption of Resolution No. 33-0001.

The ballot language contained in Measure M is presented in detail in Appendix A. The following excerpt summarizes the essence of the bond measure:

To improve the learning climate for children and relieve overcrowding by improving elementary schools through building classrooms, repairing and renovating bathrooms, electrical, plumbing, heating and ventilation systems, leaking roofs and fire safety systems, improving technology, making seismic upgrades, and replacing deteriorating portable classrooms and buildings, shall the West Contra Costa Unified School District issue \$150,000,000 in bonds at authorized rates, to renovate, acquire, construct and modernize school facilities, and appoint a citizens' oversight committee to guarantee funds are spent accordingly?

Measure M, a general obligation bond measure requiring two-thirds approval, passed on November 7, 2000, with 77.3 percent of the vote. The bond language restricted the use of Measure M funds to elementary schools and required, although not mandated by law, the appointment of a citizens' bond oversight committee.

As of June 30, 2005, the District has expended \$157,982,285 (105 percent) of the \$150 million in bond funds. All of the expenditures for Measure M were for projects within the scope of its ballot language. Total School Solutions (TSS) finds the West Contra Costa Unified School District in compliance with the language contained in the Measure M ballot.

### **MEASURE D**

On November 28, 2001, the Board of Education of the West Contra Costa Unified School District approved the placement of a \$300 million bond measure (Measure D) on the ballot with the adoption of Resolution No. 42-0102. Measure D, a Proposition 39 bond measure requiring a 55 percent affirmative vote, passed with 71.6 percent of the vote on March 5, 2002.

Proposition 39 mandates the appointment of a citizens' oversight committee for any local bond passed under its provisions. Proposition 39 also amends Article XIII of the California State Constitution and states that "every district that passes a 'Proposition 39' bond measure must obtain an annual independent performance audit."

The ballot language contained in Measure D is presented in full in Appendix B. The essence of the language appears in the excerpt below.

By approval of this proposition by at least 55% of the registered voters voting on the proposition, the West Contra Costa Unified School District shall be authorized to issue and sell bonds of up to \$300,000,000 in aggregate principal amount to provide financing for the specific school facilities projects listed in the Bond Project List attached hereto as Exhibit A, and in order to qualify to receive State matching grant funds, subject to all of the accountability safeguards specified...

While the Measure D ballot focused on secondary school projects, the bond language was broad enough to cover the following three categories of projects for all schools:

I. All School Sites

- Security and Health/Safety Improvements
- Major Facilities Improvements
- Site Work

II. Elementary School Projects

- Complete any remaining Measure M projects as specified in the Request for Qualifications (RFQ) of January 4, 2001, including projects specified in the Long Range Master Plan of October 2, 2000.
- Harbour Way Community Day Academy

III. Secondary School Projects

- Adams Middle School
- Juan Crespi Junior High School
- Helms Middle School
- Hercules Middle/High School
- Pinole Middle School
- Portola Middle School
- Richmond Middle School
- El Cerrito High School
- Kennedy High School and Kappa High School
- Richmond High School and Omega High School
- Pinole Valley High School and Sigma High School
- De Anza High School and Delta High School
- Gompers High School
- North Campus High School
- Vista Alternative High School
- Middle College High School

As required by Proposition 39, a citizens' bond oversight committee was established. On April 19, 2003, the Board of Education merged the two separate oversight committees for Measure M and Measure D into one body, with the caveat that the new committee would use the more stringent Proposition 39 requirements.

As of June 30, 2005, the District has expended \$97,045,630 (32.3 percent) of the \$300 million Measure D bonds. All of the expenditures for Measure D were for projects within the scope of its ballot language. TSS finds the West Contra Costa Unified School District in compliance with the language contained in Resolution 42-0102.

## FACILITIES PROGRAM HISTORY/STATUS

To assist the community in understanding the District's facilities program and the chronology of events and decisions that resulted in the increased scopes and costs for projects, this report documents the events that have taken place from July 1, 2004, through June 30, 2005. Major actions of the Board of Education are listed in the table below.

### **Chronology of Facilities Events since July 1, 2004.**

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
July 7, 2004	Approval of Staff Secretary to the Engineering Officer (bond funded position).	
July 7, 2004	Approval of contract for Downer site work and portables. (4 bids)	\$260,218
July 7, 2004	Approval of contract for Hanna Ranch & Chavez site work and playground projects. (1 bid)	\$755,115
July 7, 2004	Approval of contract for site work and utilities for portables at Portola Middle to house Kensington students during construction. (3 bids)	\$869,000
July 7, 2004	Approval of Measure M-1B testing and inspection contract.	\$132,975
August 4, 2004	Approval of Campus Safety Technician (bond funded position).	\$100,000
August 4, 2004	Approval of contract for Measure D projects site survey work.	\$106,340
August 4, 2004	Ratification of Approved August 2004 Measure M-1A Change Orders.	\$2,097,344
October 27, 2004	Board ratification of Measure D project architects (AORs) and fee amounts.	\$16,053,571
October 27, 2004	WLC/SGI Bond Team contract novation. "Starting over"	
October 27, 2004	WLC Architects, master architect services, bond team contract.	
October 27, 2004	SGI, project management services, bond team contract.	
November 4, 2004	School Redistricting – Board Study Session.	
November 17, 2004	Approval of Design Phase Management contract with Don Todd Associates for Measure D projects – four secondary schools and Downer Elementary.	\$2,325,150
November 17, 2004	Ratification of approved November 2004 change orders for Measure M-1A and M-1B projects.	\$1,193,633
November 17, 2004	Approval of security services for Measure M-1A and M-1B projects.	\$885,620
November 17, 2004	Citizens' Bond Oversight Committee. Appointment of two (2) new members	
November 29, 2004	School Redistricting – Board Study Session.	
December 8, 2004	Increase in scope of work for Room Ready projects at seven schools.	\$232,966

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
December 15, 2004	School Redistricting – Proposed Changes. (Close El Sobrante in June 2005 and consolidate with Murphy; close Seaview in June 2005 and consolidate with Shannon and Collins; close Fairmont in June 2005 and consolidate with Harding.)	
January 5, 2005	Increase in Level 2 Developer Fees from \$3.88 per square foot to \$4.03 per square foot.	
January 5, 2005	Ratification and approval of January 2005 negotiated change orders for Measure M-1A and M-1B and Measure D Pinole Valley High School track.	\$1,776,191
January 5, 2005	Approval of General Contractor Prequalification Program for Measure D-1A projects and Downer Elementary.	
January 5, 2005	Notice of Completion – Seven (7) Measure M-1B Temporary Housing Projects (Portables).	
January 5, 2005	Approval of E-Rate consulting services.	\$58,520
January 19, 2005	Approval of contract for Geotechnical consulting for Measure D-1A projects and Downer Elementary.	\$113,000
January 19, 2005	Proposed use of developer fees for various projects.	
February 2, 2005	Joint Meeting of Board of Education and Citizens' Bond Oversight Committee.	
February 9, 2005	Ratification and approval of February 2005 negotiated change orders for Measure M-1A and M-1B projects.	\$878,887
February 9, 2005	Approval of site work for temporary housing at El Cerrito High School (7 bids)	\$3,444,000
February 9, 2005	Board ratification of Measure D-1B project architects (AORs), DeAnza High School.	\$637,675
February 9, 2005	Board adjustment of contracts for Measure D-1A project architects, Portola and Helms.	\$421,369
February 9, 2005	Notice of Completion –Kensington Temporary Housing Project (Portables).	
February 15, 2005	Award Contract for Downer Elementary Technology Infrastructure (1 bid)	\$330,648
March 16, 2005	Citizens' Bond Oversight Committee (Appointment of two (2) new members)	
March 16, 2005	Ratification and approval of March 2005 negotiated change orders for Measure M-1A and M-1B projects	\$1,911,867
March 16, 2005	Approval of Measure D-1A and Downer Geotechnical Consultant	\$295,358
March 16, 2005	Approval of temporary housing project at El Cerrito High School (portables)	\$2,762,960
March 16, 2005	Notice of Completion – Hercules reconstruction and new construction	
April 6, 2005	Notice of Completion – Downer temporary housing site work	
April 6, 2005	Approval of Measure D-1A and Downer testing and inspection contracts	\$292,563

<b>DATE</b>	<b>ACTION</b>	<b>AMOUNT</b>
April 25, 2005	Approval of contract for El Cerrito High School demolition (5 bids)	\$2,068,429
May 4, 2005	Ratification and approval of April 2005 negotiated change orders for Measure M-1A, M-1B and D-1A projects	\$1,789,082
May 4, 2005	Citizens' Bond Oversight Committee. (Appointment of one (1) new member and one (1) new alternate and reappointment of three (3) current members)	
May 4, 2005	Public hearing and adoption of proposed Hercules Middle School site Preliminary Environmental Assessment Report (former Wastewater Treatment Plant – 12 acres).	
May 18, 2005	Approval of District/City of Pinole Joint Use Agreement for Pinole Middle School gymnasium and fields. Contributions: City - \$2,000,000, State/District - \$3,500,000	
May 18, 2005	Approval of Design Team for Kennedy High School track and field project.	\$175,000
June 1, 2005	Approval of Prequalification of General Contractors for Measure D-1A projects and Downer Elementary (22 firms).	
June 1, 2005	Ratification and approval of May 2005 negotiated change orders for Measure M-1A and M-1B projects.	\$2,141,435
June 1, 2005	Approval of additional City of Pinole funding for District/City of Pinole Joint Use Agreement for Pinole Middle School gymnasium and fields.	\$297,500
June 1, 2005	Citizens' Bond Oversight Committee approval of Administrative Regulation (A.R. 7214.2) – Committee duties, agenda, joint meeting with Board and composition.	
June 15, 2005	Citizens' Bond Oversight Committee – (Appointment of one (1) new member.)	
June 15, 2005	Approval of site work for temporary housing project at Pinole Middle School. (3 bids)	\$529,000
June 15, 2005	Approval of Educational Technology projects at eight (8) elementary schools and District Office	\$872,213
June 27, 2005	Approval of Design Team for DeAnza High School track and field project.	\$187,550
June 27, 2005	Ratification and approval of June 2005 negotiated change orders for Measure M-1A and M-1B projects.	\$1,552,761
June 27, 2005	Approval of temporary housing project at Pinole Middle School (portables)	\$375,580



The Board of Education approved the Facilities Master Plan on October 18, 2000, prior to any Board action or direction on construction quality standards, grade-level configuration, school/site sizes (minimum and maximum), potential school closures/consolidation, replacement vs. modernization threshold, the impact of project labor agreements, local bidding climate, and so forth. The Facilities Master Plan provides useful information on the age and conditions of existing schools, inventory of sites and facilities, the need for new schools, replacement needs of some schools and modernization/renovation needs. The identified need of approximately \$500 million for new construction and modernization, however, understated the District's actual needs. The more recent cost estimates for phases M-1A, M-1B and D-1A (September 13, 2004, and August 24, 2005) are presented, respectively, in tables 1, 2 and 3 in this section.

A summary of tables 1, 2 and 3 and associated costs is presented below.

<b>Table</b>	<b>Phase</b>	<b>Capital Projects Cost Estimates (September 13, 2004)</b>	<b>Capital Projects Cost Estimates (August 24, 2005)</b>
1	M-1A	\$113,204,174	\$120,652,985
2	M-1B	127,810,707	132,099,013
	Other Elementary <sup>1</sup>		36,196,918
	Subtotal		288,948,916
3	D-1A	220,858,164	224,245,702
	Other Secondary <sup>2</sup>		36,680,386
	Subtotal		260,926,088
	Totals	\$461,873,045	\$549,875,004

<sup>1</sup> Quick start projects, M-2A and M-3 projects, e-rate projects, furniture and equipment, program coordination, miscellaneous portables and renovation.

<sup>2</sup> D-2A and D-3 projects, e-rate projects, furniture and equipment, Lovonya DeJean, and program coordination.

Future project cost estimates have been adjusted to reflect Option 1C quality standards, but escalation costs (inflation) and recent site issue costs (such as potential unreported soils engineering problems) have not been taken into account, therefore, the total cost estimates are likely to increase in the future. At the October 22, 2003, joint meeting of the Board of Education and Citizens' Bond Oversight Committee, the District presented a Capital Projects Review document that estimated a total cost of \$1,338,736,789 for all needed facilities work, including current and projected future projects. There has been no update to the total cost estimate since that time.

While the \$150 million in Measure M funds were originally supposed to address the facilities needs at thirty-nine (39) elementary schools, the total facilities needs and costs at those schools were unknown when the measure was set on July 24, 2000. After the passage of Measure M, the District solicited proposals for Master Architect/Bond Management services, culminating in a contract with WLC/SGI on August 15, 2001. While WLC embarked on the design of Phase 1 schools, the WLC/SGI team also proceeded with Quick-Start projects at the thirty-nine (39) Measure M schools, addressing some of the more critical health and safety needs. The board authorized the Quick-Start projects on March 6, 2002, and approved construction contracts in June 2002, which totaled \$5,558,367.

To provide direction to the WLC/SGI team and future project architects, the Board considered various construction quality standards to apply to Measure M projects. At its meeting of May 15, 2002, the Board was presented with a number of options ranging from \$181 million, the estimated total revenues for Measure M including interest, to \$465 million. These options appear in the table below.

Options (Quality Standards)	Measure M Estimated Expenditures in millions of dollars (\$1,000,000s)
1 Modernization Standard (\$100/square foot)	181
1A Base Standard (\$145/square foot)	246
1B Base Standard (\$145/square foot)	319
<b>1C Base Standard (\$145/square foot)</b>	<b>345</b>
2A Reconstruction Standard (\$175/square foot)	387
2B Reconstruction Standard (\$175/square foot)	440
2C Reconstruction Standard (\$175/square foot)	465

The Board of Education selected Option 1C (\$345 million), at that time estimated to be sufficient to complete the first eighteen (18) elementary schools. The Board knew that work at twenty-one (21) schools would have to wait for future funding through Measure D or other future funding sources.

Before the adoption of Option 1C standards on May 15, 2002, the Board was aware that additional revenues were needed. The Board authorized Measure D, a \$300 million measure on November 28, 2001, which passed on March 5, 2002. While the primary purpose of Measure D was to address secondary school facilities needs, the bond language allowed funds to be used on elementary school projects as well.

After the adoption of the Option 1C standards and the passage of Measure D, projects were phased into M-1A, nine (9) schools; M-1B, nine (9) schools; and D-1, five (5) schools. The District adjusted the project budgets to reflect Option 1C quality standards, and the WLC/SGI contract was amended to incorporate the new budgets.

The District administration and the Board recognized that, as the facilities program approached the construction stage, proper program management to facilitate construction was needed. Accordingly, the Board authorized a total of eight (8) new District employees; hired project architects for phases M-1A and M-1B and onsite DSA inspectors; approved a project labor agreement, a labor compliance program and leases for one hundred twelve (112) interim-use portables; prequalified general contractors; and employed the services of a materials testing laboratory.

Construction contracts for the nine (9) Measure M-1A schools were awarded in June and July 2003. The status of the Phase 1A projects is presented in Table 4 in this section. As additional information became available, the District had to increase the budgets for M-1A projects. The original Option 1C standard budget of \$83.1 million of June 15, 2002, was adjusted to \$91 million on September 18, 2002; to \$113.2 million in September 2004; and to \$120.7 million in August 2005, based on awarded contracts, change orders and other costs.

Many variables have impacted construction costs, including but not limited to the following:

- Establishment of Option 1C quality standards
- Inadequate state modernization and new construction funding
- Project labor agreements
- Acceleration of construction costs at a rate higher than projected
- Passage of Proposition 39 and the 55 percent threshold for local bonds and resulting construction
- Passage of Proposition 1A (November 1998), \$9.2 billion bonds and resulting construction
- Passage of Proposition 47 (November 2002), \$13.05 billion bonds and resulting construction
- Passage of Proposition 55 (March 2004), \$10.0 billion bonds and resulting construction
- Labor compliance law requirements
- International procurement of the construction materials

Although occurrence was after this reporting period, it is anticipated that recent storms in the Gulf Coast will also have significant impact on local construction costs.

All Phase M-1A projects are either under construction, or have been completed, with construction completion dates from September 29, 2004, to August 22, 2005.

The District submitted eight (8) Phase M-1B projects to the Division of State Architect (DSA) and received bids between April 2004 and June 2004. (See Table 5). Construction for these eight (8) projects began between May 2004 and July 2004, with construction completion dates from June 11, 2005, to January 13, 2006.

Before taking bids for M-1A and M-1B projects, the District prequalified construction contractors. At the completion of the prequalification process, an estimated thirty-two (32) construction firms were prequalified.

The number of bidders on M-1A and M1-B projects follows:

<b>Phase M-1A</b>	<b>#Bidders</b>	<b>Phase M-1B</b>	<b># Bidders</b>
Harding	2	Bayview	5
Hercules	3	Ellerhorst	3
Lincoln	3	Kensington	3
Madera	6	Mira Vista	3
Montalvin	4	Murphy	4
Peres	4	Sheldon	4
Riverside	3	Tara Hills	3
Stewart	3	Washington	2
Verde	1		
<b>Average</b>	<b>3.2</b>	<b>Average</b>	<b>3.4</b>

In spite of the District's thirty-two (32) prequalified bidders, the average number of bids ranged between 3.2 and 3.4 per project.

Overall, the prequalification process was as follows:

<b>Processes</b>	<b>Number of Firms</b>
Prequalification	32
Firms Submitting Bids	12
Firms Awarded Seventeen (17) Contracts	7

While the prequalification process excludes unqualified construction contractors, the process does not ensure a high number of bidders.

Phase D-1A projects are still in the architect planning/schematic drawing stage. The District has selected project architects, and the development of the detailed plans and specifications (working drawings) has commenced. On April 22, 2004, the District entered into a contract with Western Construction Services of California, Inc. (WSC/CA, Inc.) to study alternative project delivery options for Measure D projects to determine whether more time-efficient or cost-effective approaches, other than the current design-bid-build method, might be feasible.

The District initiated a new "Prequalification of General Contractors" process for Measure D-1A projects and Downer Elementary. At the June 1, 2005, board meeting, twenty-two (22) firms were prequalified.

The first Phase D-1A project to be constructed is El Cerrito High School. Contracts have been awarded for portables and demolition work. (See Table 6.) The bid date for site work for El Cerrito High School has been scheduled for October 2005, with buildings to follow in February 2006.

**Table 1. Measure M-1A Projects. Total Estimated Costs (Construction and Soft Costs).**

School	Year Built	Capital Projects <sup>1</sup> Cost Estimates	Capital Projects <sup>2</sup> Cost Estimates
Harding Elementary	1943	\$14,014,301	\$15,051,673
Hercules/Lupine Hills Elementary	1966	13,615,961	13,796,472
Lincoln Elementary	1948	15,200,388	16,352,285
Madera Elementary	1955	9,954,252	10,546,467
Montalvin Elementary	1965	10,420,290	11,207,830
Peres Elementary	1948	16,889,728	17,747,978
Riverside Elementary	1940	11,788,329	12,370,886
Stewart Elementary	1963	8,945,696	10,160,984
Verde Elementary	1950	12,375,228	13,418,406
<b>Total</b>		\$113,204,174	\$120,652,985

<sup>1</sup> Budgets from Capital Assets Management Plan/Reconciliation Report, September 13, 2004.

<sup>2</sup> Budgets from Capital Assets Management Plan/Reconciliation Report, August 24, 2005.

**Table 2. Measure M-1B Projects. Total Estimated Costs (Construction and Soft Costs).**

School	Year Built	Capital Projects <sup>1</sup> Cost Estimates	Capital Projects <sup>2</sup> Cost Estimates
Bayview Elementary	1952	\$15,552,157	\$16,315,241
Downer Elementary <sup>3</sup>	1955	23,398,756	23,641,669
Ellerhorst Elementary	1959	11,114,528	11,389,362
Kensington Elementary	1949	17,006,091	17,406,659
Mira Vista Elementary	1949	11,911,186	12,640,889
Murphy Elementary	1952	12,039,309	12,236,581
Sheldon Elementary	1951	13,017,155	13,218,050
Tara Hills Elementary	1958	11,435,272	11,827,911
Washington Elementary	1940	13,033,042	13,422,647
<b>Total</b>		\$128,507,496	\$132,099,013

<sup>1</sup> Budgets from Capital Assets Management Plan/Reconciliation Report, September 13, 2004.

<sup>2</sup> Budgets from Capital Assets Management Plan/Reconciliation Report, August 24, 2005.

<sup>3</sup> Downer is identified as a Measure M-1B project, but it is to be funded out of Measure D (See Table 5).

**Table 3. Measure D-1A Projects. Total Estimated Costs. (Construction and Soft Costs).**

<b>School</b>	<b>Year Built</b>	<b>Capital Projects Cost Estimates<sup>1</sup></b>	<b>Capital Projects Cost Estimates<sup>2</sup></b>
De Anza High <sup>3</sup>	1955	\$2,708,630	\$3,445,442
El Cerrito High	1938	97,145,328	94,939,606
Helms Middle	1953	52,559,865	52,554,633
Pinole Middle	1966	36,859,208	37,664,549
Portola Middle	1950	34,140,175	35,641,470
<b>Total</b>		\$223,413,205	\$224,245,702

<sup>1</sup> Budgets from Capital Assets Management Plan/Reconciliation Report, September 13, 2004.

<sup>2</sup> Budgets from Capital Assets Management Plan/Reconciliation Report, August 24, 2005.

<sup>3</sup> Reduced in scope to planning only.

**Table 4. Measure M-1A. Budget, Contracts and Schedule.**

School	Harding	Hercules/ Lupine Hills	Lincoln	Madera	Montalvin	Peres	Riverside	Stewart	Verde	Total Phase M-1A
Budget (August 24, 2005)										
Construction Costs	\$11,830,905	\$11,164,070	\$13,066,219	\$8,126,691	\$8,608,114	\$14,026,113	\$9,367,911	\$7,997,047	\$10,558,128	\$94,745,201
Soft Costs	\$3,220,768	\$2,632,402	\$3,286,066	\$2,419,776	\$2,599,716	\$3,721,865	\$3,002,975	\$2,163,937	\$2,860,278	\$25,907,784 (21.5%)
Total Budget	\$15,051,673	\$13,796,472	\$16,352,285	\$10,546,467	\$11,207,830	\$17,747,978	\$12,370,886	\$10,160,984	\$13,418,406	\$120,652,985
SAB #	019	017	015	014	013	011	016	012	010	
SAB Revenues	\$1,948,349	\$1,147,097	\$330,404	\$1,216,917	\$313,287	\$1,468,479	\$1,191,472	\$1,147,062	\$1,180,094	\$9,943,161
Award Date	7/14/03	7/14/03	7/9/03	6/18/03	6/30/03	6/30/03	7/21/03	6/18/03	6/18/03	
Contractor	Fedcon Gen. Contractors	S.J. Amoroso	West Coast Contractors	JW & Sons	C. Overra & Co.	Fedcon Gen. Contractors	W.A. Thomas	C. Overra & Co.	C. Overra & Co.	
Base Bid	\$8,917,000	\$9,867,000	\$8,840,000	\$6,338,200	\$5,598,000	\$9,927,000	\$7,304,000	\$5,283,000	\$8,100,000	\$70,174,200
Cost of Selected Alternates (Number)	\$468,000 (5)	\$405,500 (10)	\$535,000 (3)	\$253,000 (3)	\$1,225,000 (4)	\$1,022,000 (3)	\$468,000 (5)	\$943,000 (4)	\$133,000 (2)	\$5,452,500
Cost of Unselected Alternates (Number)	\$868,000 (10)	\$803,000 (10)	\$535,000 (7)	\$1,229,000 (13)	\$332,000 (6)	\$282,000 (6)	\$485,000 (6)	\$769,000 (8)	\$928,000 (10)	\$6,231,000
Total Bid Contract	\$8,917,000	\$10,272,500	\$9,375,000	\$6,591,200	\$6,823,000	\$10,949,000	\$7,772,000	\$6,226,000	\$8,687,000	\$75,612,700
Change Orders	\$1,508,134 (16.9%)	\$451,496 (4.4%)	\$2,123,065 (22.7%)	\$939,532 (14.3%)	\$1,145,780 (16.8%)	\$2,142,814 (19.6%)	\$1,045,410 (13.5%)	\$1,621,997 (26.1%)	\$1,481,992 (17.1%)	\$12,460,220 (14.1%)
Adj. Contract	\$10,425,134	\$10,723,996	\$11,498,005	\$7,530,732	\$7,968,780	\$13,091,814	\$8,817,410	\$7,847,997	\$10,168,992	\$88,072,920
Schedule										
Notice to Proceed	8/18/03	8/4/03	8/4/03	8/11/03	8/4/03	8/6/03	8/18/03	8/4/03	8/6/03	
Original Completion	10/06/04	12/27/04	9/24/04	11/15/04	10/21/04	10/9/04	8/6/04	9/29/04	9/24/04	
Revised Completion	8/22/05	12/27/04	7/1/05	3/30/05	4/22/05	8/22/05	7/29/05	9/29/04	4/30/05	

**Table 5. Measure M-1B. Budget, Contracts and Schedule.**

School	Bayview	Ellerhorst	Kensington	Mira Vista	Murphy	Sheldon	Tara Hills	Washington	Total Phase M-1B
Budget (August 24, 2005)									
Construction Costs	\$12,846,681	\$8,790,559	13,747,446	\$9,708,958	\$9,599,414	\$10,458,166	\$9,084,333	\$10,444,501	\$84,680,062
Soft Costs	3,468,560	2,598,803	3,659,213	2,931,931	2,637,167	2,759,884	2,743,578	2,978,146	23,777,282 (21.9%)
Total Budget	\$16,315,241	\$11,389,362	17,406,659	\$12,640,889	\$12,236,581	\$13,218,050	\$11,827,911	\$13,422,647	\$108,457,344
SAB #	024	020	023	025	018	022	021	026	
SAB Revenues	\$2,535,074	\$1,352,870	\$1,274,844	\$1,528,265	\$1,595,572	\$331,311	\$1,501,831	\$2,162,982	\$12,282,748
Award Date	6/2/04	4/22/04	5/19/04	5/5/04	4/22/04	5/5/04	5/19/04	5/19/04	
Contractor (Number of Bidders)	West Bay Builders (5)	West Bay Builders (3)	JW & Sons (3)	West Bay Builders (3)	West Bay Builders (4)	West Bay Builders (4)	W.A.Thomas (3)	Arntz Builders (2)	
Base Bid	\$10,017,000	\$7,370,000	\$10,630,562	\$7,385,055	\$7,285,000	\$8,327,000	\$7,691,000	\$8,498,857	\$67,204,474
Cost of Selected Alternates (Number)	\$396,000 (2)	\$342,500 (2)	\$447,200 (3)	\$326,775 (2)	\$365,000 (2)	\$234,650 (2)	\$217,700 (2)	\$285,050 (2)	\$2,614,875
Total Contract	\$10,413,000	\$7,712,500	\$11,077,762	\$7,711,830	\$7,650,000	\$8,561,650	\$7,243,895	\$8,809,000	\$69,179,637
Change Orders	\$287,443 (2.8%)	\$168,538 (2.2%)	\$949,649 (8.6%)	\$577,580 (7.5%)	\$272,126 (3.6%)	\$464,907 (5.4%)	\$259,728 (3.6%)	\$786,375 (8.9%)	\$3,766,346 (5.4%)
Adj. Contract	\$10,700,443	\$7,881,038	\$12,027,411	\$8,289,410	\$7,922,126	\$9,026,557	\$7,503,623	\$9,595,375	\$72,945,983
Schedule									
Notice to Proceed	7/7/04	6/8/04	6/3/04	5/27/04	7/1/04	5/27/04	5/28/04	6/15/04	
Original Completion	1/13/06	8/19/05	9/11/05	10/9/05	8/15/05	10/9/05	8/19/05	12/22/05	
Revised Completion	1/13/06	10/14/05	6/11/05	12/7/05	9/30/05	10/9/05	10/15/05	1/9/06	

Does not include Downer, which is funded out of Measure D. Downer's budget includes construction costs of \$17,948,833 and soft costs of \$5,692,836 for a total project cost of \$23,641,669. The Downer main campus was scheduled to be bid in September 2005.



**Table 6. Measure D-1A. Budget, Contracts and Schedule.**

School	El Cerrito High School (Temp Housing)	El Cerrito High School (Abatement/ Demolition)	Portola Middle School	De Anza High School	Helms Middle School	Pinole Middle School (Temp Housing)	Total Phase D-1A
Budget (August 24, 2005)							
Construction Costs		\$74,121,205	\$26,680,521	\$ -0-	\$39,577,563	\$28,409,182	\$168,788,473
Soft Costs		20,818,401	8,960,949	3,445,442	12,997,070	9,255,367	55,457,229 (24.7%)
Total Budget		\$94,939,606	\$35,641,470	\$3,445,442	\$52,554,633	\$37,664,549	\$224,245,702
SAB #							
SAB Revenues							
Bid Schedule	2/3/05 (site) /05 (port)	Oct. 2005 (Site) Feb. 2006 (Bldgs)			Nov. 2005 (Site) June 2006 (Bldgs)	6/15/05 And Sept. 2005 (Bldgs)	
Award Date	2/9/05 & 3/11/05						
Contractor (Number of Bidders)	Taber Construction (7)	Silverado Contractors, Inc. (5)				HJ Integrated System, Inc.	
Base Bid							
Cost of Selected Alternates (Number)	\$3,444,000 (Site work)	\$2,068,429 (Demolition)				\$529,000 (site work) (3 bids)	
Total Bid							
Temporary Housing	\$2,762,960					\$375,580	
Total Construction	\$6,206,960					\$904,580	
Schedule							
Notice to Proceed	2/22/05	5/23/05				7/1/05	
Original Completion	8/22/05	10/31/05				8/15/05	

**MEASURE D AND MEASURE M EXPENDITURE REPORTS**

**MEASURE D**

To ensure a comprehensive performance audit, Total School Solutions (TSS) reviewed all Measure D projects, and selected several for more extensive examination. As of June 30, 2005, thirty-two (32) percent of total Measure D bond funds authorized have been spent.

**Measure D Bond Issuance and Expenditures as of June 30, 2005.**

Total bond authorization	\$300,000,000
Total bond issues as of June 30, 2005 (Series A, B and C)	\$200,000,000
Expenditures through June 30, 2005	\$97,045,630
	(32 percent of total authorization)

**Measure D Expenditures Report.**

<b>Audit Projects</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>Total</b>
Bayview Elementary (M-1B)		\$	\$	\$8,247,067	\$8,247,067
Downer Elementary (M-1B)				553,216	553,216
Ellerhorst Elementary (M-1B)			301,424	5,853,517	6,154,941
Harding Elementary (M-1A)				68,487	68,487
Kensington Elementary (M-1B)				10,816,546	10,816,546
Transition Learning Center (D-1B)		157,132	(52,521)		104,611
Lincoln Elementary (M-1A)				441,818	441,818
Madera Elementary (M-1A)				45,833	45,833
Mira Vista Elementary (M-1B)				6,979,274	6,979,274
Montalvin Elementary (M-1A)				91,024	91,024
Peres Elementary (M-1A)				16,771	16,771
Riverside Elementary (M-1A)				72,798	72,798
Shannon Elementary (M-2B)				44,997	44,997
Sheldon Elementary (M-1B)				8,854,372	8,854,372
Stewart Elementary (M-1A)				1,956	1,956
Tara Hills Elementary (M-1B)				6,386,284	6,386,284
Verde Elementary (M-1A)				47,906	47,906
Vista Hills			3,852	17,093	20,945
Washington Elementary (M-1B)				8,074,869	8,074,869
Harbour Way Elementary (D-2A)		151,969	(55,232)		96,737
Adams Middle (D-1B)		364,207	64,374	168,354	596,935
Crespi Middle (D-2)		350,859	56,655	17,572	425,086
Lovonya DeJean Middle (D-1A/B)		1,556,544	217,777	(1,774,321)	0
Helms Middle (D-1A)		473,858	1,254,346	1,506,975	3,235,180

<b>Audit Projects</b>	<b>2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>Total</b>
Hercules Middle (D-1B)	60	620,973	3,001		624,033
Pinole Middle (D-1A)		353,758	916,981	2,440,588	3,711,327
Portola Middle (D-1A)	420	410,690	873,353	1,660,003	2,944,966
DeAnza High (D-1A)		686,260	2,178,362	16,920	2,881,542
El Cerrito High (D-1A)		656,699	2,317,678	9,150,276	12,124,653
Gompers High (D-1B)		402,142	54,369	138,915	595,426
Kennedy High (D-1B)		699,246	116,657	238,747	1,054,650
Pinole Valley High (D-2)		563,775	57,621		621,396
Richmond High (D-1B)		658,083	70,636	129,950	859,469
Vista High (D-2)		147,675	(55,306)		92,369
North Campus High (D-2)		166,421	19,323	6,673	192,418
Hercules High (D-1B)		2,495,001	216,960	(135,975)	2,593,277
Delta High (D-1B)		158,199	(25,268)		132,932
Kappa High (D-1B)		155,447	(53,799)		101,648
Omega High (D-1B)		157,030	(53,242)		103,788
Sigma High (D-2)		155,809	(53,222)		102,586
Deferred Maintenance Transfer	1,277,500				1,277,500
Overall Facilities Program	262,142	1,056,914	1,618,088	2,722,856	5,660,000
<b>Totals</b>	<b>\$1,557,412</b>	<b>\$12,599,491</b>	<b>\$9,993,366</b>	<b>\$72,895,361</b>	<b>\$97,045,630</b>
<b>Percent of Total Authorized</b>	<b>1%</b>	<b>4%</b>	<b>3%</b>	<b>24%</b>	<b>32%</b>

## MEASURE M

To ensure a comprehensive performance audit, TSS reviewed all Measure M projects and selected several for more extensive examination. As of June 30, 2005, one hundred five (105) percent of total Measure M bond funds authorized have been spent. (Note: The percentage exceeds one hundred (100) percent of the bond proceeds because of interest earnings and refunding of prior bond issues.)

### Measure M Bond Issuance and Expenditures as of June 30, 2005.

Total bond authorization	\$150,000,000
Total bond issues to date (Series A, B and C)	\$150,000,000
Expenditures through June 30, 2005	\$157,982,285
	(105 percent of total authorization)

## Measure M Expenditures Report.

Audit Projects <sup>1,2</sup>	2000-01 and 2001-02	2002-03	2003-04	2004-05	Total
Bayview Elementary (1B)	\$101,179	\$203,031	\$1,681,995	\$1,397,074	\$3,383,279
Chavez Elementary (3)	3,504	60,208	55,142	360,567	479,421
Castro Elementary (2A)	88,836	280,872	24,486	26,178	420,371
Collins Elementary (2A)	157,213	191,828	8,643	33,004	390,688
Coronado Elementary (2A)	143,411	303,785	29,701	(195,671)	281,226
Dover Elementary (21B)	181,277	303,557	37,474	(54,389)	467,919
Downer Elementary (1B)	318,619	204,477	517,763	813,012	1,853,871
Ellerhorst Elementary (1B)	89,438	157,159	957,665	456,213	1,660,475
El Sobrante Elementary (2B)	138,286	284,099	31,262	(207,338)	246,309
Highland Elementary (2B)	84,939	21,740	30,482	165,671	302,833
Fairmont Elementary (2B)	100,482	506,461	15,217	(257,146)	365,014
Ford Elementary (2B)	107,407	291,939	31,167	162,911	593,424
Grant Elementary (2A)	153,701	405,478	102,264	(71,473)	589,917
Lupine Hills Elementary (1A)	343,395	697,939	9,343,237	2,345,485	12,730,055
Harding Elementary (1A)	183,297	740,163	6,281,219	4,265,357	11,470,036
Hanna Ranch Elementary (3)	6,922	22,441	49,409	506,164	584,937
Kensington Elementary (1B)	91,697	157,130	1,477,853	1,295,107	3,021,788
King Elementary (2B)	131,299	93,122	29,941	159,311	413,673
Lake Elementary (2A)	136,151	350,699	8,735	(44,769)	450,816
Lincoln Elementary (1A)	224,573	961,351	9,145,395	4,521,962	14,853,280
Madera Elementary (1A)	165,816	593,822	4,684,577	3,471,276	8,915,491
Mira Vista Elementary (1B)	108,130	198,594	1,307,587	834,857	2,449,167
Montalvin Elementary (1A)	334,828	532,197	6,308,915	3,252,743	10,428,682
Murphy Elementary (1B)	104,689	163,346	1,415,823	6,941,018	8,624,875
Nystrom Elementary(2A)	195,481	630,579	42,268	(459,959)	408,369
Olinda Elementary (2B)	156,424	269,010	12,345	55,794	493,573
Ohlone Elementary (3)	163,406	24,798	14,952	59,971	263,128
Peres Elementary (1A)	261,370	1,036,846	10,590,186	3,576,610	15,465,012
Riverside Elementary (1A)	170,519	579,487	6,057,103	4,000,514	10,807,623
Seaview Elementary (3)	103,916	277,629	76,554	27,102	485,201
Shannon Elementary (2B)	88,254	208,404	10,246	62,931	369,835
Sheldon Elementary(1B)	100,412	193,113	1,398,521	551,713	2,243,759
Stege Elementary (2A)	147,055	348,101	50,627	252,683	798,466
Stewart Elementary (1A)	3,206,595	673,232	6,505,583	1,623,043	12,008,453
Tara Hills Elementary (1B)	90,010	154,853	1,359,503	507,350	2,111,716

<b>Audit Projects</b>	<b>2000-01 and 2001-02</b>	<b>2002-03</b>	<b>2003-04</b>	<b>2004-05</b>	<b>Total</b>
Valley View Elementary (2A)	148,074	282,063	50,410	(171,801)	308,745
Verde Elementary (1A)	173,126	638,574	7,479,327	3,487,129	11,778,157
Vista Hills	2,000	0	28,382	(106,124)	(75,743)
Washington Elementary (1B)	85,455	148,138	1,394,871	444,274	2,072,738
Wilson Elementary (2A)	135,326	339,378	24,585	(191,722)	307,566
West Hercules			8,739	48,108	56,847
Adams Middle	11,492				11,492
Lovonya DeJean Middle			82,613	(82,613)	0
Pinole Middle			38	(38)	0
Deferred Maintenance Transfer	1,221,639	1,218,026			2,439,665
Overall Facilities Program	624,504	3,935,645	1,247,044	92,949	5,900,141
Reimbursables	853,949	1,437,622	1,997,043	461,326	4,749,940
<b>Totals</b>	<b>\$11,438,095</b>	<b>\$20,120,936</b>	<b>\$82,006,893</b>	<b>\$44,416,312</b>	<b>\$157,982,285</b>
<b>Percent of Total Authorized</b>	<b>8%</b>	<b>13%</b>	<b>13%</b>	<b>13%</b>	<b>105%</b>

<sup>1</sup> 1A, 1B, 2A, and 2B respectively correspond to projects included in phases 1A, 1B, 2A, and 2B of the Measure M facilities program.

<sup>2</sup> All thirty-nine (39) elementary schools referenced in Measure M were included, to some extent, in the District's Quick-Start projects.

## STATE NEW CONSTRUCTION ELIGIBILITY

As reported in the performance audit report for the period ending June 30, 2004, new construction eligibility was established based on CBEDS enrollment data for the 2002-03 school year (SAB 50-01, 50-02 and 50-03). Based on those data, new construction eligibility existed within the Hercules and Pinole Valley high school attendance areas. The individual and combined eligibilities of the Hercules/Pinole Valley attendance areas, at that time, are presented in the table below.

### **New Construction Eligibility: Hercules/Pinole Valley Attendance Areas (2002-03 CBEDS)**

<b>Attendance Area</b>	<b>Eligibility</b>				
	<b>K-6</b>	<b>7-8</b>	<b>9-12</b>	<b>Non-Severe</b>	<b>Severe</b>
Hercules	856	52	1,570	60	19
Pinole Valley	(831)	(70)	201	23	53
<b>Total</b>	<b>25</b>	<b>(18)</b>	<b>1,771</b>	<b>83</b>	<b>72</b>
Hercules/Pinole (Combined)	19	(83)	2,146	78	23

Eligibility forms SAB 50-01, 50-02 and 50-03 were updated based on 2003-04 CBEDS enrollment data, resulting in the following adjustment to eligibility:

### **New Construction Eligibility: Hercules Attendance Area (2003-04 CBEDS)**

<b>Attendance Area</b>	<b>Eligibility</b>				
	<b>K-6</b>	<b>7-8</b>	<b>9-12</b>	<b>Non-Severe</b>	<b>Severe</b>
Hercules	(415)	222	1,008	15	5

The District submitted new forms on August 19, 2004, which were approved by the SAB on January 26, 2005.

The data above show that eligibility no longer exists within the Pinole Valley High School attendance area and that eligibility has declined in the Hercules High School attendance area. It should be noted that eligibility for one grade group may be used for a project in another grade group. The state grant assigned to the eligibility for the original grade group determines the actual state grant.

New construction eligibility must be calculated based on current CBEDS enrollment data (October of each year) at the time a district files an application for a new construction project (SAB 50-04). That filing cannot occur until a project has completed the California Environmental Quality Act (CEQA) process and has obtained clearance from the Department of Toxic Substances Control (DTSC), approval from the Division of State Architect (DSA), and approval from the California Department of Education (CDE).

The District has been working with the city of Hercules to identify and obtain sites for a new elementary school and a new middle school. The status of the two sites under consideration is described below.

### Elementary School Site: Pegasus/Victoria by the Bay

This eight (8) acre site, located in Hercules in the vicinity of San Pablo Avenue and Victoria Crescent East, is on land owned by PG&E. According to the District's Program Status Report of December 8, 2004:

The district received a preliminary pipeline risk assessment from Shaw Environmental in mid-October, and forwarded it to the CDE for their review. The report indicated a pipeline safety risk and on November 12<sup>th</sup> we received a letter from CDE informing us that the site was not acceptable.

On November 18<sup>th</sup> several members of the WCCUSD staff, Hercules City staff, 2 Board members and 2 city council members met to discuss school sites in general. Their conclusion was that future school enrollment in Hercules would not justify building two new schools in Hercules. Hence they agreed to focus only on one (middle school) site.

### Middle School Site: Wastewater Treatment Plant

This twelve (12) acre site, located in Hercules on the northeast corner of Sycamore Avenue and Willett Street, is the primary site now under consideration for a middle school. A "Preliminary Endangerment Assessment" report prepared by the Department of Toxic Substances Control dated April 26, 2005, identified a number of problems with the site which will require additional investigation and possible mitigation, including arsenic and lead in site soils, possible groundwater contamination, and possible impact of adjacent wetlands. The ultimate site development cost to construct a new middle school is unknown at this time.

According to the District's Program Status Report of September 7, 2005:

The District and City of Hercules are in the final stages of negotiation for the purchase of the Wastewater Treatment Plant site by the District. This purchase must be completed by September 30<sup>th</sup> in order for the District to maintain its eligibility for the Federal EPA Brownfield Cleanup Grant which it has received. In anticipation of the sale, the District has prepared and circulated a Request for Qualifications and Request for Proposal (RFQ/RFP) for Environmental Services and Consulting on this project site. The work will include the design and management of all major environmental remediation at the site: preparation of a Supplemental Site Investigation; Geotechnical/Geohazard Preliminary Review and Coordination with conceptual architectural/structural team; management of site cleanup; coordination and management of the EPA Brownfields Grant; coordination of public outreach; and all associated environmental coordination leading to a clean site, ready for the design and construction of a new school. The Environmental proposals are due September 21<sup>st</sup> and will be evaluated by staff prior to preparation of a recommendation to the Board.

### Commendation

- The District's cooperative work with the city of Hercules to identify and acquire a site for a new middle school and its filing of new construction eligibility documents (SAB 50-01/02/03) by high school attendance area to maximize eligibility for state funding reflect sound planning for schools, for which the District is commended.

## STATE MODERNIZATION STATUS

This section highlights the current status of the modernization of the sixty-five (65) existing campuses in the District.

Eligibility for a modernization project is established when form SAB 50-03 is filed with the state, and the State Allocation Board (SAB) approves the application. A school district designs and submits a project to the Division of State Architect (DSA) and the California Department of Education (CDE). The district awaits both agencies' approvals before filing form SAB 50-04, which establishes funding for a project. If necessary, a district may have to file a revised SAB 50-03 to reflect the most recent enrollment data. After a project has been bid, the district files form SAB 50-05 to request a release of state funds for the project.

Twenty-six (26) elementary school projects that have completed the SAB 50-03, SAB 50-04 and SAB 50-05 processes to date include nine (9) Quick-Start projects, nine (9) Phase M-1A projects, and eight (8) Phase M-1B for which the District has respectively received \$3,863,449, \$9,943,161, and \$12,282,748. In addition, the District received \$65,579 from the state for rehabilitation work at Lincoln. Except for program management and master architect services at numerous schools, most available Measure M bond funds have been allocated to these twenty-six (26) elementary school projects and no future projects are planned at the remaining sixteen (16) elementary schools at this time.

Secondary schools to be funded under Measure D are still in the architectural design stage; none of these projects has reached the SAB 50-04 filing stage at this time.

The tables below summarize Quick-Start, Phase M-1A and Phase M-1B projects.

### **State Allocation Board Modernization Funding for Measure M Quick-Start Projects.**

SAB # 57/	School	SAB Fund Release Date	SAB Grant Amount	District Match Requirement
1	Valley View Elementary	4/28/03	\$290,214	\$ 193,476
2	El Sobrante Elementary	4/28/03	369,339	280,027
3	Nystrom Elementary	5/27/03	861,390	574,260
4	Coronado Elementary	5/27/03	401,400	267,600
5	Wilson Elementary	5/27/03	323,957	215,971
6	Dover Elementary	5/27/03	366,330	244,220
7	Lake Elementary	5/27/03	309,937	206,625
8	Grant Elementary	7/16/03	369,288	246,192
9	Fairmont Elementary	5/27/03	571,594	381,063
<b>Total</b>			<b>\$3,863,449</b> <b>(60%)</b>	<b>\$2,609,434</b> <b>(40%)</b>



**State Allocation Board Modernization Funding for Measure M-1A Projects.**

<b>SAB # 57/</b>	<b>School</b>	<b>SAB Fund Release Date</b>	<b>SAB Grant Amount</b>	<b>District Match Requirement</b>
10	Verde Elementary	9/02/03	\$1,161,510	\$774,340
		5/09/05	18,584	12,390
11	Peres Elementary	9/25/03	1,448,206	1,086,084
		5/09/05	20,273	13,515
12	Stewart Elementary	9/25/03	1,128,998	752,665
		5/09/05	18,064	12,043
13	Montalvin Elementary	10/2/03	303,687	202,458
		5/09/05	9,600	6,400
14	Madera Elementary	9/02/03	1,197,753	798,502
		5/09/05	19,164	12,776
15	Lincoln Elementary	9/25/03	320,804	213,869
		5/09/05	9,600	6,400
16	Riverside Elementary	9/25/03	1,172,709	781,806
		5/09/05	18,763	12,509
17	Hercules Elementary	9/25/03	1,129,032	752,688
		5/09/05	18,065	12,043
19	Harding Elementary	9/25/03	1,927,340	1,337,429
		5/09/05	21,009	14,006
<b>Total</b>			<b>\$9,943,161 (60%)</b>	<b>\$6,801,923 (40%)</b>

**State Allocation Board Modernization Funding for Measure M-1B Projects.**

<b>SAB # 57/</b>	<b>School</b>	<b>SAB Fund Release Date</b>	<b>SAB Grant Amount</b>	<b>District Match Requirement</b>
18	Murphy Elementary	10/14/04	\$1,575,213	\$1,109,008
		5/09/05	20,359	13,572
20	Ellerhorst Elementary	10/14/04	1,333,337	888,891
		5/09/05	19,533	13,023
21	Tara Hills Elementary	10/14/04	1,481,926	987,951
		5/09/05	19,905	13,270
22	Sheldon Elementary	10/14/04	321,711	214,474
		5/09/05	9,600	6,400
23	Kensington Elementary	10/14/04	1,255,505	837,003
		5/09/05	19,339	12,892
24	Bayview Elementary	10/18/04	2,513,112	1,675,408
		5/09/05	21,962	14,641
25	Mira Vista Elementary	10/14/04	1,508,020	1,078,603
		5/09/05	20,245	13,496
26	Washington Elementary	10/14/04	2,141,769	1,427,846
		5/09/05	21,213	14,141
<b>Total</b>			<b>\$12,282,748 (60%)</b>	<b>\$8,320,619 (40%)</b>

**State Allocation Board Rehabilitation Funding**

<b>SAB # 58/</b>	<b>School</b>	<b>SAB Fund Release Date</b>	<b>SAB Grant Amount</b>	<b>District Match Requirement</b>
01	Lincoln Elementary		\$654,579 (100%)	\$ 0 (0%)
<b>Grand Total</b>			<b>\$26,743,937</b>	<b>\$17,731,976</b>

**Existing Campuses. Elementary Schools. Updated June 30, 2005.**

No.	Existing Campus	Grade	Bond (Phase)	SAB# <sup>1</sup>	SAB Eligibility Approval (50-03)	Eligibility Enrollment	SAB Project Approval (50-04)	SAB Fund Release (50-05) <sup>2</sup>	SAB Grant Amount (%) <sup>3</sup>
104	Bayview (1952)	K-6	M(1B)	024	07/26/00	585	09/22/04	10/18/04 05/09/05	\$2,513,112 (60%) 21,962
108	Cameron (Spec. Ed)	K-6							
109	Castro (1950) <sup>4</sup>	K-6	M(2A)	000					
105	Chavez (1996)	K-5	M(3)	N/A	New school Not eligible				
110	Collins (1949) <sup>4</sup>	K-6	M(2A)	000					
112	Coronado (1952) (1993)	K-5	M(Q,2A)	004	03/22/00	125	04/23/03	05/27/03	\$401,400 (60%)
115	Dover (1958)	K-5	M(Q,2B)	006	07/26/00	121	04/23/03	05/27/03	\$366,330 (60%)
116	Downer (1955) <sup>4</sup>	K-6	M(1B)	000					
120	El Sobrante (1950)	K-6	M(Q,2B)	002	02/23/00	101	03/26/03	04/28/03	\$369,339 (60%)
117	Ellerhorst (1959)	K-6	M(1B)	020	03/22/00	444	08/25/04	10/14/04 05/09/05	\$1,333,337 (60%) 19,533
123	Fairmont (1957) <sup>3</sup>	K-6	M(Q,2B)	009	03/22/00	178	04/23/03	05/27/03	\$571,594 (60%)
124	Ford (1949) <sup>4</sup>	K-5	M(2B)	000					
125	Grant (1945)	K-6	M(Q,2B)	008	02/23/00	115	05/28/03	07/16/03	\$369,288 (60%)
128	Hanna Ranch (1994)	K-5	M(3)	N/A	New school Not eligible				
191	Harbour Way (1998)	K-6	D(2A)	N/A	New school Not eligible				
127	Harding (1943)	K-6	M(1A)	019	03/22/00	353	08/27/03	09/25/03 05/09/05	\$1,927,340 (60%) 21,009
126	Hercules (1966)	K-5	M(1A)	017	03/22/00	350	08/27/03	09/25/03 05/09/05	\$1,129,032 (60%) 18,065
122	Highland (1958) (1993)	K-6	M(2B)	N/A	Not eligible				
130	Kensington (1949) (1994)	K-6	M(1B)	023	03/22/00	275	08/25/04	10/14/04 05/09/05	\$1,255,504 (60%) 19,339
132	King (1943) <sup>4</sup>	K-5	M(2B)	000					
134	Lake (1956) (1991)	K-6	M(Q,2A)	007	03/22/00	110	04/23/03	05/27/03	\$309,937 (60%)

No.	Existing Campus	Grade	Bond (Phase)	SAB# <sup>1</sup>	SAB Eligibility Approval (50-03)	Eligibility Enrollment	SAB Project Approval (50-04)	SAB Fund Release (50-05) <sup>2</sup>	SAB Grant Amount (%) <sup>3</sup>
135	Lincoln (1948) (1994)	K-5	M(1A)	015 58/001 <sup>1a</sup>	07/26/00	61	08/27/03	09/25/03 05/09/05	\$320,804 (60%) 9,600
137	Madera (1955)	K-5	M(1A)	014	07/26/00	350	07/23/03	09/02/03 05/09/05	\$1,197,753 (60%) 19,164
139	Mira Vista (1949)	K-6	M(1B)	025	07/26/00	366	08/25/04	10/14/04 05/09/05	\$1,508,020 (60%) 20,245
140	Montalvin (1965) (1994)	K-6	M(1A)	013	02/23/00	75	08/27/03	10/02/03 05/09/05	\$303,687 (60%) 9,600
142	Murphy (1952)	K-6	M(1B)	018	03/22/00	425	08/04/04	10/14/04 05/09/05	\$1,575,213 (60%) 20,359
144	Nystrom (1942) (1994)	K-5	M(Q,2A)	003	03/22/00	205	04/23/03	05/27/03	\$861,390 (60%)
146	Ohlone (1970) <sup>4</sup>	K-5	M(3)	000					
145	Olinda (1957) <sup>4</sup>	K-6	M(2A)	000					
147	Peres (1948) <sup>3</sup>	K-6	M(1A)	011	07/26/00	422	08/27/03	09/25/03 05/09/05	\$1,448,206 (60%) 20,273
150	Riverside (1940)	K-6	M(1A)	016	03/22/00	283	08/27/03	09/25/03 05/09/05	\$1,172,709 (60%) 18,763
152	Seaview (1972) <sup>4</sup>	K-6	M(3)	000					
154	Shannon (1967) <sup>4</sup>	K-6	M(2B)	000					
155	Sheldon (1951) (1994)	K-6	M(1B)	022	07/26/00	99	08/25/04	10/14/04 05/09/05	\$321,711 (60%) 9,600
157	Stege (1943)	K-5	M(2A)	N/A	Not eligible				
158	Stewart (1963) (1994)	K-8	M(1A)	012	03/22/00	408	08/27/03	09/25/03 05/09/05	\$1,128,998 (60%) 18,064
159	Tara Hills (1958)	K-6	M(1B)	021	07/26/00	420	08/25/04	10/14/04 05/09/05	\$1,481,926 (60%) 19,905
131	Transition Learning Center	K-6	D(1B)	N/A	Not eligible				
160	Valley View (1962)	K-6	M(Q,2A)	001	07/26/00	103	03/26/03	04/28/03	\$290,214 (60%)
162	Verde (1950)	K-6	M(1A)	010	02/23/00	320	07/23/03	09/02/03 05/09/04	\$1,161,510 (60%) 18,584
164	Washington (1940)	K-5	M(1B)	026	03/22/00	350	08/25/04	10/14/04 05/09/04	\$2,141,769 (60%) 21,213
165	Wilson (1953)	K-5	M(Q,2A)	005	07/26/00	111	04/23/03	05/27/03	\$323,957 (60%)
<b>Total 42 Elementary Schools<sup>4</sup></b>									<b>\$26,743,937</b>

**Existing Campuses. Middle Schools. Updated June 30, 2005.**

No.	Existing Campus	Grade	Bond (Phase)	SAB# <sup>1</sup>	SAB Eligibility Approval (50-03)	Eligibility Enrollment	SAB Project Approval (50-04)	SAB Fund Release (50-05) <sup>2</sup>	SAB Grant Amount (%) <sup>3</sup>
202	Adams (1957) <sup>4</sup>	6-8	D(1B)	000					
206	Crespi (1964) <sup>4</sup>	7-8	D(2)	000					
208	Lovonya DeJean (2003)	6-8	D(1A,1B)	N/A	New school	Not eligible			
210	Helms (1953) (1991) <sup>4</sup>	6-8	D(1A)	000					
211	Hercules Middle (2000)	6-8	D(1B)	N/A	New school	Not eligible			
212	Pinole Middle (1966) <sup>4</sup>	7-8	D(1A)	000					
214	Portola Middle (1950) <sup>4</sup>	6-8	D(1A)	000					
<b>Total 7 Middle Schools</b>									

**Existing Campuses. High Schools. Updated June 30, 2005**

No.	Existing Campus	Grade	Bond (Phase)	SAB# <sup>1</sup>	SAB Eligibility Approval (50-03)	Eligibility Enrollment	SAB Project Approval (50-04)	SAB Fund Release (50-05) <sup>2</sup>	SAB Grant Amount (%) <sup>3</sup>
352	De Anza (1955) <sup>4</sup>	9-12	D(1A)	000					
391	Delta Continuation	9-12	D (1B)						
354	El Cerrito (1938) <sup>4</sup>	9-12	D(1A)	000					
376	Hercules High (2000)	9-12	D(1B)	N/A	New school	Not eligible			
360	Kennedy (1965) <sup>4</sup>	9-12	D(1B)	000					
393	Kappa Continuation	9-12	D(1B)						
362	Pinole Valley (1968) <sup>4</sup>	9-12	D(2)	000					
396	Sigma Continuation	9-12	D(2)						
364	Richmond (1946) <sup>4</sup>	9-12	D(1B)	000					
395	Omega Continuation	9-12	D(1B)						
<b>Total 10 High Schools</b>									

**Existing Campuses. Alternative Schools. Updated June 30, 2005.**

No.	Existing Campus	Grade	Bond (Phase)	SAB# <sup>1</sup>	SAB Eligibility Approval (50-03)	Eligibility Enrollment	SAB Project Approval (50-04)	SAB Fund Release (50-05) <sup>2</sup>	SAB Grant Amount (%)
358	Gompers (1934)	9-12	D(1B)	000	7/26/00	165			
369	Middle College	9-12							
373	Vista High	K-12	D(2)						
374	North Campus	9-12	D(2)	000	3/22/00	123			
408	Adult Education-Serra								
102	Adult Education-Alvarado								
<b>Total 6 Alternative Schools</b>									
<b>Total Schools (65)</b>									<b>\$26,743,937</b>

<sup>1</sup> A "000" indicates that form SAB 50-03 had previously been filed to establish eligibility, but the applications were rescinded when the projects did not move forward. A project number is assigned when form SAB 50-04 is filed, which requires DSA-stamped plans and CDE approval. A blank indicates that the status is unknown or that eligibility has not been established.

<sup>1a</sup> Application for rehabilitation of facilities due to special structural (Title 24) problems. State funding is 100%; no District match required.

<sup>2</sup> Fund releases for seventeen (17) projects (57/010-57/026) on May 9, 2005 were for the State mandated Labor Compliance Program (LCP), totaling \$305,278.

<sup>3</sup> The state grant amount is 60 percent of the total state modernization budget for project applications (SAB 50-04) filed after April 29, 2002. (Applications filed before April 29, 2002, receive 80 percent in state matching funds.) State funding is released to the District after the project has gone to bid, a construction contract has been awarded, and form SAB 50-05 has been filed. The District must provide its matching share of the project budget.

<sup>4</sup> Nine (9) elementary schools, five (5) middle schools and five (5) high schools previously had state modernization eligibility approved in 2000 (SAB 50-03), but the applications were rescinded when the project did not move forward.

**DISTRICT AND PROFESSIONAL SERVICES STAFFING PLAN  
FOR THE BOND PROGRAM**

The governance and management of the bond management plan have evolved over time to address the changing needs, functions and funding of District facilities. This section provides an update on the changes in administering the full facilities program since July 1, 2003. (For a detailed history of the present structure of the citizens' bond oversight committee and the bond management team, the reader should refer to prior annual performance audit reports and midyear updates.)

**FACILITIES STAFFING FOR THE BOND PROGRAM**

During the early stages of the Measure M facilities program, the WLC/SGI team provided most of the architectural services, including services for the Quick-Start projects at thirty-nine (39) elementary schools. After WLC/SGI completed preliminary design documents, the District hired architects of record (AORs) to develop detailed plans and specifications and bid documents.

As the facilities program progressed over time with the design and construction of Measure M and Measure D projects, the District recognized the importance of having key District staff to implement essential functions of the facilities program, which the WLC/SGI team could not perform for different reasons. The table below lists District staff and the funding allocations for the facilities program for the 2004-05 fiscal year.

**District Staffing to Fulfill the Facilities Bond Program. (Source: District records)**

District Staff Position	General Fund %	Bond Fund %	Budgeted Expense to Bond Program	Actual Expense to Bond Program
<b>Bond Finance Office</b>				
Sr. Director of Bond Finance	25	75	\$107,362	\$104,308
Director of Capital Projects	50	50	67,137	65,183
Principal Accountant	0	100	89,266	89,095
Administrative Secretary	25	75	40,984	39,102
<b>Bond Finance Office Subtotal</b>			<b>\$304,749</b>	<b>\$297,688</b>
<b>Bond Management Office</b>				
District Engineering Officer	10	90	\$145,690	\$142,994
Bond Program Management Specialist <sup>1</sup>	10	90	53,783	21,636
Director of Bond Facilities	10	90	120,075	117,627
Bond Regional Facility Project Manager	10	90	103,473	99,985
Bond Regional Facility Project Manager	10	90	100,831	99,774
Bond Network Planner	10	90	100,285	96,856
<b>Bond Mgt. Office Subtotal</b>	<b>10</b>	<b>90</b>	<b>\$624,137</b>	<b>\$578,872</b>
<b>Adjustments<sup>2</sup></b>				<b>\$4,708</b>
<b>Total for Mgt. and Finance</b>			<b>\$928,886</b>	<b>\$881,268</b>

<sup>1</sup> This position was filled for only several months during the fiscal year, and was open as of June 30, 2005

<sup>2</sup> Adjustments were primarily additions for a substitute in the vacant Bond Program Management Specialist position for part of the year and reductions due to reclassification of twenty-five (25) percent of the Sr. Director of Bond Finance to the General Fund "to accurately reflect activity during 2004-05."

## BIFURCATION OF THE MASTER ARCHITECT AGREEMENT

During the first performance audit, Total School Solutions (TSS) found that the master architect agreement had created some operational difficulties. The finding notes:

The scope of services provided by the bond program manger (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 responded by noting the following:

The Master Architect contract with WCCUSD, by design, has overlap with the Architects of Record (AOR) in several key areas such as Schematic Design and oversight of the construction documents. In addition, the District, SGI and WLC are currently engaging in a “Realignment Process” to evaluate their performance to date and to consider changes to streamline and improve the Bond Team process during the coming year. The working relationship between Seville and WLC and the Master Architect/project architect relationship are two key areas that the District is focusing on in this process.

The District decided to bifurcate the agreement, and negotiations have only recently been completed. A new “Agreement for Master Architectural Services” with WLC was signed on December 1, 2004. A new “Agreement for Program, Project and Construction Management Services” with SGI was signed on December 21, 2004. A separation of duties (and contracts) may strengthen controls among all parties involved in the facilities construction process (as also discussed in the section “Master Architect/Engineer Plan”).

Much of the facilities-related personnel (fulltime equivalent or FTE) assigned to the program—including staff as well as project and construction management—is presented in the table below. These estimates exclude architects/engineers of record, project specialty consultants, inspectors, the communication consultant, the outreach consultant and the labor compliance consultant. Over time, the FTE should decrease as projects complete the construction phase.

<b>Category</b>	<b>FTE<sup>1</sup></b>
District Staff	
Bond Finance Office	3.0
Bond Management Office	5.4
<b>Subtotal</b>	<b>8.4</b>
 Bond Program Manager (SGI)	
Program/Project Management	5.5
Design Management	0.75
Construction Management	12.75
Other (Network Admin., PS2 Coordinator, Receptionist)	3.0
<b>Subtotal</b>	<b>22.0</b>



<b>Category</b>	<b>FTE<sup>1</sup></b>
Construction Management (Other) Amanco, RGM, Van Pelt	3.0
Master Architect (WLC)	9.0
Design Phase Management (Measure D1-A) Don Todd Associates	3.0
<b>Subtotal</b>	<b>15.0</b>
<b>TOTAL Full-Time Equivalent</b>	<b>45.4</b>

<sup>1</sup> FTE stands for full-time equivalent, 1.0 FTE is a full-time employee.

The approximate costs over a five (5) to six (6) year period for the above FTE for Measure M-1A/2A and Measure D-1A follow:

<b>Category</b>	<b>Five (5) to Six (6) Year Cost in Millions of Dollars (\$1,000,000s)</b>
District Staff	5.0
Bond Program Manager (SGI plus other CM)	28.2
Master Architect (WLC)	20.4
Design Manager (Todd)	2.8
<b>Total Five (5) to Six (6) Year Cost</b>	<b>56.4</b>

The table below provides a detailed project cost breakdown for Phases M-1A, M-1B and D-1A.

#### **Capital Assets Management Plan/Reconciliation Report. August 24, 2005.**

<b>Budget Category</b>	<b>M-1A Budget</b>	<b>M-1B Budget<sup>1</sup></b>	<b>D-1A Budget</b>
Pre-Design Services	\$263,344	\$357,567	\$581,241
Design Phase Services <sup>2</sup>			
Bond Program Manager	\$6,043,711 (5.0%)	\$6,565,238 (5.0%)	\$15,200,365 (6.8%)
Master Architect	4,583,450 (3.8%)	4,671,178 (3.5%)	10,380,788 (4.6%)
Construction Manager	0	1,069,430 (0.8%)	0
Design Manager	0	0	2,410,699 (1.1%)
A/E of Record	7,717,173 (6.4%)	9,344,250 (7.1%)	17,281,336 (7.7%)

<b>Budget Category</b>	<b>M-1A Budget</b>	<b>M-1B Budget<sup>1</sup></b>	<b>D-1A Budget</b>
Specialty Consultants	821,470 (0.7%)	851,827 (0.6%)	898,953 (0.4%)
Other <sup>3</sup>	2,525,217 (2.1%)	2,674,127 (2.0%)	2,551,903 (1.1%)
<b>Total</b>	<b>\$21,691,021</b> <b>(18.0%)</b>	<b>\$25,176,049</b> <b>(19.1%)</b>	<b>\$48,724,044</b> <b>(21.7%)</b>
Construction Phase Services	\$3,953,420	\$3,936,502	\$6,151,943
<b>Soft Costs Total</b>	<b>\$25,907,784</b> <b>(21.5%)</b>	<b>\$29,470,115</b> <b>(22.3%)</b>	<b>\$55,457,229</b> <b>(24.7%)</b>
Construction Costs			
Modernization/New <sup>4</sup>	\$ 87,869,511	\$ 93,047,227	\$160,357,799
Temporary Housing	6,875,686	9,581,664	8,430,675
<b>Construction Costs Total</b>	<b>\$ 94,745,197</b>	<b>\$102,628,891</b>	<b>\$168,788,474</b>
<b>Total Project Budget</b>	<b>\$120,652,985</b>	<b>\$132,099,013</b>	<b>\$224,245,703</b>

<sup>1</sup> Includes Downer Elementary School

<sup>2</sup> Percentages based on total project budget.

<sup>3</sup> Includes DSA fees, CDE fees, reproduction costs, General Conditions and Hazardous Materials and Monitoring, etc.

<sup>4</sup> Includes escalation costs.

## CONSTRUCTION MANAGEMENT

Presented in this section are data that summarize the number of construction managers employed by SGI, Amanco, RGM and Van Pelt. Cost data for the bond program manager are also presented, which include program/project management, design management, construction management and other costs. As a percentage of the total construction budgets, the bond program manager costs follow:

<b>Phase</b>	<b>PM/CM Cost</b>	<b>% of Construction Budget</b>	<b>Construction Budget</b>
M-1A	\$ 6,043,711	6.4%	\$ 94,745,197
M-1B	7,634,668	7.4%	102,628,891
D-1A	15,200,365	9.0%	168,788,474
<b>Total</b>	<b>\$28,878,744</b>	<b>7.9%</b>	<b>\$366,162,562</b>

### Commendations

- The District facilities project staff is commended for its dedication to the bond program through its extended day services out in the community.
- The Citizens' Bond Oversight Committee is commended for its recommendation for improving the quality of the bond program.

## BOND PROGRAM MANAGEMENT COST COMPARISON

TSS was asked, as a part of this review, to compare the costs currently being incurred for program management by the District’s facilities program with the costs experienced in other similar school district construction programs. In order to properly inform the reader, it is necessary to point out several factors:

- Different districts utilize the same position title for different functions.
- Different districts utilize different names or position titles for the certain functions.
- There are few, if any, school districts currently engaged in construction programs as large as the one the West Contra Costa Unified School District is engaged in except Los Angeles Unified School District and San Diego Unified School District, which due to their massive size are difficult districts to use for comparative purposes with any other California school district.
- There are a significant variation in delivery mechanisms utilized by school districts that can provide a false comparison when used for analytical purposes.
- For various legitimate reasons, not all districts charge all construction program expense to the construction program, thereby skewing the comparison data.

The comments above are intended to illustrate the complexity of a comparative analysis. However, it is possible to obtain data as well as utilize “industry standard” information to obtain the desired indicators.

Using demographic data for California schools as reported by the California Department of Education for the school year 2004-05, two school districts were identified as appropriate comparison bands: Elk Grove Unified School District and San Jose Unified School District. Districts were identified as appropriate models based on several factors including student population, existence or development of a bond program, number of schools, and growth and/or modernization needs.

After several attempts, TSS was unable to obtain useful information from San Jose Unified School District. Elk Grove Unified School District did provide limited data, which in combination with the industry standards, is sufficient to draw conclusions about the West Contra Costa Unified School District program.

	<u>Elk Grove Unified</u>	<u>West Contra Costa Unified</u>
District Enrollment	58,670	32,719
Facilities Program Amount	\$750,000,000	\$950,000,000
Number of Schools	58	64

The District and Professional Services Staffing Plan for the Bond Program section of this report provides a detailed summary of the expenses associated with management of the District bond program. Included in that section is a summary of the amounts budgeted to manage the program. This summary indicates a 5 to 6 year total of \$56.4 million for a program of an approximate amount of \$554 million. The cost of management constitutes 10.2% of the total budget.

The percentage includes District staff, Bond Program Manager (SGI plus other CM), Master Architect (WLC), and the Design Manager (Todd & Associates). Industry standards indicate that a 5% - 7% range should be expected for this spectrum of services.

It must be noted that the existing management structure was developed when virtually no support structure already existed. The few District administrative staff members available at that time were new to the District. Also, there had been no active District facilities program of any kind for a number of years. Furthermore, the District desired schedules which, were aggressive and consequently costlier. Therefore, in the opinion of TSS, the current arrangement and related costs do not appear to be unreasonable

### **BOND FINANCE OFFICE**

TSS performed an analysis of the duties associated with personnel paid from the bond funds. Currently, the bond program funds three (3) fiscal services positions from 50 percent to 100 percent, as follows:

- The Director of Fiscal Services – Capital Projects (funded at 50 percent from bond funds);
- The Senior Director of Bond Finance (funded at 75 percent from bond funds);
- The Principal Accountant – Bond Fund (funded at 100 percent from bond funds)

### **Finding**

- Difficulties with the bond program’s fiscal aspects persist, as reported in earlier performance audits; and midyear reports and other sections of this report, particularly with respect to vendor payment delays, accounting reconciliation between the District and SGI systems, and duplication of work due to several SGI personnel and several District personnel assigned to various accounting functions.

### **Recommendations**

- It is recommended the District consider reorganizing functions, as necessary, to improve internal controls and accounting of funds for District projects. Such reorganization should also provide better control of all accounting functions related to the bond program, including budgets, expenditures, payment procedures, etc. It is recommended that one of the current bond finance office positions be reassigned to full-time oversight responsibility. It is further recommended that fiscal control of all future projects initiated remain the responsibility of the District.

## **District Response**

- The policy of the Bond Finance Office has always been that all payments will be made within 7 to 10 days or stated a different way “in by Wednesday out by Wednesday”. A statistical analysis of the data shows that this has been the case for over two years. While there are delays in issuing vendor payments, the cause of these delays are not in the Bond Finance Office.
- The Bond Finance Office is responsible for maintaining the official general ledger of the District. SGI maintains a separate general ledger which must be reconciled with the District’s official record. This has been done as of June 30, 2004 and was to be completed on a quarterly basis after this point. The SGI controls group has access to the District’s financial system and is currently working on the reconciliation for the year ending June 30, 2005.
- There are little to no designed duplications in services performed by SGI and Bond Finance staff. The SGI staff is under contract to prepare and maintain project budgets, prepare purchase requisitions and process invoices for payment. The District prepares the Purchase Orders as requested and reviews and countersigns transaction submittals for budgets, requisitions and invoice payments. The Bond Finance department does not initiate transactions for bond program funds but does perform oversight review and audit processes on all transaction submitted by SGI for processing.
- As stated above, the District’s policy is to pay vendors in a timely basis. The timely processing of budgets, budget revisions, purchase requisitions and invoices is key to timely payments being made. Possible changes in organization and alternative staffing plans will be investigated to determine if more timely payments, transaction processing and improvements in internal accounting can be achieved. The District will also investigate the assumption of additional financial responsibilities of future bond projects and Measure J.

## MASTER ARCHITECT/ENGINEER PLAN

### Background

In 2002, the West Contra Costa Unified School District contracted for bond management services through one comprehensive joint contract with Wolf Lang Christopher Architects (WLC) and the Seville Group, Inc. (SGI). The services included overall conceptual development to construction contract management services.

In significant California school construction programs, various participants typically fulfill a number of roles. Significant functions or roles generally include the following:

- Owner
- Architect
- Contractor
- Construction Manager

School districts usually contract with individuals, firms or agents for services associated with the general functions listed above. This separation of responsibilities allows for a set of checks and balances based on the relationships of the separate entities performing their respective functions.

The master architect contract combined all of the elements above except for the contractor. Program management design services and construction management services were, to various degrees, provided under this one contract. This mechanism potentially delivered the advantage of continuity. However, this arrangement also had an inherent flaw in that it runs contrary to the concept of checks and balances typical of more traditional construction programs. Although the master architect contract was creative and potentially productive, this contractual arrangement had the potential for difficulty without the appropriate checks and balances in place.

The annual performance report in 2003 found that the master architect arrangement could create the impression that the bond management team functions in a District staff role. This potential for confusion of roles placed the master architect in a number of difficult situations, including (1) providing services beyond the scope of the contract without payment, (2) declining to provide services, or (3) providing additional services for additional fees. It was recommended that District staff and the leadership of the bond management team meet regularly to review work in progress, planned work and the scope of provided services. The District responded to this finding by strengthening in-house staff to assume more responsibility and provide leadership in defining, or even limiting, consultants' roles. The most significant and effective effort in this regard was to create and fill the position of District Engineering Officer.

The 2003 report also found that the two architectural firms under one contract have created, or have the potential of creating, uncertainty in the division of roles, duties and responsibilities. The report contained a finding indicating that a conflict of interest is created when one firm reviews the work of its partner.

In the 2004 annual performance audit report, it was noted that the District and bond management team had undertaken a thorough review of the master architect contract and initiated a process to bifurcate the contract into two separate contracts.

In the current reporting period the following actions completing bifurcation of the original contract have occurred:

1. On October 27, 2004, the Board of Education approved the novation to the existing WLC/SGI Bond Team contract, a new WLC Architects, Master Architect Services, Bond Team Contract, and a new SGI, Project Management Services, Bond Team Contract.
2. On December 1, 2004, the new WLC contract was executed.
3. On December 21, 2004, the new SGI contract was executed.

During the following approximate six months, the reorganization appears to have settled and become functional. The role of WLC as master architect is now significantly clearer. In particular, the roles of the Architects of Record for the various projects are better defined. Likewise, SGI's role as manager of construction management services (including providing CM services for certain projects and coordination of other construction management providers) for all projects is better defined. Total School Solutions believes that the District is served well with this new arrangement to the extent that there is an improved checks and balances system now in place that was previously absent. Additionally, it is believed other consultants and contractors providing services to the District are managed more effectively due to improved lines of communication.

For a comparison of the costs associated with bond program management services refer to "District and Professional Services Staffing Plan for the Bond Program", section of this report.

### **Findings**

- There are no findings in this section.

### **Commendations**

- The District and the bond management team are commended for their hard work and success in producing the new contracts.

## STANDARD CONSTRUCTION DOCUMENTS

### Process Utilized

The bond management team provided the audit team with copies of the Master Architect/Engineer Plan, Quality Control Program, and a sample of the construction documents utilized in the projects. The audit team conducted interviews with District staff and members of the bond management team. These interviews covered a number of topics, including the process utilized in the development of standard construction documents.

### Background

The review process takes into account the fact that each campus is unique and, as a consequence, has different requirements. The review of standard construction documents is intended to determine whether the process utilized in their development will produce the desired consistency in product quality, educational features and overall aesthetics for campuses when they are completed as described by the Master Architect Approach to Standards.

The 2003 annual performance audit found that the District issued a significant number of addenda in the initial projects for which bids had already been invited. Those bids were high as a result of not having all the standard construction documents available at the time the District bid those projects.

The 2004 annual performance audit commended the District for the development of improved standard documents. At that time, it was anticipated that the new documents would significantly improve the bidding process for the District.

The midyear report of December 31, 2004, stated the District's new standard documents, although too late for the Phase 1A project, are being used for the Phase 1B projects. These new documents have resulted in more effective controls over the quantity of addenda and improved the bidding process written by the District. Phase 1B projects, while not yet complete, appear to be experiencing a significant reduction in the change order rates as well. Total School Solutions believes that this improvement is largely attributable to the contract documents currently in use. These conditions have not changed significantly since the midyear report was published. Further, there have not been any new projects bid since that time.

### Commendations

- Overall, the bond management team has performed well in developing a standard set of documents that provides consistency in the expected results.

### Findings

- There are no findings in this section.



## DESIGN AND CONSTRUCTION SCHEDULES

### Process Utilized

Total School Solutions (TSS) reviewed and analyzed documents, schedules and systems. The master schedule was compared to the actual schedule for the projects bid during the period ending June 30, 2004. Projects scheduled for master planning, programming, District review and other similar activities were also reviewed. For documentation of the design and construction schedules and budgets for projects in Phases M-1A, M-1B and D-1A, refer to tables 4, 5 and 6, respectively, presented on pages 19-21.

### Background

The bond management team has developed documentation systems that include schedules for the Measure M and Measure D programs. For the purpose of program management, the Measure M and Measure D master schedule is the most useful of these schedules. The master schedule includes the facilities programs for Measure M and Measure D, beginning with the master planning for Measure M in October 2001 and ending with the completion of the final Measure D projects in August 2010.

The bidding for those initial projects was delayed beyond the period of the 2003 annual performance audit. At that time, insufficient data existed to make an overall determination of schedule compliance. In that annual report, TSS recommended that the bond management team publish updated schedules reflecting adjustments necessary in the process. For the most part, the bond management team has complied with that recommendation.

In the last midyear report, it was noted that the bond management team continues to provide clear, easily understandable and regularly updated schedule information. The project status reports and the engineering officer's reports continue to serve as an excellent resource of schedule data.

Although the bond program has performed well as a whole, the Harding Modernization scheduled for occupancy in August 2005, had a late completion date. This delay necessitated last-minute adjustments to accommodate the opening of school. This is the only significant schedule delay noted thus far.

### Commendations

- The bond management team is commended for developing and maintaining clear, easily understandable and regularly updated schedule information.
- The District is commended for updating and maintaining accurate design and construction schedules.
- The bond management team is commended for including the sections titled "Contract Status" and "Schedule Update/Assessment" in the project status reports. These sections display up to date progress and updated estimated completion date for each project.

- The bond management team is commended for staying on track to meet the scheduled completion date of December 2005 for the reconstruction of 17 schools. The successful adherence to the schedule is indicative of an effective team effort which has produced the intended results.

### **Findings**

- There are no findings in this section.

## DESIGN AND CONSTRUCTION COST BUDGETS

### Process Utilized

Construction of the Phase M-1A and M-1B projects were nearly completed and/or substantially completed during the time period covered in this report. The bond management team provided Total School Solutions (TSS) with project budgets for review.

TSS conducted interviews with District staff and members of the bond management team. These interviews included a variety of topics, including project costs and budgets. For documentation of the design and construction schedules and budgets for projects in Phases M-1A, M-1B and D-1A, refer to tables 4, 5 and 6, respectively, presented on pages 19-21.

### Background

California public school districts are permitted to develop building standards based on individual educational, aesthetic and fiscal needs. The California Department of Education (CDE) reviews and approves projects based on a set of criteria that includes toxics review, minimum classroom size, compliance with the California Environmental Quality Act (CEQA) and other standards. The Division of the State Architect (DSA) reviews and approves projects based on their compliance with requirements related to structural (seismic) integrity, fire and life safety, and the Americans with Disabilities Act (ADA). The Office of Public School Construction (OPSC) approves projects based on established district eligibility, CDE approval and DSA approval. These required approvals are all based on “minimum standards” criteria established by these agencies. There are no existing state standards or minimum requirements in many areas such as technology, architectural style, aesthetics, specialty educational space (e.g., art, science, shop areas, etc.) and other similar features. Local district communities determine these standards or requirements based on local educational programmatic needs, available funds and individual site conditions.

Most California school districts adhere strictly to the state’s School Facilities Program (SFP) budgetary standards. In those districts, projects are designed based on total revenues produced through the SFP calculation, which is the sum of the SFP per pupil grant and the required local district match. Generally, districts simply use this formula for the purpose of determining available SFP revenues from the state. Under this second scenario, project budgets usually exceed the state formula. The amount in excess of the state formula is referred to as additional local match and is permitted by SFP regulations. With respect to state funding through the SFP, the only requirement for eligible projects is that the district provide its minimum match with local available funds.

Through actions of the Board of Education, the West Contra Costa Unified School District has established standards known as “Option 1C” to guide its projects. These standards result in individual project budgets significantly higher than a budget based solely on the SFP formula. Furthermore, the total for these individual project budgets exceeds the total facilities program revenues currently available to the District. It appears that the Board of Education anticipates additional revenues to balance program budgets. It has been expected that these funds may become available through local sources, including the authorization and issuance of additional local general obligation bonds.

Although accomplished after the end of the current reporting period, on November 8, 2005, District voters approved Measure J, which will provide an additional \$400,000,000 for continuance of planned new schools and the modernization of existing schools. However, while this is a significant positive step based on the current list of projects and cost estimates, the District will need an additional \$400 - \$500 million plus escalation increases to complete its entire program.

The District Engineering Officer has done a thorough job of including all known cost variables and updating budgets to reflect the changing construction and bidding environment. Periodic reviews and updates of the design and construction cost budgets ensure that adequate funding is identified and made available before the award of contracts.

Refer to tables 4, 5 and 6, on pages 19-21, for a comparison of budgets and costs.

### **Commendations**

- The District is commended for its development of Program Summary, Program Budget and Project Budget documentation for Phase M-1A and Phase M-1B programs. This documentation provides an easily understood snapshot of the budget status of each project and the program totals. These reports also display totals for approved change orders and potential change orders, thereby providing a reasonable indication of true project status and costs. The presentation of this information as a part of the regular, Engineering Officer's Report allows easy program and project tracking by all interested parties.
- The board and administration of the District are commended for providing vision and leadership needed for the success of Measure J. This success will move the District forward in achieving its stated facilities objectives.

### **Findings**

- There are no findings in this section.

## **DISTRICT POLICIES AND GUIDELINES FOR FACILITIES PROGRAM**

In the Annual Performance Audit for the 2002-03 fiscal year, Total School Solutions (TSS) found the current policies and regulations do not reflect recent changes in law. TSS 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 to update existing board policies and administrative regulations and, as appropriate, to develop new ones related to the facilities program for the West Contra Costa Unified School District.

The District noted that it concurred with the finding. District staff was assigned to work on policies and guidelines that impact or define work on the bond facilities program. Outside legal counsel was also assisting the District in updating board policies and administrative regulations.

### **Annual Audit Report 2004-05**

TSS has previously recommended that the District revise its policy and procedure regarding change orders to address the “10 percent” limit rule; namely, to apply the 10 percent limit on a cumulative rather than individual change order basis. Refer to the section titled “Change Orders and Claim Avoidance Procedures” in this report.

At the meeting of the Board of Education on January 5, 2005, a new proposed administrative regulation (AR) titled “Williams Uniform Complaint Procedures” was discussed. This AR addresses the mandatory state program to provide poor and underprivileged students with equal educational opportunities, including facilities. The model used to prepare the AR was based on the CSBA sample.

At the Board of Education meeting on June 1, 2005, a proposed administrative regulation (AR 7214.2) was introduced that defines the Citizens’ Bond Oversight Committee’s composition, duties, agenda and joint meetings with the Board of Education.

District staff continues to work on updating board policies and administrative procedures; however, as of June 30, 2005, many new or updated policies for the facilities program have not been adopted. Given the time involved in revising policies, TSS will reassess the District’s progress at the time of the next annual audit for the period ending June 30, 2006.

### **Findings**

- There are no new findings in this section

### **Recommendation**

- TSS recommends that the District continue to work on revising and updating its policies.

## **BIDDING AND PROCUREMENT PROCEDURES**

### **Process Utilized**

In the process of this examination, TSS reviewed and analyzed purchasing documents and payment documentation for new construction and modernization projects. Interviews with various staff members were held.

### **Background**

No major construction bids were conducted during the period of July 1, 2004, to June 30, 2005. Several construction projects were initiated during the July and August months to take advantage of the summer schedule. A review was made of procurement practices and smaller bids conducted within this audit period.

The District made several furniture purchases for schools undergoing modernization. Purchasing was able to take advantage of “piggyback” bids with the California Multiple Award Schedule (CMAS) Contract, a schedule of negotiated bids performed by the California Department of General Services and U.S. Communities.

### **Commendations**

- Because of staffing shortages in purchasing, the facilities department and the bond management team initiated and conducted bids of non-major construction projects. The District is commended for following all legal requirements and procedures from the advertising of the bid to the receiving and award of contracts in spite of this shift.
- The District is commended for converting interim housing relocatable leases from annual to monthly agreements. Typically, the District contracts for relocatables on an annual lease and annual payment basis. This is an economical approach when multi-year projects are planned. However, as projects near completion, conversion of these agreements to a month by month arrangement allows cancellation to be timed with project completion. This produces a cash savings to the District.
- The District is commended for working with staff to build consensus on furniture and equipment selections. To establish standards for furniture and equipment, purchasing department organized a vendor show and invited teachers and administrators to enable a selection of preferred brands and models. The show was successful and helped provide consensus in choosing standards.
- Staff is commended for releasing a Request for Proposal (RFP) for Design Services of Furniture and Equipment to seek competitive bids for this work. The District approached four companies with this RFP, and two responded. While the response was small, the effort appears to save the District money; the lower (responsible) bidder was 22 percent lower in cost than the other bidder.

## **Findings**

- The District needs to ensure that its practice of requiring two or three quotes for materials or services greater than \$2,000 is observed. The bond management team can assist with this practice by attaching copies of all quotes received to the requisition form (for the public record).
- Purchase orders that utilized “piggybacking” in its bid pricing—such as leases of portables or purchases of furniture and equipment—did not include references to the bid it was piggybacking. To remain compliant with the public contract code, references should be included to identify the original bid with the CMAS number.
- It was observed that one of the RFP’s for furniture and equipment had a proposed cost ranging from \$9,000 to \$12,000, a difference of 33 percent between the high and low. The differences in the cost range should be better explained in the proposal to ensure that the District is charged a fair and appropriate amount for services and materials.

## **Recommendations**

- It is recommended the District ensure that documentation showing compliance with the competitive bidding process is maintained either by attaching other quotes to the requisition or indicating the bid or CMAS agreement numbers on the bid. References to the original bid or CMAS number for purchases that exceed the bid limit should be made in the purchase order documentation.
- It is recommended the District spot-check piggybacked bids by comparing them with random quotes to ensure the method is more economical than bidding. (It is important to note that CMAS purchases may incur a surcharge of up to 2.56 percent to be invoiced a year later.)
- For better control, management and evaluation of bids, it is recommended that staff require bidders to itemize their bids to ensure vendors do not overcharge the District. To avoid misunderstandings or overcharges, the District should require vendors to supply an explanation or itemization of fee structures when the vendors offer a range of prices.

## **District Response**

- The District continues to require that all Managers soliciting work including materials and services provide multiple proposals to ensure competitive bidding on smaller contracts. Unfortunately, many of the smaller contracts involve rapid turnaround which in some cases has precluded receiving as many bids as would be desirable.
- Use of “piggybacking” for purchasing furniture/equipment and leases on portables is an important tool for the District to secure these items in a competitive environment. Recent portable bids, including those for El Cerrito High School Transitional Housing, did include references to the original bid which was being piggybacked. In addition, staff has legal counsel review each large proposed piggyback for appropriateness prior to accepting bids.

- The range of prices for furniture and equipment referenced in the findings relates to the quality and brand differences within the industry. Staff continues to refine the District Standards for furnishings and equipment to ensure that bids always reflect the same items and quality.



## **CHANGE ORDER AND CLAIM AVOIDANCE PROCEDURES**

### **Process Utilized**

In the process of this examination, TSS analyzed documents pertaining to change orders and claims. Interviews were also conducted with the facilities and construction management team.

### **Background**

Change orders occur for a number of reasons. The most common reason is due to discrepancies between existing conditions at a job site and the plans and specifications. Often, minor repairs or remodels are made to sites over time, but these changes are not updated in the District's archival drawings. The project architect may not know about actual hidden conditions and, consequently, is unable to include all information in the bid set. Actual conditions are frequently discovered when a portion of a wall or floor is removed or exposed. Examples in the District include buried foundations and unknown gas lines. There may also be a discovery of hazardous materials in this process, which result in change orders. (These hazardous materials were not classified as hazardous and were legally acceptable at the time of construction.) Geotechnical factors—such as liquefaction, landslides, and earthquake faults—also contribute to change orders if not sufficiently investigated prior to the bidding process.

Change orders may also be a result of owner's requests for additional or changed scope. If, for example, the District makes changes to standard landscaping designs because a community has specific needs, then the District may make an owner-requested change order to make an adjustment.

Architect's errors and omissions may also result in change orders. When an architect or an engineer calculates an item incorrectly, draws incongruous functions, or simply misses a detail, the District can recover incidental costs of these change orders by having terms and conditions in its contract with the architect. (There is an industry acceptable standard for change orders as a result of errors and omissions.) These kinds of errors tend to be minimal and have not posed a major problem for the District.

In the December 31, 2004, midyear report, it was recommended that the District revise Board policy to allow an aggregate total of 10 percent of the original contract price. Furthermore, in prior reports it was indicated that allowing change orders in excess of 10 percent aggregate may be inconsistent with Public Contract Code requirements. During the current reporting period, the District had its legal counsel review District practices in this area. Counsel has validated District practices; therefore, this finding and associated recommendations have been addressed from the performance auditor's point of view.

### **Commendations**

- The District is commended for an organized, orderly change order approval process, with the appropriate levels of managerial and fiscal controls. At different points in time, change orders are accumulated and taken to the Board for ratification as required under state law and to complete payment and contract adjustments.

- The District is commended for more expeditious decision making while maintaining appropriate authority and accountability. For example, when water was needed to be shut off, the appropriate maintenance and operations staff was contacted and the problem was averted quickly.
- The District is commended for its efforts in the area of value engineering. To minimize the amount of change orders, value engineering is performed by the architect and construction managers, whenever possible. Value engineering is the act of reviewing the scope of work and suggesting less expensive alternatives to perform a task without compromising the quality or the original intention of the specifications.
- The District is commended for significant reduction in the cumulative cost of change orders from the initial M-1A projects to the present. TSS opines that this reduction may be attributed to a number of factors including, but not limited to, better construction documents, fewer addenda, and a more clearly defined management system.

### **Findings**

- Change orders are typically reserved for unforeseen conditions or conflicting information in drawings. It is generally unwise to use change orders to add or modify the scope of work in a project. The disadvantages using change orders to add scope of work lie in the absence of competitive pricing and the consequent difficulty in determining true-market value. Examples of this practice in the District include the following projects:
  - The addition of a north-end parking lot at Montalvin
  - The addition of landscaping at Madera
  - Tree removal and landscaping at Kensington
  - Re-siting of relocatables at Stewart
- The District needs to work to ensure that appropriate reviews are conducted prior to bidding to avoid delays and extra costs. For example, an electrical design error caused a delay at Riverside Elementary School, which should have been identified in the constructability review. Pipeline issues at Helms Middle School should have been a consideration prior to the bid. Had these issues been addressed before the bid and included in the bid documentation, the District would have had the advantage of lower and more accurate bids that are less prone to RFIs.

### **Recommendations**

- It is recommended that more time be allocated to constructability, utility locations, soils analyses, and hazardous material analyses prior to bidding.
- As a general practice, it is recommended that the District add the school principal, maintenance, and information technology to the sign-off list before plans are approved. These additional checks will help minimize or eliminate in-District requests for owner-driven change orders.

## District Response

- The District is in general agreement that scope additions or modifications may be a concern when executed using the Change Order process during construction. However, it is often impossible for staff and consultants to fully understand what the total project at a site might need to involve until construction is underway. At that point, with a Contractor on site, it is often less time-consuming and less expensive for additions to a project to be made through the Change Order process. While the work is not put out to bid, it is often the case that District staff and SGI Construction Managers will insist upon multiple quotes and engage in intensive negotiations for work added as part of a Change Order.
- The ability of the District to adjust scope during construction is an important tool to ensure a complete project and to be able to respond to unanticipated needs that arise during construction. The specific four examples cited are really a good example of the complexity of the process.
  - ❑ North end parking at Montalvin: Added per Board direction as an important scope to complete an appropriate project scope. Originally priced as an alternate at bid, not accepted. However, eventual pricing was same as bid price. So this work was competitively bid.
  - ❑ Addition of landscaping at Madera: During construction, community concerns regarding site landscaping work resulted in addition of landscape and changes to original layout—allowed District to meet neighbor concerns in a timely fashion.
  - ❑ Tree removal and landscaping at Kensington: Bulk of tree removal, 50+ trees was in the original contract, not added. Some additional work—landscape screening--was added in response to neighbors concerns regarding impacts of the new building on homeowners.
  - ❑ Re-site relocatables at Stewart: This work should have been anticipated during design, but was not properly communicated from site staff to architect.
- The District concurs that more time and resources need to be allotted for pre-bid reviews, constructability reviews, utility location assessments, and environmental reviews. Current projects are being reviewed much more intensively in the areas referenced.
- The District does require that Maintenance, Information Technology, and the Principal “sign off” on a project before the plans are approved. Current contracts have continued to strengthen District reviews, for example: project architects are required to conduct 50% Construction Document reviews with all their subconsultants and District staff.

## PAYMENT PROCEDURES

### Process Utilized

TSS interviewed District staff, reviewed documentation, and observed processes in the course of this examination. Variances and deviations in accounts payables were closely reviewed.

### Background

TSS randomly selected payments made from Measure M and Measure D funds for the period July 1, 2004 through June 30, 2005. Vendor categories included architects, Labor Compliance Program (LCP) consultant, contractors, technology, and furniture suppliers. Amounts for sampled invoices ranged from \$17,335 to \$754,787. Invoices were checked for timeliness, consistency of documentation, and proper authorization.

As part of the bond program's financial controls, SGI monitors and controls payment processes. The construction manager, inspector, and architect verify construction invoices for accuracy. The bond management team prepares invoices for payment by attaching an authorization cover for signed approvals. The District's in-house financial system tracks payments and encumbrances. Payments are not processed unless monies are encumbered through purchase orders. Change orders less than 10 percent of the original contract are processed for payment after budget adjustments are made and monies encumbered.

### Commendations

- The District staff is commended for keeping the timeline for a budget transfer to an average of two (2) weeks.
- The District is commended for following all processes and procedures with respect to the payment procedure process set forth under "Background" above.
- The District is commended for the payment applications and associated documents. The payment application for all construction contractors included payment application, schedule of values, proper authorization and unconditional waiver and release upon progress payment.

### Findings

- The time of payments can be shortened. Only twenty five (25) percent of the sampled invoices took four (4) weeks or fewer to pay from the date of the invoice. Forty (40) percent of the sampled invoices took approximately three (3) months or more for payments from the date of the invoice. One of the least timely invoice was for furniture and equipment, which took twenty (20) weeks to pay.
- During the course of the audit, one of the sample invoices for \$217,025 was not available for audit because paperwork was not in the file.

- One of the sampled invoices showed several handwritten corrections. The contractor's calculations were incorrect and had to be corrected by the construction manager, which prolonged the payment process.
- Not all construction invoices had the unconditional waiver release upon progress payment. Consistency should be required for all payments.

### **Recommendations**

- It is recommended that effort be made to reduce the timeline for a budget transfer, which is currently an average of two (2) weeks. By shortening the time for a budget transfer, the payment process can be shortened. Currently, the budget transfer requires approval at four levels. The average line item budget transfer is forty (40) transactions per month, it is recommended that instead of having the Associate Superintendent approve every transaction, a monthly summary should be submitted for review, thereby reducing the levels of approval and shortening the timeline.
- It is recommended that effort be made to reduce the timeline for payments. When payments are not timely, vendors and contractors are more likely to factor a higher margin when bidding for projects. Timely payments also encourage bids from high-quality contractors. Late payments may result in service and interest charges.
- It is recommended that file documents should be better organized to prevent missing documents and invoices.
- It is recommended that no payments of change orders be made until the Board ratifies the change order amount. While it may be necessary to give staff authority to approve change orders to prevent further expense to the project, release of public funds should not occur until Board action is taken.
- It is recommended that incorrect contractor invoices be rejected and be sent back for resubmittal. Information presented should be clear and accurate. Contractors should be asked to submit invoices that reflect the true value of their work. Clear and accurate invoices shorten the timeline for payment.
- Refer to the section in this report titled "District Professional Services Staffing Plan for the Bond Program" for comments concerning reorganization of accounts payable for Bond Program expenditures.

### **District Response**

- The District will investigate alternative procedures in an effort to reduce the time necessary to process a budget revision. The Associate Superintendent's signature is required by District policy to assure that the Cabinet level is aware of the changes in the allocation of budget resources. Accumulating the transfers and submitting them at the end of the month given the large dollar amount of these revisions would be inappropriate.

- The District is committed to making timely payments to contractors and other vendors. Procedures included in the approval and payment processes have been made that have reduced the time it takes to process payment. Additional changes in processes prior to final processing need to be investigated and revisions made which will reduce the time between authorization of the services and the submittal of the invoice by the vendor.
- The District undergoes at minimum three audits annually. In some cases items have been re-filed in error but every attempt is made to correctly file all documents. The District's bond finance auditor's just completed the audit for June 30, 2005 and tested 120 transactions. Proper documentation and support was located for all 120 items.
- The District concurs that payment should not be made on change orders until the appropriate approvals have been obtained.
- The District concurs that incorrect invoices should be returned to the vendor for correction and re-submittal rather than being corrected and processed. If manual corrections are, all required approvals should be obtained prior to submittal for payments.
- See above response, as noted in Recommendation.

## **BEST PRACTICES IN PROCUREMENT**

### **Process Utilized**

District staff was interviewed; documentation was reviewed; and processes were observed in the course of work. To clarify issues or questions, subsequent interviews were held.

### **Background**

Best practices in procurement of materials and services ensure the most efficient use of resources. Efficiency can be gained by enforcement of contract language, management of consultants, and the understanding of cause and effect of market economy. It is the intent of this component of the examination to determine the extent that the District has used and promoted best practices.

Board policy delegates authority to the purchasing department to engage in contracts not only to ensure the best-quality products at the most economical prices but also to enforce the contract and all its rights afforded the District. Board policy sets fiscal controls to ensure monies disbursed are within budgeted appropriations set by the board. Invoices in excess of the approved purchase order amounts are to be reviewed and approved through appropriate actions.

### **Commendation**

- The District is commended for its prequalification process. Twenty-two contractors were approved as a result of the prequalification process. The process ensures that quality contractors meeting District's criteria are allowed to bid. The process was noticed to invite new general contractors, outreach was performed for inviting local and minority firms. The process was found to be fair and efficient.
- The District is commended for the use of temporary campuses to help reduce construction time and improve student safety. The Phase M-1B schools were released to the contractors in their entirety. Phase M-1A construction, on the other hand, was phased, resulting in moving in and out of completed buildings, contractors being concerned with campus safety, coordination of moving, and limiting contractor work in the released buildings. By utilizing a temporary campus off-site, the construction is unobstructed, thereby preventing problems encountered in a phased construction. There may be no cost savings due to the cost of renting portables and providing utilities; however, use of temporary campuses has reduced construction time and created a safer environment for the students.

- The District is commended for conducting an extensive search for a qualified geotechnical engineer. One of the regulation changes in 2004-05 has required certain school projects close to fault zones to be reviewed for geotechnical hazards. The Request for Qualifications (RFQ) was sent to forty firms. The criteria included experience and familiarity with the geotechnical conditions in the area. In some cases, the result of the review was to move the building to a different location. This happened in the case of Pinole Middle School. (It is important to have the review even if it means the delay of start of construction prior to bid because of the impact on change orders, as was the case of some underground conditions at Lincoln Elementary School.) Portola Middle School design work was suspended for additional testing because it was found to have a landslide hazard. This investigation demonstrated due diligence. Refer to the section in this report titled “Delivered Quality Review” for additional information.
- The District staff is commended for its performance in tracking numerous pieces of furniture and equipment through a fixed asset inventory system. Equipment is tagged, and information is logged. D & D Securities installs the lockdown of computers, tags the equipment, and sends the information on the equipment, serial numbers, and locations to the District, saving staff time and ensuring accurate data.

### **Findings**

- Modtech, a provider of portable classrooms, was unable to repair fifty (50) air conditioning units in new portables they provided at several school sites. The District, to ensure that the portables would be ready for school opening, hired Bay Cities Mechanical to do the repairs, at a cost \$6,596.79. Upon investigation, this auditor could not find whether Modtech credited the District for the cost of repair. It is important that purchasing department be informed of issues such as these so they can ensure the money is collected. (This matter was also reported in the midyear report.)
- In November of 2004, Schreder and Associates presented a redistricting study to the Board. Before any commitment of funds is made for reconstruction, redistricting decisions that may affect a school should be considered.
- A memorandum issued by Davillier Sloan stated that the District is no longer requiring original signature on certified payroll record. The certified payroll record is an official document which interests the Department of Labor, Office of Public School Construction, and contractor trade organizations. Without the original signature, the District may create an impression that the record is incomplete, inaccurate, or invalid.



- The bid for Playground Renovation at Hannah Ranch and Cesar Chavez Elementary School was significantly delayed by the contractor. The bid was opened on June 23, 2004, and the Board approved the contract on July 7, 2004. A Notice to Proceed was issued on July 21, 2004. The forty-five day project should have been completed before the new school year started. Instead, it was ninety-eight percent complete during the first week of February. When a contractor fails to perform, the bid document provides relief in form of liquidated damages. Further, it may be necessary to report such performance to surety companies. This practice will eventually eliminate nonperforming or underperforming contractors. A further review was made of other construction timelines and the additional construction days approved for certain projects.
- Extension of construction days could not only delay the use of school facilities but if caused by the District, may result in the District owing contractors' for the extension of time.

### **Recommendations**

- It is recommended that the District track credits from contractors. Credits can be easily overlooked and should be tracked and claimed with the next payment due.
- It is recommended that, before any commitment of funds is made toward reconstruction, closures or redistricting decisions should be considered.
- It is recommended that the District verify with their legal counsel the validity of accepting certified payroll records without original signatures.
- It is recommended that District enforce contract conditions for nonperforming /underperforming contractors. When work delays caused by the contractor affect the District's use of facilities, liquidated damages should be imposed. To encourage performance, contractors should be reminded of possible claims against their bond. Because bonding is needed to bid on public projects, contractors understand the impact of a report to their surety firm.

### **District Responses**

- The District does track credits and often backcharges contractors for repair or warranty work when it is required to be completed by the District. However, in the Modtech case mentioned, it should be noted that the District did not hold a contract with this firm. This company was directly retained by the State of California Portable Classroom Program. The District was without recourse in a situation which required immediate action in order to open school.
- The District has always used updated demographic information as the basis for considerations regarding redistricting or boundary changes. As an example, the most recent redistricting changes being implemented in the District have resulted in modifications to proposed enrollments at Downer, Helms, and Portola. These updated enrollment projections have been incorporated by the project architects as a part of the project plans.

- Signatures of submitting contractors are still required on each Certified Payroll. The “original” signature issue referenced is related on to the “wet” signature of the submitting firm. This merely involves accepting a photocopy of the form which contains the original signature and still maintains all legal requirements for the submission.
- Construction delays are a significant issue for all public agencies. The District always enforces contract conditions related to time, however, it is unrealistic to consider assessing liquidated damages or engaging surety on a project unless there is a clear responsibility of the Contractor for the delay. In all of the referenced cases, the delays noted and time extensions granted were as a result of: unforeseen conditions at the site; scope added by the District; clarifications to the documents; DSA-required additional work. The specific issue of Hanna Ranch/Chavez delay is related to long-lead time fabrication requirements for DSA pre-approved shade structures. This lead time was not built into the schedule proposed by the architect and approved by the District at the time of bid.

## QUALITY CONTROL PROGRAM

A “Quality Control Program” could be considered to encompass a full range of concepts, from initial conceptual considerations to outfitting a completed school construction project with furniture, equipment and materials, as well as managing change orders throughout the construction process.

After considerable discussion among the citizens’ bond oversight committee, the District administration and the District’s legal counsel, Total School Solutions was directed as follows:

In this task, the Auditor will evaluate the District’s quality control programs. To perform this task, the performance auditors will evaluate the SGI/WLC memorandum describing the Bond Team’s approach to quality control. Total School Solutions will interview key staff/consultants and review necessary documents to assess how the District has implemented this program. This task will not duplicate any of the information provided in the performance auditor’s review and evaluation of the Bond Management Plan and will focus on the quality assurance process, not the particular quality outcomes that the bond program has achieved.

In accordance with the above direction, the performance audit team was provided with a Bond Program Quality Control document prepared by WLC/SGI, which contained three major components, as follows:

- Pre-construction Quality Control
- Procurement Quality Control
- Construction Quality Control

Each component of the document was evaluated, and a review of related documents was performed. The findings were presented in the annual audit report for the periods ending June 30, 2003 and June 30, 2004.

### **2004-05 Annual Report Update**

#### ***I. Pre-construction Quality Control***

The pre-construction phase for M-1A projects, as previously reported, was initiated prior to the completion of a detailed needs analysis for each school and board-adopted Option 1C quality standards. Without knowledge of site needs and constraints placed on the pre-construction design process, original design documents exceeded budgets established with Option 1C standards in the board-approved Facilities Master Plan. AORs reported that they could not meet the design scope within these budgets. This situation resulted in bid documents with a base bid and many additive alternates, only a few of which were approved by the board for inclusion in construction contracts. Subsequently, it was determined that Measure D funds would be insufficient to complete all identified projects.

The weaknesses encountered during Phase 1A project design and bidding were not experienced again with the development of revised cost estimates for Phase 2A projects, based on the full knowledge of Option 1C standards. Additionally, the District was better served in the projects bid subsequent to the initial M-1A projects to the extent that the bond team did a more effective job of document development and bid sequence.

## ***II. Procurement Quality Control***

While the Pre-construction Quality Control Process was mostly done by the master architect, the Procurement Quality Control Process was under the purview of the bond manager. Because the Procurement Quality Control process is in place and followed, satisfactory outcomes have resulted.

## ***III. Construction Quality Control***

The Construction Quality Control process is implemented by the bond program manager and the master architect, as documented in the Program Management Plan (revised on May 12, 2003), and appears to be complete and comprehensive. It is followed and satisfactory outcomes have resulted.

As stated at the beginning of this section, TSS reports on the process and not the outcomes. For this reporting period Total School Solutions was asked, for the first time to report on a sample basis on the quality outcomes of one (1) project. Please refer to the new section titled “Delivered Quality Review”.

## **DELIVERED QUALITY REVIEW**

### **Process Utilized**

In order to develop information for this section, Total School Solutions interviewed various members of the staff, consulting firms, and Board members. Additionally, various contract documents were reviewed and site visitation was accomplished.

### **Background**

The section of this report titled Quality Control Program reports on the process of quality control. Included in it are the initial instructions to Total School Solutions directing that the review not include outcomes. Prior to the development of this current report, the District expressed a desire to review the quality of outcomes based on the fact that a number of projects were now approaching completion.

First, it is important to understand that quality is subjective. What is acceptable to one person may not be to another. Therefore, a significant tool in assessing the quality of a project is to first review the standards to which it was designed, then compare those standards to the results. Second, the concept of quality should include the technical aspects of the design and delivery process. This aspect would take into consideration the quality of the plans, the quantity of adjustments (change orders) needed to correct errors and/or omissions, and the resulting impacts on schedule and budget.

Discussions with the Citizens Bond Oversight Committee, the Audit Sub-Committee, and District staff have highlighted the common question: "What is appropriate measurement of quality?" Conceptual answers to this question are far reaching. Measurement could range from adequacy and appropriateness of facilities to support intended educational program to a review of the quality of mechanical, electrical, and other building systems, materials, and fixtures.

On May 15, 2002 the Board of Education adopted construction standards now referred to as the "Option 1C" standards. Basically, that action set the quality standard of the physical plant for all projects at the level experienced in the Lovonya DeJean Middle School project. The master architect has been diligent in application of this standard in all projects since that time. Although not all projects were reviewed, based on what has been reviewed, it is reasonable to assume that the bond team has been over 95% successful in its efforts to maintain the "1C" standard in all projects.

Educational standards have not been as clearly defined in the district standards. Such items as library volume/capacity, size of administrative space, special education needs, storage, casework quantity, and other similar guidance normally defined in Educational Specifications has been left to the Architect of Record and the local site.

As requested by the District, TSS has conducted a detailed review of one project, Hercules, as an indicator of adherence to the "1C" standard. It, by definition, can be assumed that the plans and specifications were developed and published to the standard. The review included materials actually used (substitutions) and the quality of execution.

### **Commendation**

- The bond management team is to be commended for its diligence in effecting corrective actions upon learning of geotechnical studies inconsistencies.

### **Finding**

- On May 24, 2005, the District Engineering Officer presented a status report that included a component relative to Measure D Secondary Projects, Geotechnical Work Update. This section of the report provided an update of the new field work accomplished at five schools. The new geotechnical work was necessary due to the alleged inadequacy of the original geotechnical work. Since geotechnical data is a primary basis of structural design when an inadequacy is substantiated, the District finds itself in a position of incurring expenses to either correct soils conditions, add scope to compensate for newly verified conditions not accommodated in the original design, and/or relocate buildings on the site (or consider a different site altogether).

### **Recommendation**

- A quality review mechanism in advance of structural design is needed. The District should work with the bond management team to develop such mechanism(s).

### **District Response**

- The District believed that appropriate review mechanisms were in place in advance of structural design and is pursuing claims with responsible parties related to failure to ensure appropriate reviews of structural design in relation to geotechnical conditions at the sites.
- The District has continued to refine its Geotechnical reporting and review processes. As an example, specific Geotechnical plan review requirements are now in place for proposed structural designs.

## **SCOPE, PROCESS AND MONITORING OF PARTICIPATION BY LOCAL FIRMS**

### **Process Utilized**

In the process of this examination, Total School Solutions (TSS) discussed the matter with the members of the Board of Education, examined the contract for local capacity building and made observations regarding the processes of assisting local firms in participating in the District's facilities program.

### **Background**

The Board of Education has recognized the importance of using local services. In entering into the Project Labor Agreement, one of the purposes identified by the board is the following:

To the extent permitted by law, it is in the interest of the parties to this agreement to utilize resources available in the local area, including those provided by minority-owned, women-owned, small, disadvantaged and other businesses.

As indicated in previous performance audit and midyear reports, the notion of "local" firm had not been formally defined by the District or its board. To carryout the Board of Education's goal of increasing the participation by the local vendors and contractors, the bond management team generally considered a local firm as one that maintains an office in the metropolitan area, including the counties of San Francisco, Alameda, Contra Costa, Napa, Solano and Marin.

TSS noted that eight (8) of the ten (10) selected architect met the definition of a local firm. TSS also noted that a number of other local consulting firms had been awarded work. During the 2004-05 fiscal year, the District has continued to use many local architects, and a number of other services from local vendors and firms.

The District has hired Davillier-Sloan, the District's Labor Compliance Program administrator, to oversee a local capacity building program to ascertain which services the "local" vendor community and labor pool could provide. TSS notes that the bond management team's training opportunities and guidance, in coordination with Davillier-Sloan, to local firms interested in bidding on public work projects likely improved the chances of local firm participation, especially since many local firms lacked prior experience in K-12 educational facilities projects and the requisite knowledge and expertise to be competitive in bidding and executing such work.

It should be noted that the District's legal counsel has advised the District and the bond management team that award of construction contracts to local firms, which are not otherwise the lowest responsible bidders, may constitute a violation of the Public Contract Code. Despite the desire to increase local participation, it has not been possible to award contracts to local firms through this preferential criterion. These restrictive conditions still apply to public works projects. However, Davillier-Sloan's outreach efforts are open to the general public even though the District strongly encourages local residents to participate.

It appears that the District has progressed substantially, within the legal limits of the board's objective, to improve and increase local firm participation in the construction and planning of local school facilities projects. In response to TSS's recommendation, the District and bond management team have implemented a comprehensive program to identify local capacity and provide opportunities for local firms and employees to participate both in the capacity building program and the construction projects.

### **Commendations**

- The District staff and the bond management team are commended for their efforts in building local firm or vendor capacity in a systematic fashion, informing the local vendors/contractors of the opportunities and making the projects accessible to them.
- The District is commended for continuing to arrange training and potential contract or employment opportunities to local firms and workers.
- The District is commended for pursuing and obtaining a \$300,000 Federal grant for an apprenticeship program at Kennedy high School.

### **Findings**

- There are no findings in this section.

### **Recommendation**

- It is recommended that the District develop a precise definition of the "local" firms to aid in the outreach to firms within the defined parameters for participation in the bond program projects.

### **District Response**

- The District concurs and members of the Bond Team have been working closely with Davillier Sloan and the Local Outreach Committee to develop specific criteria for defining local participation. It is anticipated that a comprehensive Local Capacity Building Program will be presented for approval of the Board during early 2006.



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

### Process Utilized

Total School Solutions (TSS) interviewed personnel in facilities, purchasing and fiscal services departments; consultants; superintendent and other parties involved in the District's facilities program. All five board members, the bond oversight committee audit-subcommittee and key personnel on the bond management team were also interviewed. The communication channels and public outreach were topics in these interviews. A survey was also conducted which inquired about the communication program. The survey included the Board members, the Superintendent's cabinet, the Independent Citizens' Bond Oversight Committee members, principals, PTA and School Site Council presidents, and parents in general.

### Background

To facilitate communication regarding the West Contra Costa Unified School District's facilities program, the District maintains a communications office, has hired a public relations consultant and provides information about the District and the facilities program on three separate websites:

- West Contra Costa Unified School District: [www.wccusd.k12.ca.us](http://www.wccusd.k12.ca.us)
- Bond Oversight Committee: [www.wccusd-bond-oversight.com](http://www.wccusd-bond-oversight.com)
- Bond Program: [www.wccusdbondprogram.com](http://www.wccusdbondprogram.com)

The District also has a board policy on media relations and a procedures manual for print and electronic communications and media relations. These structures help provide a framework in which the District can convey information to the public and bond program participants.

In the 2002-03 annual performance audit, TSS recommended the District consider conducting a comprehensive information program to keep District personnel and the community informed about ongoing activities and the chronology of events and decisions involved in the facility program. To assist in this process, the District hired Craig Communications to provide public relations services for the District's facilities program to help the community become more informed about the rationale for various board decisions and their impacts on the facilities program.

The level of awareness among District-employed stakeholders close to the process continues to be high. In the interviews, the Board of Education and the superintendent's cabinet generally indicated a high degree of satisfaction with the communication activity, overall communications program and efforts to educate and inform the school community on the activities and processes used in the District's facilities program.

There is a disparity between the District's efforts and, in many cases, how local stakeholders in the facilities program view the District. The District has made considerable progress and improvement in many areas in the facilities program, yet some community members still have a negative view of the District's facilities program. Ultimately, the District may want to decide how to concentrate its public outreach efforts.

## Survey

A survey was conducted of the individuals connected with the bond program including the Independent Citizens' Bond Oversight Committee, the school board, cabinet members, site administrators, SSC chairpersons, PTA presidents, and the general parent community. A total of 19% of surveyed individuals responded. This low response rate was consistent among all groups with the exception of the Bond Oversight Committee and the school board. Survey responses among individual groups were generally closely aligned indicating a fair sampling of the opinions of that certain group despite the low response.

Throughout the last reporting year, the district has undertaken a variety of procedures for facilitating the dissemination of information between and among different groups, to improve general awareness of the bond program and to enhance communication among the stakeholders. The Director of Bond Facilities meets quarterly with the consultant, Craig Communications to discuss past performance, upcoming projects, and anticipated communication needs. Based on these meetings an informational update is prepared and delivered to staff, students, parents, and the affected public. Outside of these regular quarterly meetings, Craig Communications performs additional services on an as needed basis as situations arise at the specific sites or in regard to specific projects.

Over the course of the last three years, Craig Communications reports that there has been a shift from reactive or responsive communication to proactive, informative communication. It appears there has been a move from the primarily responsive to primarily informative. However, the survey respondents who would rely heavily on this type of communication as their primary source of information and would seem to be the likely and frequent recipients of such information (SSC chairperson, PTA presidents, and parents) show a high degree of lack of awareness and satisfaction with the communication process.

The perception of an inadequate communication process has been an on-going concern for the parent groups throughout the life of the facilities program, despite ongoing efforts of the district staff to improve the information exchange. Pre-planning informational updates seems to have improved the flow of information to the community, though there seems to be a need to make additional information available in regard to the facilities program. Similarly, despite the understanding and representation of the staff and the consultant to the contrary, survey respondents indicate that most of the communication has been reactive and not designed to engage the community in the facilities program in a proactive manner. Staff has also indicated a greater need for clarity in the communication process, with more of a defined process for disseminating information.

Of the groups surveyed only district staff and the school board indicate that they were satisfied with the communication process, and feel that the process is effective. This is a good indicator of improved communication within the district itself; however, there remains a continued need to disseminate information to the general public. Low survey ratings in the categories regarding the appropriate use of funds and staff knowledge can be largely attributed to lack of information and subsequent low level of familiarity and understanding of the facilities program by the parent groups. These responses by the public groups to these questions, however, indicate that the communication methods currently being used are largely ineffective.

## **Commendations**

- The District is commended for continued efforts to increase awareness of the bond program through open communication with the school community and community at large. Pre-planning for information release and quarterly updates to staff and the community are forming the basis for productive communication between stakeholders.
- The District is commended for the structure, functionality, and updated, accurate information on the bond program website. Navigation is clear and updated information is easy to access.
- The District is commended for having good internal communication, keeping staff updated and streamlining the communication process between various groups within the district: inter-staff; board to staff; district staff to site administrators.

## **Findings**

- While communication at the staff level has improved, as reflected by the survey responses, communication between the district and the non-staff stakeholders remains a challenge. District staff appears to be aware of the need to implement improvements in this area.
- The WCCUSD web-site and BOC site continue to list out of date information, though it is linked to the bond program site that has current information clearly listed. As of November 8, 2005, the WCCUSD site contained information about the chosen plan for El Cerrito High School, but no update on the construction that has begun. Again, as of November 8, 2005, the BOC site listed as “upcoming” meeting of October 26, 2005.

## **Recommendations**

- It is recommended that the District staff keep current information listed on the WCCUSD web site regarding the bond program projects, or refrain from posting long out of date information and simply provide a link in the update section to the bond program website.
- It is recommended that that Bond Oversight Committee website be updated following the committee meetings to ensure that the current information is provided to users.
- It is recommended that communication from the district to the public involve more long-range planning for the updates that are being provided to the community. The district should continue to move toward a proactive communications process, with more focus on planned public relations engagements conceived by an agency specializing in public communications. Based on survey results it is recommended that the district engage in more direct communication with communities anticipating involvement in the bond program.

### **District Response**

- The District concurs with the findings and recommendations. Staff is working diligently to improve all aspects of communications and public relations for the Bond Program. The communication process for the bond program is being developed with long-range goals in order to be more proactive within our district. District Staff and Consultant are working closely to develop a more effective process for consistent communication outreach. We are putting together steps to work with each City on updates that will be distributed through their website or newsletter. The following are some areas that will be implemented for the year:
  - Work closely with the Cities to consistently feed them updated information on the Bond program
  - To create and distribute Newsletters twice a year to the entire school district community
  - Develop visual information to distribute to parents and staff of effective schools
  - Distribute newsletter to non-bond and bond staff on updates of the bond schools and the bond programs
  - Schedule will be developed to show what will be accomplished for the year.

### **Findings**

- It appears that many members of the Independent Citizens' Bond Oversight Committee has failed to recognize the full scope of their charge which, among other things, includes the responsibility of the committee as a whole as well as the individual members of the committee to facilitate the dissemination of information about the facilities program to the community at large.
- Although the CBOC has established a Public Outreach Subcommittee, there appears to be a continuing need to engage the committee and individual members in the role of information conduit as intended by Proposition 39.

### **Recommendation**

- It is recommended that training should be provided to the CBOC informing them of their role and requesting active engagement of the committee members in public awareness and information proc

### **District Response**

- The District concurs with the findings and recommendation. It should be noted that there was substantial participation of CBOC members in the communications and public relations efforts related to the successful passage of the Measure J Bond in November 2005. This outreach effort may present a model for participation of CBOC members in continuing to engage the community in the District's Bond Program.

### **Finding**

- A few members of the Citizens' Bond Oversight Committee complained that the District did not always provide the bond oversight committee with information in a timely fashion.

### **Recommendation**

- It is recommended that the District ensure that it gives the oversight committee the information it needs in a timely fashion, as one of the committee's primary responsibilities is to convey to the community the District's progress and compliance in fulfilling the conditions outlined in the ballot language.

### **District Response**

- The District provides all information required by the CBOC in a timely fashion. For each meeting staff works with the CBOC Executive Committee to prepare the upcoming agenda and from this meeting develops an Action Items listing. Documents in support of the Action items and the Agenda document are always prepared and submitted within 72 hours of the meeting as required by statute. These documents are transmitted via email to the CBOC members. Discussion items, including presentations, such as the Engineering Officer's Report and the Capital Assets Management Program (CAMP) Report are prepared and presented at the monthly meeting.
- The District continues to work with the CBOC to ensure information is presented in a timely fashion and the District is taking steps to ensure adequate staff support for the committee.

### **Finding**

- As described in different sections of the report (e.g., in the sections on payment procedures and technology), the communication among the bond management team, facilities and other departments needs improvement.

### **Recommendation**

- It is recommended that the District make a concerted effort to have departments and consultants share information, as appropriate, with relevant parties.

### **District Response**

- The District concurs with the finding and recommendation. Staff is continuing coordination efforts among various departments and Bond Team members, including consultants. As an example, staff has a weekly Design/Pre-Bid Coordination Meeting which includes District Fiscal staff. The District also conducts weekly Fiscal Coordination Meetings which focuses on coordination between Bond Team Controls staff and the District's Fiscal Controls Department and Purchasing. There are other examples of coordination including the Legal Review Meetings held weekly with senior District staff, in-house counsel, and the District's consultant construction legal counsel.

## SURVEY RESULTS

Survey Questions	Bond Oversight Committee	Board of Education	Cabinet	Principals	PTA	SSC	Parents
Since March of 2002 have you seen any articles in the local newspaper(s) regarding the purpose of Measure M and /or D and expenditure of their funds?	38%	100%	100%	33%	75%	33%	66%
Do you believe that Measure D funds are being spent on the projects identified in the measure ballot language?	56%	80%	100%	83%	25%	33%	33%
Do you believe that the staff of the district is generally knowledgeable and informed in regard to the facility needs and issues?	63%	100%	100%	42%	25%	0%	66%
Do you believe that the district is keeping stakeholders informed in regard to the facilities program?	25%	40%	100%	50%	50%	0%	66%
Do you believe that facilities funds are being spent appropriately?	44%	100%	100%	92%	50%	0%	33%
With respect to your specific group: how effective is the district's communication program?	5.6	7.8	8.5	6.7	2.5	.33 <1	7.0
Overall, how effective is the district's communication program?	4.6	5.8	8	6.3	2.0	1.0	7.0

## OVERALL BOND PROGRAM

During the process of this performance audit, Total School Solutions (TSS) has made certain determinations about the overall bond program through interviews with appropriate and related individuals, a review of pertinent documentation and processes, and observations of relationships and interactions. Although these observations are not specifically related to any particular component of the audit, the audit team believes that these issues have a significant impact on the overall bond program and, as such, must be reported to the management of the District.

### Observations

- In comparison with the previous audit, which was completed for the period ending on June 30, 2004, the audit team observed and noticed significant improvements in many areas in the District's facilities program operations.
- It appears that the independent performance audits have helped the bond management team refine and improve its processes. The performance audit team believes that the District has benefited from the improvements which have been implemented over the last two years.
- The bond management team has developed excellent written practices and procedure documents for the District's facilities program. Important procedures essential in implementing and managing a successful building program have been outlined in great detail. The District management and the bond management team have made significant efforts to implement these processes and procedures. The District may want to consider using these written procedures as a resource in revising its outdated board policies and administrative procedures.
- The District Engineering Officer has successfully completed a process to bifurcate the contract the district had with SGI and WLC.
- There continue to be significant problems in streamlining communications between the SGI staff and the District fiscal services staff.
- There also remain some communication difficulties between different departments in the District.
- The Proposition 39 required independent financial audit of Measure D for Fiscal year 2003-04 had not been completed as of September 2005.
- The District has successfully pursued and obtained voter authorization to issue \$400 million in bonds (Measure J) to partly help address the funding shortfall in the facilities program.
- Overall, although there still remains room for improvement, the District facilities program has improved substantially during the last three years. More importantly, the expenditures incurred through Measure M & Measure D bond programs appear to be appropriate and in compliance with the ballot language of each measure respectively.

## **Findings**

- There appears to be a disconnect between SGI and the District's fiscal services staff, which is causing significant reporting problems and causing delays in processing payments to some vendors.
- The communication program in regard to the community at large and the parent groups needs attention of the District board and the administration as outlined in a previous section of this report.
- Currently, the document control system resides with SGI. Normally, that is an internal District staff function. The prevailing communication issues might be mainly due to the fact that non-District staff is performing this function. Also, the District could avoid significant costs (through overhead and markup alone) by transferring this function to the District staff.
- There continue to be significant delays in processing payments to the vendors and contractors as outlined in a previous section of this report.
- The District appears to be non-compliant with the requirement of Article XIII of the State constitution, amended by Proposition 39, which requires an independent financial audit, in addition to an independent performance audit, of the Proposition 39 bond funds annually.

## **Recommendations**

- The District should develop steps to institute improvements in the relationships and communication among the relevant SGI staff and the staff from the District fiscal services department.
- The District should consider restructuring the system as it pertains to the document controls. Having this system transferred to internal District staff may result in substantial improvements in the process, as well as some financial savings.
- The District should obtain an independent financial audit for 2003-04 and 2004-05 fiscal year of Measure D funds.

## **District Responses**

- Weekly coordination meetings between the District's fiscal staff and the SGI controls group are held to focus on the financial issues of the bond program. These issues include timely payments to vendors and timely processing of transactions. Procedures to improve these areas are also discussed.



- Document controls: District staff is reviewing the overall Program Management structure as a part of preparations for the implementation of Measure J projects. One of the areas which will be considered is appropriate assignment of responsibility for document controls. There are elements of the current assignment to SGI which are very appropriate in terms of the flow of documents during the project through the construction teams.
- The Bond fiscal audit for 2003-04 was delayed for various reasons including the resignation of the audit team who performed the audit. This audit was delivered to the District in early November, has been accepted by the Board of Education and has been posted to the Bond Oversight Committee's web site. In addition, the 2004-05 Fiscal Audit has been completed and accepted by the District's Governing Board.

# **APPENDIX A**

NOTICE OF ELECTION AND THE NOTICE  
FIXING AUGUST 15, 2000 AS FINAL DATE TO SUBMIT ARGUMENTS  
ON THE WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT BOND MEASURE  
AT ELECTION ON TUESDAY, NOVEMBER 7, 2000

NOTICE IS HEREBY GIVEN that a Bond Measure Election will be held in West Contra Costa Unified School District, Tuesday, November 7, 2000.

NOTICE IS ALSO HERBY GIVEN by the County Clerk of Contra Costa court, Pursuant to Elections Code Section 9502 that the above date is hereby fixed as the final date on which arguments for and against the following measure appearing on the ballot may be submitted to the County Clerk at 524 Main Street, Martinez, California 94553, for printing and distribution to the voters as provided by law.

**To improve the learning climate for children and relieve overcrowding by improving elementary schools through building classrooms, repairing and renovating bathrooms, electrical, plumbing, heating and ventilation systems, leaking roofs and fire safety systems, improving technology, making seismic upgrades, and replacing deteriorating portable classrooms and buildings, shall the West Contra Costa Unified School District issue \$150,000,000 in bonds at authorized rates, to renovate, acquire, construct and modernize school facilities, and appoint a citizens' oversight committee to guarantee funds are spent accordingly?**

No arguments may exceed three hundred (300) words in length, and all arguments must be accompanied by the statement required by Section 9600 of the Elections Code.

The polling hours will be between the hours of 7:00 AM and 8:00 PM.

Dated: August 7, 2000

STEPHEN L. WEIR  
County Clerk  
Contra Costa County

## **APPENDIX B**

**BOND MEASURE D  
WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**

“To complete repairing all of our schools, improve classroom safety and relieve overcrowding through such projects as: building additional classrooms; making seismic upgrades; repairing and renovating bathrooms, electrical, plumbing, heating and ventilation systems, leaking roofs, and fire safety systems; shall the West Contra Costa Unified School District issue \$300 million in bonds at authorized interest rates, to renovate, acquire, construct and modernize school facilities, and appoint a citizens’ oversight committee to monitor that funds are spent accordingly?”

**FULL TEXT OF BOND MEASURE D**

BOND AUTHORIZATION

By approval of this proposition by at least 55% of the registered voters voting on the proposition, the West Contra Costa Unified School District shall be authorized to issue and sell bonds of up to \$300,000,000 in aggregate principal amount to provide financing for the specific school facilities projects listed in the Bond Project List attached hereto as Exhibit A, and in order to qualify to receive State matching grant funds, subject to all of the accountability safeguards specified below.

ACCOUNTABILITY SAFEGUARDS

The provisions in this section are specifically included in this proposition in order that the voters and taxpayers of West Contra Costa County may be assured that their money will be spent wisely to address specific facilities needs of the West Contra Costa Unified School District, all in compliance with the requirements of Article XIII A, Section 1(b)(3) of the State Constitution, and the Strict Accountability in Local School Construction Bonds Act of 2000 (codified as Education Code Sections 15264 and following).

Evaluation of Needs. The Board of Education has prepared an updated facilities plan in order to evaluate and address all of the facilities needs of the West Contra Costa Unified School District at each campus and facility, and to determine which projects to finance from a local bond at this time. The Board of Education hereby certifies that it has evaluated safety, class size reduction and information technology needs in developing the Bond Project List contained in Exhibit A.

Independent Citizens’ Oversight Committee. The Board of Education shall establish an independent Citizens’ Oversight Committee (pursuant to Education Code Section 15278 and following), to ensure bond proceeds are expended only for the school facilities projects listed in Exhibit A. The committee shall be established within 60 days of the date when the results of the election appear in the minutes of the Board of Education.

Annual Performance Audits. The Board of Education shall conduct an annual, independent performance audit to ensure that the bond proceeds have been expended only on the school facilities projects listed in Exhibit A.

Annual Financial Audits. The Board of Education shall conduct an annual, independent financial audit of the bond proceeds until all of those proceeds have been spent for the school facilities projects listed in Exhibit A.

Special Bond Proceeds Account; Annual Report to Board. Upon approval of this proposition and the sale of any bonds approved, the Board of Education shall take actions necessary to establish an account in which proceeds of the sale of bonds will be deposited. As long as any proceeds of the bonds remain unexpended, the Assistant Superintendent-Business of the District shall cause a report to be filed with the Board no later than January 1 of each year, commencing January 1, 2003, stating (1) the amount of bond proceeds received and expended in that year, and (2) the status of any project funded or to be funded from bond proceeds. The report may relate to the calendar year, fiscal year, or other appropriate annual period as the Superintendent shall determine, and may be incorporated into the annual budget, audit, or other appropriate routine report to the Board.

#### BOND PROJECT LIST

The Bond Project List attached to this resolution as Exhibit A shall be considered a part of the ballot proposition, and shall be reproduced in any official document required to contain the full statement of the bond proposition.

The Bond Project List, which is an integral part of this proposition, lists the specific projects the West Contra Costa Unified School District proposes to finance with proceeds of the bonds. Listed repairs, rehabilitation projects and upgrades will be completed as needed at a particular school site. Each project is assumed to include its share of costs of the election and bond issuance, architectural, engineering, and similar planning costs, construction management, and a customary contingency for unforeseen design and construction costs. The final cost of each project will be determined as plans are finalized, construction bids are awarded, and projects are completed. In addition, certain construction funds expected from non-bond sources, including State grant funds for eligible projects, have not yet been secured. Therefore the Board of Education cannot guarantee that the bonds will provide sufficient funds to allow completion of all listed projects.

#### FURTHER SPECIFICATIONS

No Administrator Salaries. Proceeds from the sale of bonds authorized by this proposition shall be used only for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.

Single Purpose. All of the purposes enumerated in this proposition shall be united and voted upon as one single proposition, pursuant to Education Code Section 15100, and all the enumerated purposes shall constitute the specific single purpose of the bonds, and proceeds of the bonds shall be spent only for such purpose, pursuant to Government Code Section 53410.

Other Terms of the Bonds. When sold, the bonds shall bear interest at an annual rate not exceeding the statutory maximum, and that interest will be made payable at the time or times permitted by law. The bonds may be issued and sold in several series, and no bond shall be made to mature more than 30 years from the date borne by that bond.

# APPENDIX C

## REFERENCE DOCUMENTS

### **Measures M & D Ballot Language**

Bond Measure M – Ballot Language. November 7, 2000.

Bond Measure D – Ballot Language. March 5, 2002.

### **Audit Reports**

WCCUSD Audit Reports, Fiscal Years 2000-01 through 2004-05.

WCCUSD Bond Financial Audit Report, Fiscal Years 2000-01 through 2002-03.

### **Measures M and D Budget/Expenditure Reports**

WCCUSD Measures M and D Expenditure Reports through June 30, 2005.

WCCUSD Engineering Officer's Reports through June 22, 2005.

WCCUSD Capital Assets Management Plan/Reconciliation Report, SGI, September 13, 2004 and August 24, 2005.

### **Program Management**

WCCUSD/WLC Agreement for Master Architectural Services, Signed December 1, 2004.

WCCUSD/SGI Agreement for Program, Project and Construction Management Services Related to District Bond Program, Signed December 20, 2004

WCCUSD Board of Education Policy Manual, Facilities and New Construction.

WCCUSD Board of Education Meeting Packets, July 1, 2004, through September 7, 2005.

WCCUSD Bond Program Status Reports, July 1, 2004, through September 7, 2005.

OPSC Internet Site, WCCUSD State Facility Program Status.

### **Measures M & D Bonds and Bond Oversight Committee**

WCCUSD Measures M & D Bond Program Documents from Website.

WCCUSD Measures M & D Bond Oversight Committee Documents from Website.

WCCUSD Packet for Meetings of Measure M & D Bond Oversight Committee, July 1, 2004, through June 22, 2005.

WCCUSD Packet for Special Joint Study Session, Board of Education and Measures M & D Bond Oversight Committee, February 2, 2005 and September 28, 2005.



# **APPENDIX D**

**DISTRICT STATUS REGARDING FINDINGS AND RECOMMENDATIONS  
AS OF NOVEMBER 15, 2005**

This appendix includes two (2) reports that address the District’s status regarding findings and recommendations included in the performance audit reports for the fiscal years 2002-03 and 2003-04. The two (2) reports previously reported on the status as of June 15, 2005, while the attached reports update the status to November 15, 2005, coinciding with the performance audit for 2004-05.

A subjective improvement rating has been applied to the status of each finding/recommendation, as summarized below. While subjective, the ratings are considered to be a reasonable estimate of improvements in the District’s facilities program, and may be relied upon as such.

<b><u>Improvement Rating</u></b>	<b><u>2003-04</u></b>	<b><u>2004-05</u></b>
None		
Minimal	1 (Board Policy)	2(Board Policy and Fiscal Control)
Some	2 (Payment Procedures and Communication Process)	3(New Construction Eligibility, Payment Procedures and Communication Process)
Satisfactory		1(PPACS/BT-Tech Use and Reconciliation)
Significant	1	5
Substantial	6	6
Full Resolution	9	4
Overall Rating	Substantial	Significant

# **WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**

**MEASURE D AND MEASURE M**

**PERFORMANCE AUDIT**

**JUNE 30, 2003**

**DISTRICT STATUS REGARDING  
FINDINGS AND RECOMMENDATIONS**

**AS OF NOVEMBER 15, 2005**



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

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## **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 fully 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. As reported in the draft performance audit for 2004-05, since the new structure was created in December 2004, "the reorganization appears to have settled down and become functional...the role of WLC as master architect is now significantly clearer...likewise, SGI's role as manager of construction management services for all projects is better defined."

## **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**

Fully resolved.

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**

Fully resolved.

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 fully 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. As reported in the performance audit for 2004-05, the M-1B projects adhered closely to construction schedules and experienced significantly reduced numbers and costs for change orders (14.1 percent for M-1A projects versus 5.4 percent to date for M-1B projects).

### **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 fully 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**

Fully resolved.

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, significantly fewer change orders (see status of the third finding in the “Master Architect/Engineer Plan” section). Additionally, all eight (8) M-1B projects were issued notices to proceed by July 7, 2004, five (5) projects were completed by the fall of 2005, and the remaining three (3) projects are on track to be completed by January 2006 within one (1) to two (2) months of their original schedule.

## **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. For further clarification, the reader is directed to Tables 4 and 5 in the performance audit for 2004-05.

### **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, a new Administrative Regulation (AR 7214.2) on Citizens' Bond Oversight Committee composition, duties, agenda and joint meetings with the Board of Education has been adopted and the "10 percent" change order regulation has been resolved with District counsel. 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, resulting in all M-1B projects being issued Notices to Proceed by July 7, 2004. The District has since pre-qualified general contractors for future Measure D-1A projects and Downer Elementary, approved by the Board on June 1, 2005.

## **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. The M-1B projects to date are experiencing fewer change orders and the change order procedure is working effectively, and the "10 percent" rule previously discussed, has been addressed and resolved.

## 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 third annual performance audit (June 30, 2005). 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 substantial 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 has been resolved with the District’s legal counsel.



## **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 substantial 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. As reported in the performance audit for 2004-05, "it appears that the District has progressed substantially, within the legal limits of the Board's objective, to improve and increase local firm participation in the construction and planning of local school facilities projects."

## **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 some 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.

The results of a survey conducted by TSS indicated that those closest to the bond program—Board members, District administration, school principals and parents in schools undergoing planning or construction—continue to report the highest level of satisfaction with the communication process. However, School Site Councils (SSC) and Parent Teacher Associations (PTA) report the lowest level of satisfaction with the District's communication process. The Citizens' Bond Oversight Committee reports a communication process effectiveness rating significantly lower than the Board, District administration and parents. 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 substantial 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. The passage of Measure J, a \$400 million Proposition 39 bond on November 8, 2005, should enable the District to maintain continuity with its management team.

# **WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT**

**MEASURE D AND MEASURE M**

**PERFORMANCE AUDIT**

**JUNE 30, 2004**

**DISTRICT STATUS REGARDING  
FINDINGS AND RECOMMENDATIONS  
AS OF NOVEMBER 15, 2005**



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

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## **FACILITIES PROGRAM HISTORY/STATUS**

### **Recommendation (Page 17)**

In light of actions and directions of the Board of Education since January 1, 2000—including recent discussions regarding redistricting and possible school closures—it is recommended that the board consider authorizing an update to the Facilities Master Plan to more accurately reflect current and future unmet needs and associated costs to carry out the facilities program.

### **District Status**

The District has made significant progress in complying with this recommendation. A School Redistricting Study, an important component of a Facilities Master Plan, was completed by a District consultant and discussed at Board study sessions on November 4, 2004, November 29, 2004, and December 15, 2004. To date, a Board decision has been made to close Seaview Elementary and a committee has been formed to consider a possible grade configuration change in some schools to serve students in grades K-8.

At a joint meeting of the Board of Education and the Citizens' Bond Oversight Committee on February 2, 2005, the current bond program and unmet facilities needs were discussed.

The District has authorized the consultant, who developed the October 2000 Facilities Master Plan, to update that document. A number of factors that impact long-range facilities needs have not been definitively resolved, such as the number and location of new schools and sites to serve District and charter school students, school enrollment/site sizes (maximum and minimum), potential future school closures or consolidation of schools, grade level configuration, and so forth. These, and related factors, can best be addressed with District Board and administrative direction when updating the facilities master plan.

## STATE NEW CONSTRUCTION ELIGIBILITY

### Recommendations (Page 25)

It is recommended that the District identify the priority order in which new schools are to be built in Hercules.

It is recommended that, as soon as the new school site with the greatest priority is identified, the District initiate an architectural selection process to employ an architect of record (AOR) to begin a preliminary planning process and to establish the scope, budget and schedule. Concurrently, the District should initiate the process for CDE site approval, including DTSC clearance and CEQA.

It is recommended that updated SAB 50-01/02/03 new construction eligibility documents be prepared after 2004-05 CBEDS enrollments are available to ascertain more recent high school attendance area eligibilities.

It is further recommended that the District analyze and use the appropriate SAB filing method, individual attendance area vs. combined attendance areas, to maximize state funding.

### District Status

The District has made some progress in complying with these recommendations. The District had previously established a need to acquire two sites in the Hercules area – one for a new elementary school and one for a new middle school, with the middle school as the first priority – and was working with the City of Hercules and the California Department of Education (CDE) to identify potential sites for acquisition. However, in December 2004, the CDE determined that the primary elementary site under consideration was not acceptable due to a pipeline safety concern. In response, District board members and staff, and City Council members and staff, met and concluded that an elementary site was not needed, thereby abandoning the search for an elementary site.

The District and City continue to work on the acquisition of a middle school site. The primary site under consideration is about twelve (12) acres total and has an estimated 8.5 usable acres, significantly below the CDE's recommended 20 acres. A "Preliminary Endangerment Assessment" report prepared by DTSC, dated April 26, 2005, identified significant problems with the site that will require additional investigation and possible mitigation, with the clean-up costs yet to be determined. In view of the limited acreage of the primary middle school site, and identified toxic problems, alternative sites should not be dropped from consideration, including sites that may currently have other uses.

The last submittal of new construction eligibility documents was based on 2003-04 CBEDS enrollments, which showed a declining eligibility. Updated eligibility documents based on 2005-06 CBEDS enrollments, for all district high school attendance areas, are needed to determine the amount of eligibility for a new middle school.

The District cannot utilize its available State new construction until DTSC clearance is obtained, CDE site approval is given, an architect is hired, and DSA-stamped plans are completed.

**DISTRICT AND PROFESSIONAL SERVICES STAFFING PLAN  
FOR THE BOND PROGRAM**

**Finding/ Recommendation (Page 41)**

The board's most recent selection of architects varied significantly from the recommendations of the interview committee. It is recommended that the board articulate its criteria and objectives for selection of professional services (which do not mandate the selection of the lowest bidder) to staff before interviews so that staff and the interview committee can better assist the board in finding appropriate service providers for the District.

**District Status**

Because the District has not proceeded with any major professional services selection process since the recommendation, there have not been any reportable changes. However, in the performance audit for the period ending June 30, 2004, staff responded that it "concur that it is important to understand Board priorities for professional services selection and will work with the Board prior to any major anticipated selection processes in the future to develop an appropriate matrix of selection criteria." The effectiveness of any change or clarification in the selection process cannot be evaluated until a new selection process is initiated.

**Finding/ Recommendation (Page 42)**

According to the individual managers, whose compensation packages are partly charged to the bond program, the allocation of their time to the bond program occurs at an assumption of a 37.5 hour work week. For example, the Director of Fiscal Services-Capital Projects, whose compensation package is charged 50 percent to the bond program, works for 18.75 hours per week on average for the bond program. However, it has been reported that the management employees work on an average of 50 hours each week. Based on a 50 hour work week, it appears that the bond program is currently receiving services for only 37.5 percent of the productive time.

It is recommended that the District consider reorganizing functions, as necessary, to help maximize funds for District projects. Although an assumption of 1,800 reportable hours per year (37.5 per week) is widely used for the time accounting purposes, the District board should consider if this method of allocation is consistent with the requirements of Proposition 39 which does allow for the use of Proposition 39 bond funds for the administrative services provided to the bond program but deems the use of these funds to fund other services inappropriate.

### **District Status**

In the June 30, 2004, audit report, the District responded that it will “continue to look at District functions with the desire to maximize funds for the projects.” In the June 30, 2005 audit report, it was noted that while the WLC/SGI contract has been bifurcated with resultant clarification of roles and responsibilities, there has been no reorganization of duties between the District’s Bond Finance Office and SGI. There has, therefore, been only minimal improvement in this area. The effectiveness of the assignment of District personnel will continue to be addressed in future performance audit reports, with any findings reported as considered appropriate.

### **Findings (Page 42)**

There is no reconciliation between the District’s Bi-Tech financial system and SGI’s PPAX system. District staff does not have access to SGI’s PPAX system to facilitate accounts reconciliation.

### **Recommendations (Page 43)**

It is recommended that SGI personnel be trained on the Bi-Tech financial system and allow District personnel access to its PPAX systems. This open communication and sharing of systems would likely reduce errors reported by fiscal services.

It is recommended that the District develop a process for training its staff on the use of the PPAX system and all SGI functions to ensure an orderly transfer of duties and responsibilities at the completion of the SGI contract (phases M-1A, M-1B and D-1A).

In conjunction with the bifurcation of the current master architect agreement, it is recommended that the District consider evaluating and reorganizing the District and consultant staffing for the financial controls of the entire bond program. For example, even without an inquiry into fiscal services’ claims about the difficulty in the program manager’s handling of payments, it does appear, from a management organizational standpoint, that the District and SGI may be duplicating some of the same functions for payment processing. Likewise, the District may benefit from reorganizing the duties of the two bond finance managers in such a way that the total FTE charged to the bond may be reduced. Such an action would retain some additional funding for school construction projects or would allow the District to deploy the funds saved from the FTE in another critical area.

### **District Status**

The District has made progress in complying with these recommendations. Program Management staff has been trained on Bi-tech on several different occasions and has been working on a reconciliation of the systems. Reconciliation at the macro level has been completed, in which the PPACS system, which operates predominantly off of purchase orders, has been reconciled to the District's full expenditure accounting system, and more detailed reconciliation at the site, function and object levels is underway. The District plans for its staff to receive further training on the use of the PPACS system with the eventual transition out of the bond team at the conclusion of construction.

The District reports that it is continuing to review the organizational structure and overall fiscal controls processes for the bond program. Bond team and District staff is currently engaged in a process improvement program, using a consultant, to guide the District and the Bond Team toward a more rational structure and process.

The effectiveness of these training, account reconciliation and personnel organization will be topics of future performance audits.

## **MASTER ARCHITECT/ENGINEER PLAN**

### **Recommendation (Page 45)**

It is recommended that District staff and the leadership of the bond management team continue their efforts to bifurcate the current contract until results satisfactory to the District are reached. The District should finalize the contract restructuring before the end of the 2004-05 fiscal year, as the existing contract is costing the District more than it should given the evolution of the facilities program over the past two years.

### **District Status**

The District has fully 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. As reported in the draft performance audit for 2004-05, since the new structure was created in December 2004, "the reorganization appears to have settled down and become functional...the role of WLC as master architect is now significantly clearer...likewise, SGI's role as manager of construction management services for all projects is better defined."

## **DISTRICT POLICIES AND GUIDELINES FOR FACILITIES PROGRAM**

### **Recommendation (Page 54)**

It is recommended that the District continue to work on revising and updating its policies during the 2004-05 school year.

### **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, a new Administrative Regulation (AR 7214.2) on Citizens' Bond Oversight Committee composition, duties, agenda and joint meetings with the Board of Education has been adopted and the "10 percent" change order regulation has been resolved with District counsel. 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**

### **Finding/ Recommendation (Page 56)**

The last addendum for the Washington Elementary School bid was issued five days prior to the bid opening. This addendum involved several mechanical drawings for ductwork, which, if interpreted incorrectly, could be costly. Knowing this risk, contractors tend to inflate prices due to inadequate review time. Although the law allows addenda to be sent 72 hours prior to bid opening, it is recommended that the District consider providing additional time to bidders when addenda involve more extensive technical analyses and changes. The District can avoid unnecessarily high bid prices by allowing sufficient time based on the addendum's complexity. For example, 72 hours may indeed be sufficient for information on glazing in Washington Elementary School's Addendum No. 2, but that same amount of time would be inadequate for the analysis of mechanical drawings in the same addendum.

### **District Status**

The District has fully complied with this recommendation. The District has updated its standard construction documents, with improved controls over the bidding process and quantity of addenda.

### **Finding/ Recommendations (Page 57)**

The Tara Hills Elementary School bid required an addendum. Instead of printing only the changes, clarifications or additional information, the entire bid document was reprinted and sent to all bidders. The bid document was over 300 pages, and the incremental cost was unnecessary. It is recommended that addenda contain only pertinent information excluded from the original bid documents. It is also recommended that the District record the bidders' receipts of addenda.

### **District Status**

The District has fully complied with this recommendation. In the June 30, 2004, audit report, the District responded that "because of the number of underlying changes to the bid documentation as a result of the addendum, the staff felt it would be less confusing to the bidders to supply a completely corrected set of bid documents rather than page by page instructions for changes." The District also responded that it "utilizes Plan Well to monitor and record the receipt of the addenda by the bidders."

### **Finding/ Recommendation (Page 57)**

Even though the bond management team has developed a filing system, methodology and guide, the filing system does not appear to have been implemented. In researching files, TSS repeatedly found that documents had not been filed in the system. 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 document retrieval. Organized archives will help the District prepare for required audit reports for the Office of Public School Construction (OPSC). Improper filings with OPSC could result in unwarranted financial sanctions.

### **District Status**

The District has made significant progress in complying with this recommendation. The District reported that Measure M and D project documents for Phases 1-A and 1-B have been completed, and compilation of Measure M Quick Start project files is in process.

### **Finding/ Recommendation (Page 58)**

At Madera Elementary School, the hazardous materials abatement contractor was slow to respond and caused the project to fall behind schedule. However, there is no evidence that adequate measures were taken to hold the contractor accountable. It is recommended that staff enforce the terms and conditions in the bid document. The language protects the District and, if monitored, reduces claims and time delays.

### **District Status**

The District has fully complied with this recommendation. In the June 30, 2004, audit report, the District responded: "Even though the unforeseen hazardous materials did cause some delay on the projects, the official extension of time was granted to the Contractors for Madera ES on the basis of work performed and how the additional work impacted their critical path schedule. Each Contractor must demonstrate that the unforeseen conditions impacted their critical path schedule regardless if they take longer to perform the work. The Contractors' slow response in effect hurt themselves." The District also reported that there is an elaborate seven-step process to be completed before a contractor can commence work.

## **CHANGE ORDER PROCEDURES**

### **Finding/ Recommendations (Page 60)**

Board policy allows payment for up to 10 percent of the contract amount without seeking board approval. TSS observed that, in March 2004, one invoice for the modernization and new construction of Lincoln Elementary School already exceeded the 10 percent of extra work authorized in the original purchase order. Change orders can consume all contingency funding if the board does not set policy to control them. It is recommended that the 10 percent contingency allowance be restricted for emergency and unforeseen needs. The District should continue to control change orders by each project site so that the maximum savings may be realized. It is further recommended that the board revise its policy to allow only an aggregate of 10 percent of change orders to avoid costly overruns in projects.

### **District Status**

The District has substantially complied with the recommendations. 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.

The M-1B projects to date are experiencing fewer change orders and the change order procedure is working effectively, and the "10 percent" rule has been addressed and resolved.

## **PROCEDURES FOR CLAIM AVOIDANCE**

### **Finding/ Recommendation (Pages 62-63)**

The District has a practice of generally conducting two (2) pre-bid meetings which can give rise to disputes and claims of unfair advantage. Unless the instructions for the pre-bid meetings are taped or read, the District should limit the pre-bid meetings to one. It is possible that some information may be omitted in one meeting but mentioned in another. Bidders may perceive an unfair advantage from attending one meeting but not the other, regardless of whether that perception is valid. There have been instances in other school districts where bidders have protested bids because they felt “disadvantaged” by the way the District handled its pre-bid meetings. The District should take all possible measures to minimize bid protests because they can cause delays and can increase project costs and/or claims.

### **District Status**

The District satisfactorily responded to the recommendation by stressing the current bidding climate:

The District has held two pre-bid meetings as an accommodation to our bidders. We realize that many Bay Area school districts are currently renovating schools and our bidders’ time is precious. By being flexible, we maximize the potential number of bidders who will be available to investigate the needs of the District.

The District should reconsider the recommendation if the bidding climate becomes less intense.

### **Finding/ Recommendation (Page 63)**

It appears as though a thorough evaluation and assessment of the condition of existing school buildings were inadequate. The hazardous materials studies should reveal many of the problems the District found at school sites. There were discoveries of problems after the District awarded contracts and released Notices to Proceed. The District and bond management team should be sure that a thorough evaluation of existing conditions of school buildings, including hazardous materials, is conducted before awarding contracts to construction companies and commencing with construction.

### **District Status**

The District has substantially complied with the recommendation. In the June 30, 2004, audit report, the District stated that, to resolve the existing conditions issues:

- (1) The one environmental consultant that was responsible for almost 95% of the poor field verifications was removed from the program. This firm was responsible for four (4) of the projects where the major unforeseen issues were discovered. The Measure Phase 1B projects have not experienced the same unforeseen discoveries.

- (2) In order to assure that the environmental consultants are properly coordinating with the Architects, the Bond Management Team has instituted a series of Architectural/Environmental coordination meetings that commence during design development and continue through the completion of Construction Documents (primarily because the drawings and designs continue to change throughout the process until the time of bid). This process has greatly reduced the amount of coordination problems that could have occurred during the Phase 1B projects.
- (3) The environmental documents have been designed to force the Contractor and his Sub-contractor to coordinate the construction work required with the required abatement. The environmental documents identify all of the materials discovered during the field verification process. The environmental consultants understand that it is their responsibility to thoroughly field verify the existing conditions. This does not guarantee that unforeseen conditions will not occur, but that this methodology greatly reduced the number of surprises that were discovered during construction for the Phase 1B projects.

The District also reported that “staff has increased the amount of monitoring and coordination to improve the thoroughness of the field verifications and coordination with the Architects. Evidence to date indicates that the Phase 1A projects had \$796,830 (19 PCO’s) in potential change orders attributed to unforeseen environmental conditions. The Phase 1B projects have experienced approximately \$106,000 (5 PCO’s) in potential change orders as a result of unforeseen environmental conditions to date and 90% of all demolition is complete. This is a good indicator that the change in environmental consultants and the addition of new proactive procedures have made a dramatic impact in reducing the amount of unforeseen conditions that have occurred.”

#### **Finding/ Recommendation (Page 64)**

Not all contractors are using the PS2 system. The District and bond management team should require all new team members to use PS2.

#### **District Status**

The District has substantially complied with the recommendation. The District currently requires all architectural and design consultant teams and contractors to use PS2. The Bond Team provides training and setup for all users. Document filing and control has improved with central file areas at the FOC and the use of PS2.

## **PAYMENT PROCEDURES**

### **Finding/ Recommendation (Pages 66-67)**

In the invoices reviewed for the 2003-04 school year, TSS observed that many invoices took more than thirty days to process, with some taking as long as three to four months. The computer analysis illustrates a similar trend in payment history. Of the 1,118 payments examined, one hundred twenty-five (125) payments or 11.2 percent of payments were made 30 days after SGI's document controls section initiated the payment process. It is recommended that the District and its consultants make an effort to expedite the approval of all invoices. Because accounts payable cannot process invoices until all approvals are received, late approvals affect 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. Furthermore, the District may incur interest penalties from overdue accounts.

### **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, considerable delays in paying invoices still existed at the time of the June 30, 2005 audit report. In that report, it was noted that the time to make budget transfers (averaging two (2) weeks), could be reduced, and that the time to pay invoices (forty (40) percent took three (3) months or more) could be significantly reduced with an improved payment process. The Bond team and District Fiscal Services staff are working to improve payment response time by mapping procedures, identifying bottlenecks, and streamlining the payment system without sacrificing controls.

### **Finding (Pages 67-68)**

On average, there is a twenty-eight (28) day delay between the time the program manager (SGI) receives an invoice (usually at the work site) and the time SGI begins to process the invoice for payment. (The median for this lag time is eighteen [18] days.) While SGI's documents control section and the District's fiscal services staff generally process payments, on average, within twenty (20) days—that is, only after SGI secures the signatures from the construction manager, architect and inspector of record—the entire process for payments takes forty-eight (48) days on average from the invoice date to the issuance of payment. This lag time of twenty-eight (28) days occurs between SGI's initial receipt of invoices and the delivery of invoices to its document controls section. SGI's own records, corroborated by a second sampling, indicate that invoices are received well before they are processed. (Note: The official invoice dates on most invoices are at the end of the billing period, so the average above tends to be smaller than if the invoice date were for the

beginning of the period.) Some interviewees indicated that invoices had been held because contractors had submitted invoices for work that had not been completed. However, several different classifications of services mirror the slow processing time within SGI's operations, as the following examples illustrate:

Modernization and New Construction: Forty-one (41) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, seventeen (17) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Twenty-four (24) days.

E-rate and GigaMAN-related Projects: Fifty-nine (59) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, twenty-five (25) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Thirty-four (34) days.

Environmental Testing and Services: Sixty (60) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, eighteen (18) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Forty-two (42) days.

Landscaping: Thirty-two (32) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, thirteen (13) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Nineteen (19) days.

Moving Services: Forty-two (42) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, twenty-three (23) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Nineteen (19) days.

Architects of Record: Fifty-three (53) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, twenty-two (22) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Thirty-one (31) days.

Plumbing: Forty-two (42) days from the invoice date to the issuance of payment. However, the District's fiscal services department and SGI's document controls section took, on average, fourteen (14) days to process the payment once the initial signatures (i.e., the signatures of the construction manager, the architect and the inspector of record) were obtained. Lag time: Twenty-eight (28) days.

### **Recommendations (Pages 68-69)**

Because the lag time is so widespread (e.g., nearly 25 percent of invoices have a lag time of thirty-seven [37] days) and because there are likely to be legitimate reasons for lag time for some invoices, it is recommended that the District and the bond management team make an effort to process invoices in a timely fashion once they are received, whenever and wherever they are received. If the bond management team receives an invoice prematurely or has to wait some time before the invoice can be initially approved by the construction manager, the architect and the inspector or record, then the bond management team should make a note of the delay and request the vendor to issue a new and accurate invoice with a revised date. (Note: It is important to note that not every category of expenditure experienced this kind of lag time. For example, expenditures associated with inspectors of record had, on average, a difference of three days between the receipt of invoice and the time at which SGI's document controls section started processing the invoice for payment.)

It is recommended that the District and bond management team identify all staff and consultants who typically receive invoices from vendors and emphasize with these employees and consultants the need to process invoices and progress payments regularly, as appropriate.

It is recommended that project and construction managers process their paperwork on a routine basis—perhaps weekly—to avoid the delays at the beginning of the payment process.

It is recommended that all invoices be date-stamped or dated to help ensure the accuracy of invoices. (In the second sampling, TSS observed that some invoices were dated upon receipt while others were not. The dated invoices are within a few days of the invoice date.)

### **District Status**

The District has made some progress in complying with the recommendations, but, as noted in the previous "District Status" in this section, additional effort is needed to ensure that timely payments of invoices are made while proper controls are maintained.

In the June 30, 2004, audit report, the District concurred that most of the processing delays occurred at the construction sites, prior to receipt of invoices in project controls, and that project managers should expedite review of invoices for timely payments. The District also concurred that receipt of invoices should be date-stamped and that it would continue to strive to improve processes.



### **Findings/ Recommendation (Page 69)**

A typical request for construction progress payment requires eight signatures, excluding the contractor's. From the initial sampling, TSS observed that the "travel time" within each signature is sometimes as short as the same day or as long as twenty-one (21) days. From the data analysis, the turnaround time for all invoice signatures ranged from the same day to as many as ninety (90) days, with an average of eight (8) days and a median of seven (7) days. It took more than 14 days to secure the business office signatures for 120 payments or 10.7 percent of payments. While the overall average signature time is acceptable, it is recommended that the District and/or the program manager try to process all payment approval signatures expeditiously. If a problem or issue arises with a particular payment, the District or SGI should note it within its records.

### **District Status**

Please see "District Status" for this section immediately above. The District and SGI currently document when there are problems with invoices as well as their eventual resolution. Once the invoices are through the process, they are no longer included in the weekly review.

### **Finding/ Recommendations (Page 70)**

The existing year-end closing procedure that SGI and accounting use is satisfactory; however, it is not established as a written policy. It is recommended that a written protocol or policy be established for the year-end closing of facilities to ensure smooth transitions in future years. It is further recommended that purchasing be involved with SGI and accounting, as appropriate, in the monthly reconciliation of accounts. This way, purchasing can be aware of stop notices as they occur.

### **District Status**

The District concurs with the recommendations regarding memorializing the year-end closing process in writing, and is striving to comply. The Director of General Services has been invited to attend Bond Fiscal meetings on an as needed basis.

### **Finding/ Recommendations (Page 70)**

Purchase orders that exhibit no activity in 30-60 days are listed and reported to the District. Purchasing closes those purchase orders. This situation should not occur if proper monitoring occurs. It is recommended that the construction manager and vendor communicate regarding the status of contracted work or materials ordered. If contracted work or purchases cannot be delivered, then purchase orders should be closed so that funds are not needlessly tied up and expenditures are not inflated. It is further recommended that the District take steps to improve communication among the purchasing, accounting and facilities departments. Instituting a monthly reconciliation meeting with all departments should be considered.

### **District Status**

The District is striving to comply with the recommendations. The Bond Team and District Fiscal Services staff have identified communication with the Purchasing Department as a priority for improvement in the current year. One area which would allow for better communication is an online purchase order system. With tracking capabilities embedded in such systems, the Bond Program's purchasing and payment procedures would be significantly upgraded. This process is in the early stages of implementation by the District.

## **BEST PRACTICES IN PROCUREMENT**

### **Finding/ Recommendation (Page 73)**

The District took three (3) months to issue a Notice to Proceed. The effect of such an allowance is costly in the current market. Steel and concrete prices rose throughout the 2003-04 fiscal year and appear as though they will continue to increase. Contractors tend to inflate bid prices to anticipate price increases that may occur three months following the Notice to Proceed. It is important to award and start construction as quickly as possible. It is recommended that the District issue Notices to Proceed in a timely fashion. In anticipation of steel and concrete price increases, the District should investigate whether it is worthwhile to order and store materials, especially in the case of new construction where there is adequate storage space. The savings against future pricing and contractor's overhead might be substantial. (This practice has been successfully done in other school districts although it takes coordination, space and time.)

### **District Status**

The District has substantially complied with this recommendation. In the June 30, 2004, audit report, the District stated: "A major focus of the efforts by the District's Engineering Officer has been to streamline the Bid, Award, and Notice to Proceed process for construction contracts. Notices to Proceed for the Measure M Phase 1B projects were issued within one month of the award, which is a substantial improvement over the previous year's Notices to Proceed."

In response to the recommendation to consider stockpiling materials, the District responded: "Staff has reviewed the potential for stockpiling materials, and each time has concluded that the risks, such as stockpiling incorrect materials, outweigh the money saving potential."

### **Finding/ Recommendation (Page 73)**

As noted under the commendations section, the District needs to continue to manage its service resources. For example, the District has used two master technology consultants. One master technology consultant with the District's Information Technology Director should provide adequate direction and planning for the technology aspects of the facilities program. It is recommended that the District and the bond management team continue their efforts to optimize resources by using sufficient but not excessive numbers of consultants and/or service providers in completing particular activities associated with the bond facilities program.

### **District Status**

The District has substantially complied with the recommendation. In the June 30, 2004, audit report, the District stated: "Staff concurs and has continued efforts to cut back on the Master Consultants originally a part of the Bond Team, especially appropriate since most major standards decisions, specifications, and standards have been completed."

### **Additional Recommendations (Page 74)**

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.

Since SGI tracks the budget for construction, it is recommended that a monthly reconciliation occur between the budget control department and SGI. SGI should also receive a copy of the escrow statements from the purchasing department to verify balances since payments are made to the contractor and the escrow account.

The District should continue to reach out to the bidding community by holding information meetings for known and efficient small contractors so that they may be used by the prime contractors that bid on the project. Many small contractors do not have the bonding capacity to bid an extensive modernization project, but they may be willing to serve as subcontractors.

### **District Status**

The District has made significant progress in complying with these recommendations. In the June 30, 2004, audit report, the District stated:

“The District concurs that confirming purchase orders should be minimized.

Reconciliation between the Bond Team’s records and the District’s records is ongoing. The Director of General Services handles the management of the escrow statements in the purchasing department.

Information meetings and pre-bid conferences are held on each project. The District has had an outreach plan in place for all of the Measure M Phase I-B and Measure D projects.

The District has and will continue to outreach to local small Contractors. The last community outreach workshop was held on November 6, 2004 and was a great success. Forty (40) vendors and Contractors were present for the event. Davillier-Sloan has sent out over 3,500 letters to local Bay Area vendors and Contractors to reach out and ask for these firms to participate in the program. Unfortunately only 160 of these vendors actually responded. The difficulty is that we can’t force vendors to participate, but we are making every effort to attract them to the program. Another effort will take place to introduce some of the local subcontractors to the Pre-qualified General Contractors in hopes that the local small subcontractors will get additional opportunities to bid on our work. Davillier-Sloan will continue to hold similar workshops in the future.”

## **TECHNOLOGY/E-RATE IN THE FACILITIES PROGRAM**

### **Findings (Page 77)**

The facilities and technology departments do not appear to be as well coordinated as they could be on the technology aspects of the facilities program.

Communication between both departments appears to have been lacking in the early stages of the facilities program. Communications, messages and comments about different installations, for example, failed to get to the other party at different points in time.

### **Recommendations (Page 77)**

It is recommended that the District designate one person, consultant or employee, to serve as the liaison between facilities and technology rather than one person from both departments. This person should have some authority on technology-related decisions.

It is also recommended that the District's technology department be more flexible in its approach toward technology upgrades. While less robust systems may be adequate for curricular and administrative needs at the present time and in the near future, the District should try to prepare for future changes in technology and more advanced learning opportunities for students, especially given the costs associated with such projects.

It is recommended that the District and bond management team examine the staffing impacts on the technology department in terms of changes in infrastructure and assignments. Staff members and departments affected by changes in their work assignments should participate in discussions on changes in how their department will run. Such participation and planning also help maintain positive attitudes toward necessary changes in the workplace.

### **District Status**

The District has made significant progress implementing the recommendations. As reported by the District in the June 30, 2004, audit report:

“The District has appointed a Senior Director for Accountability and Technology. She is coordinating all technology related issues and is working closely with the Bond Program.

The overall technology standards for the District have been developed with an eye towards the most robust system possible, always considering future technology developments. An example is the installation of the Gigaman wide-area network which allows for substantial growth in capacity by installing larger than currently required bandwidth capability.

Staffing impacts on the technology department are a real consideration and the Bond Program always attempts to develop infrastructure projects which allow for the limited MIS staffing levels that are consistent with the District's very difficult General Fund allowances for technology staff. An example is working to develop an e-rate project for District server upgrades which uses a centralized rather than multiple dispersed servers' model—hence easier and simpler to service, maintain and monitor.”

**Finding/ Recommendation (Page 78)**

The District pursued e-rate funding on a limited basis. It is recommended that the person responsible for the e-rate program should have sufficient authority (or access to authority) and knowledge about e-rate funding to apply for funds, as well as implement or facilitate accepted funding requests.

**District Status**

The District has made significant progress implementing the recommendation. As reported by the District in the June 30, 2004, audit report:

“The District has continued to pursue E-Rate funding throughout the technology program. The Senior Director of Accountability and Technology and her staff continue to pursue additional resources toward the goal of upgrading technology throughout the District.”

**Finding/ Recommendation (Pages 78-79)**

The District hired two separate master technology consultants, which created a potential or real situation for confusion and conflicts regarding the technology program. It is recommended that the District have one master technology consultant to provide outside service and expertise to the District. One master technology consultant and the District's information technology director should provide adequate direction and planning for the implementation of the District's educational technology plan. (Furthermore, having two consultants in the same area can lead to conflicts in approaches, which the District experienced.) The District should still determine the technology services and needs to fulfill the curricular, instructional and administrative components of the District-wide technology plan.

**District Status**

The District has made significant progress implementing the recommendation. As reported by the District in the June 30, 2004, audit report:

“The District has previously had one Master Technology Consultant for the Measure M projects and another Master Technology Consultant for the Measure D projects. Currently those consultants are providing services on an as needed basis and the District is in a transition mode, defining the needed scope for a single Master Technology Consultant and issuing an RFP to obtain one.”

### **Finding/ Recommendation (Page 79)**

While the California Department of Education (CDE) approved the District's "Educational Technology Plan," the plan itself lacks more specific and updated information on the actual facilities changes. Such specificity, if even in an appendix to the "Educational Technology Plan," would help the District maintain a uniform approach to technology standards. It is recommended that the District incorporate into its current technology plan the District's specific infrastructure upgrades at different schools, with their corresponding timelines. The value of this specificity should help all stakeholders involved in the technology program understand and, hopefully, accept the agreed-upon infrastructure standards. (To receive ongoing federal funds from the Enhancing Education Through Technology [EETT] formula grant, the District must revise its technology plan during the 2004-05 school year for the 2005-06 school year. The District should incorporate more infrastructure specificity into its technology plan for the 2004-05 school year.)

### **District Status**

The District will consider the recommendation in its 2005-06 update. As reported by the District in the June 30, 2004, audit report:

"The District's Educational Technology Plan was written with compliance with State requirements and to maximize eligibility for the District to receive funding. Line item specificity is not necessarily appropriate as it could hamstring the District's funding efforts. However, the auditors' comments will be taken under advisement for the 2005-06 update."

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

### **Findings (Page 87)**

While the structure and kinds of information available on the bond program website, [www.wccusdbondprogram.com](http://www.wccusdbondprogram.com), is extensive, the website does not appear to be updated in a regular or timely fashion. For example, the bond program website's profile for Lincoln Elementary School has not been updated since January 2003. (During the midyear report, the bond management team indicated that it would update program information on school sites.) The [www.wccusd-bond-oversight.com](http://www.wccusd-bond-oversight.com) is more out of date than the bond program website.

### **Recommendations (Page 87)**

It is recommended that the District and the bond management team consolidate the two websites into the [www.wccusdbondprogram.com](http://www.wccusdbondprogram.com) website. Some information appears on both websites, and it may be easier to manage one website related to the bond program.

It is recommended that the website be updated routinely—perhaps, bimonthly. For example, the oversight committee website should have the most current bond oversight committee meeting agenda, and the bond program website should have more current program status reports. A simple, time-efficient and usually attractive way to update the website regularly is to create PDF files from relevant electronic or hard copies. In terms of complaints about communication, more frequent updates may help address some of the dissatisfaction of some community members.

It is recommended that the District and bond management team consider changing the home page for the bond program website to facilitate research for end-users. While the current home page may be aesthetically pleasing to some, several interviewees complained that they did not receive enough information and could not find information on the website. The site map provides an excellent outline of available data; however, the link is currently isolated in small font on the button bar on the top of most pages.

Following up on a recommendation from the first annual performance audit, it is recommended that the District build a chronology on its website so that community members have the opportunity to inform themselves about the evolution of the facilities program. (One option would be to use the chronology in this performance audit as a starting point for this timeline.)



## **District Status**

The District has made significant progress toward compliance with the recommendations. In the June 30, 2004, audit report, the District reported the following progress and plans:

“The Bond Management Team has now instituted a procedure for updating the Bond Program Website once a month (with the exception of bidding periods). During periods of high bidding activity, the website may be updated almost on a weekly basis to report out on bidding due dates and schedules. As a matter of clarification, the profiles for the schools were never intended to be updated on a monthly basis. Both the Engineer’s Report and the Construction status reports are updated on a monthly basis for posting to the web site. These two documents serve as the schools’ primary update tools during construction. The comment made during the January 2003 audit response was intended for the construction status reports. Over the past year a content management structure was developed so the Bond Team will be less dependent on a third party input into the web site. The web site content management system in place now will assist in expediting updates to the web site.

- Even though the District agrees that the recommendation to combine the Oversight Committee web site with the Bond Program web site would be effective, the two web sites must remain separate and distinct for two reasons:
  - Funding for the Oversight Committee website must come from the general fund or another source other than the Bond Program.
  - The Oversight Committee’s web site should be designed, monitored and updated by Oversight Committee members. The web site is a requirement of Proposition 39 and we would prefer for it to be controlled and edited by Oversight Committee members to avoid any potential perceptions of conflict of interest in reporting data.

The Bond Program Web Site will be updated on a monthly basis. We have found that the program status does not change significantly with a two week period. As the auditors have requested we are utilizing PDF files from reports to make effective and timely updates to the web site. Approximately one year ago, the Oversight Committee recommended that a link to the Oversight Committee web site be put on to the Program web site and nothing more to avoid duplicative efforts and potential conflicts in reporting. All agendas for the Oversight Committee web site are to be posted to the Oversight Committee web site when they become available. The District and an Oversight Committee web site sub-committee oversee and update the web site on a monthly basis. The Oversight Committee web site is currently in redesign and should be available in its new format sometime during the Spring of 2005. Tech Futures will continue to update the web site as instructed by the Oversight Committee web site subcommittee.

The Bond Team will investigate adding some sort of search engine to the Bond Program web site for ease of finding information. It is agreed that some sort of search function will assist users in finding data that they are looking for. A proposal for this recommendation will be solicited and forwarded to the District for review.

The chronology of the Bond Program will be updated and posted to the web site as a new document by March 2005.”

**Finding/Recommendation (Page 89)**

The District did not always provide the bond oversight committee with information in a timely fashion. It is recommended that the District ensure that it gives the oversight committee the information it needs in a timely fashion, as one of the committee’s primary responsibilities is to convey to the community the District’s progress and compliance in fulfilling the conditions outlined in the ballot language.

**District Status**

The District has substantially complied with this recommendation, by noting that “Staff concurs that it is important to provide timely information to the Oversight Committee. Staff provides all reports, financial information, and other items at the beginning of each Bond Oversight Committee meeting.”

**Finding/ Recommendation (Page 89)**

As described in different sections of the report (e.g., in the sections on payment procedures and technology), the communication among the bond management team, facilities and other departments needs improvement. It is recommended that the District make a concerted effort to have departments and consultants share information, as appropriate, with relevant parties.

## **District Status**

The District has made some 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.

The results of a survey conducted by TSS indicated that those closest to the bond program—Board members, District administration, school principals and parents in schools undergoing planning or construction—continue to report the highest level of satisfaction with the communication process. However, School Site Councils (SSC) and Parent Teacher Associations (PTA) report the lowest level of satisfaction with the District's communication process. The Citizens' Bond Oversight Committee reports a communication process effectiveness rating significantly lower than the Board, District administration and parents. 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 (Page 91)

The staff representing the program manager, SGI, did not appear to have adequate authority to share information that TSS was seeking. It was reported that they had been instructed to obtain SGI management approval and submit requested information only through the program manager.

There is a disconnect between SGI and the District's fiscal services staff, which is causing significant reporting problems and causing delays in processing payments to some vendors. Besides the use of two different and incompatible software packages, there are interpersonal communication problems contributing to the existing issues.

Currently, the document control system resides with SGI. Normally, that is an internal District staff function. The prevailing communication issues might be mainly due to the fact that non-District staff is performing this function. Also, the District could avoid significant costs (through overhead and markup alone) by transferring this function to the District staff.

Fiscal services staff has listed a number of reasons that they believe are the root causes of the communication problems between their office and the SGI staff.

### Recommendations (Page 91-92)

The District should review with the appropriate District staff and bond management team the appropriate protocols for the disclosure of public information and the importance and purpose of audits. A performance audit should be considered an opportunity to improve, and as such, the personnel involved in the process need to be willing to share information and exchange ideas. Please note that this finding and recommendation also appeared in last year's audit report.

The District should develop steps to institute improvements in the relationships and communication among the relevant SGI staff and the staff from the District fiscal services department.

The District should consider restructuring the system as it pertains to the document controls. Having this system transferred to internal District staff may result in substantial improvements in the process, as well as some financial savings.

The District should consider providing training on the construction and facilities management processes to the management staff of the fiscal services department. A comprehensive training program in customer services skills is also strongly recommended.

## **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 remain weaknesses and problems to be addressed and improved upon—most notably fiscal control issues between the District and SGI, payment procedures, the document control system and the communication process, as discussed throughout this document and the 2004-05 audit report—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. The passage of Measure J, a \$400 million Proposition 39 bond on November 8, 2005, should enable the District to maintain continuity with its management team.