

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT

**BUILDING FUND (MEASURE D AND MEASURE E)
PERFORMANCE AUDIT**

JUNE 30, 2014

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE D AND MEASURE E)**

**PERFORMANCE AUDIT
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JUNE 30, 2014**

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VAVRINEK, TRINE, DAY
& COMPANY, LLP
Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

Governing Board and
Citizens Oversight Committee
West Contra Costa Unified School District
Richmond, CA 94804

We were engaged to conduct performance audits of the West Contra Costa Unified School District (the District) Building Fund (Measure D and Measure E) for the year ended June 30, 2014.

We conducted this performance audit in accordance with the standards applicable to performance audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusion based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Our audit was limited to the objectives listed within the report which includes determining the District's compliance with the performance requirements as referred to in Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Management is responsible for the District's compliance with those requirements.

In planning and performing our performance audit, we obtained an understanding of the District's internal control in order to determine if the internal controls were adequate to help ensure the District's compliance with the requirements of Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

The results of our tests indicated that the District expended Building Fund (Measure D and Measure E) funds only for the specific projects approved by the voters, in accordance with Proposition 39 and outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

Vavrinek, Trine, Day & Co., LLP

Pleasanton, California
March 4, 2015

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE D AND E)**

JUNE 30, 2014

AUTHORITY FOR ISSUANCE

The general obligation bonds associated with Measure D were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by the Board of Education of the District on March 3, 2010.

The District received authorization from an election held on June 8, 2010, to issue bonds of the District in an aggregate principal amount not to exceed \$380,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2010 Authorization). The bonds represent the first and second series of the authorized bonds to be issued under the 2010 Authorization.

The general obligation bonds associated with Measure E were issued pursuant to the Constitution and laws of the State of California (the State), including the provisions of Chapters 1 and 1.5 of Part 10 of the California Education Code, and other applicable provisions of law. The bonds are authorized to be issued by a resolution adopted by Board of Education of the District on August 1, 2012.

The District received authorization from an election held on November 6, 2012, to issue bonds of the District in an aggregate principal amount not to exceed \$360,000,000 to finance specific construction and renovation projects approved by eligible voters within the District. The proposition required approval by at least 55 percent of the votes cast by eligible voters within the District (the 2012 Authorization). The bonds represent the first series of the authorized bonds to be issued under the 2012 Authorization.

PURPOSE OF ISSUANCE

Measure D (2010)

The complete ballot language contained in Measure D is as follows: To make schools safe, complete essential health/safety repairs, qualify for State matching grants, shall West Contra Costa Unified School District upgrade schools for earthquake safety/handicap accessibility, remove asbestos, upgrade restrooms, vocational classrooms/technology/energy systems to reduce costs, install lighting and security systems, acquire repair, construct, equipment/sites/facilities, by issuing \$380,000,000 in bonds within legal rates and bonding capacity limits with independent audits, citizen oversight, and no money for administrators' salaries?

The Measure D (2010) ballot language focused on the continued repair, modernization, and reconstruction of District school facilities in the following broad categories:

PRIORITY SCHOOL PROJECT LIST

- School Renovation, repair and upgrade projects
- School health, safety and security, earthquake safety and energy efficiency school projects
- District-wide wiring and instructional technology for effective learning environment and job training projects
- New construction education enhancement/class size reduction projects at school sites

WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT BUILDING FUND (MEASURE D AND E)

JUNE 30, 2014

Measure E (2012)

The complete ballot language contained in Measure E is as follows: To make schools safe, complete essential health/safety repairs, qualify for State matching grants, shall West Contra Costa Unified School District upgrade schools for earthquake safety and handicap accessibility, remove asbestos, upgrade science labs, restrooms, vocational classrooms, technology and energy systems to reduce costs, install lighting and security systems, and acquire, repair, construct, equipment, sites and facilities, by issuing \$360,000,000 in bonds within legal rates and bonding capacity limits with independent audits, citizen oversight, and no money for administrators' salaries?

PRIORITY SCHOOL PROJECT LIST

- School Renovation, repair and upgrade projects
- School health, safety and security, earthquake safety and energy efficiency school projects
- District-wide wiring and instructional technology for effective learning environment and job training projects

AUTHORITY FOR THE AUDIT

On November 7, 2000, California voters approved Proposition 39, the Smaller Classes, Safer Schools and Financial Accountability Act. Proposition 39 amended portions of the California Constitution to provide for the issuance of general obligation bonds by school districts, community college districts, or county offices of education, "for the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of rental property for school facilities", upon approval by 55 percent of the electorate. In addition to reducing the approval threshold from two-thirds to 55 percent, Proposition 39 and the enacting legislation (AB 1908 and AB 2659) requires the following accountability measures as codified in Education Code sections 15278-15282:

1. Requires that the proceeds from the sale of the bonds be used only for the purposes specified in Article XIII A, Section 1(b)(3)(C) of the California Constitution, and not for any other purpose, including teacher and administrator salaries and other school operating expenses.
2. The school district must list the specific school facilities projects to be funded in the ballot measure, and must certify that the governing board has evaluated safety, class size reduction and information technology needs in developing the project list.
3. Requires the school district to appoint a citizen's oversight committee.
4. Requires the school district to conduct an annual independent financial audit and performance audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of the bond proceeds until all of the proceeds have been expended.
5. Requires the school district to conduct an annual independent performance audit to ensure that the funds have been expended only on the specific projects listed.

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE D AND E)**

JUNE 30, 2014

OBJECTIVES OF THE AUDIT

1. Determine whether expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure D and Measure E.
2. Determine whether salary transactions, charged to the Building Fund were in support of Measure D and Measure E and not for District general administration or operations.

SCOPE OF THE AUDIT

The scope of our performance audit covered the period of July 1, 2013 to June 30, 2014. The population of expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than proceeds of the bonds, were not included within the scope of the audit. Expenditures incurred subsequent to June 30, 2014, were not reviewed or included within the scope of our audit or in this report.

PROCEDURES PERFORMED

We obtained the general ledger and the project expenditure reports prepared by the District for the period July 1 2013 through June 30, 2014, for the Building Fund (Measure D and Measure E). Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for a sample of expenditures to ensure compliance with the requirements of Article XIII A, Section 1(b)(3)(C) of the California Constitution and Measure D and Measure E as to the approved bond projects list. We performed the following procedures:

1. We selected a sample of expenditures for the period starting July 1, 2013 and ending June 30, 2014, and reviewed supporting documentation to ensure that such funds were properly expended on the specific projects listed in the ballot text.
2. Our sample included 60 transactions each for Measure D and Measure E totaling \$40,817,783. This represents 34 percent of the total expenditures of \$122,072,156, including expenditures related to transferred funds.
3. We verified that funds from the Building Fund (Measure D and Measure E) were generally expended for the construction, renovation, furnishing and equipping of District facilities constituting authorized bond projects.

CONCLUSION

The results of our tests indicated that, in all significant respects, the West Contra Costa Unified School District has properly accounted for the expenditures held in the Building Fund (Measure D and Measure E) and that such expenditures were made for authorized Bond projects.

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE D AND MEASURE E)**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014**

None reported.

**WEST CONTRA COSTA UNIFIED SCHOOL DISTRICT
BUILDING FUND (MEASURE D & E)**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2014**

Finding

The District conducted formal public bids for the Downer Elementary School California Children Services (CCS) project on July 1, 2012 and for the Collins Elementary School Restroom Renovations project on May 2, 2013. However, TSS could not find evidence of Board action to either award or reject these bids. This is not in compliance with Public Contract Code Section 2011 which places the authority solely on the Board of Education to award contracts to the lowest responsive bidder or to reject all bids.

On July 12, 2012, the District conducted a public bid for Harding Elementary School Foundation Ventilation Repairs project (Bid no. 1271223-01). Based on staff recommendations, the Board approved the award of bid on July 23, 2012 to lowest bidder, Saboo Inc., in the amount of \$59,000. However, review of available documents indicate that the same project was bid again on November 29, 2012 and awarded to the lowest bidder, HM Construction, in the amount of \$99,850. During the review of Board agenda items, TSS could not find evidence of Board action, to rescind one of the awards or terminate one of the awarded contracts to rectify this duplication.

On April 2, 2013, based on Board approval on March 27, 2013 staff issued a Notice of Award (NOA) for the Portola Middle School New Construction project to Arntz Construction in the amount of \$42,762,406. However, on April 10, 2013, staff submitted to the Board of Education for ratification, the award of bid to Arntz Construction, in the amount of \$42,942,000. The contract amounts presented in these two documents differ by \$179,595.

On June 17, 2013, the superintendent's designee approved the award of bid and issued the Notice of Award (NOA) for the Bayview Elementary School Exterior Repairs project to AM Woo Construction, in the amount of \$646,000. However, as of June 30, 2013, the award had not been submitted to the Board of Education for ratification. This is not in compliance with Education Code 17604 which allows the Board of Education to delegate the power to contract to the superintendent or his designee, provided however, that no contract awarded to contractors pursuant to the delegation shall be valid unless and until the same have been approved or ratified by the Board of Education.

Recommendation

It is recommended that staff continue to improve the contract award process that is now in place, to ensure that all contracts awarded by the Board's designees are submitted to the Board for approval or ratification in compliance with Education Code 17604. Likewise, all bids for construction projects, solicited and received by the District by authority of the Board, that do not meet the requirements of the project, shall at all times be officially rejected by the Board of Education.

Current Status

Implemented.