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DISTRICT FACILITIES PROGRAM A PERSPECTIVE



AUDIT SAMPLE

MEASURE D

To ensure a comprehensive performance audit, Total School Solutions (TSS) selected nine (9) Measure D projects for examination, including seven (7) school projects and two (2) additional



Table 4. Measure M Quick Start Projects. Construction Costs (Without Soft Costs).

School	Year Built	Restrooms	Backflow Preventers	Hazard Materials Abatement	Other	Additional Work Planned Future Phase
Bayview	1952		6			1B
Castro	1950	2	3			2A
Chavez	1996		1			New School
Collins	1949	4	4		Parking lot	2A
Coronado ¹	1952	4	2			2A
Dover ¹	1958	4	1			2B
Downer	1955		5			1B
Ellerhorst	1959		3			1B
El Sobrante ¹	1950	4	1	x		2B
Fairmont ¹	1957	4	3			2B
Ford	1949	2	1			2B
Grant ¹	1945	4	1	x	Roof	2B
Hanna Ranch	1994		1			3
Harding	1943		1			1A
Hercules	1966		1	x		1A
Highland	1958		1			2B
Kensington	1949		1		Other	1B
King	1943	2	4	x		2B
Lake ¹	1956	4	3			2A
Lincoln	1948		1		Roof	1A
Madera	1955		5		Electrical	1A
Mira Vista	1949		4			1B
Montalvin	1965		8			1A
Murphy	1952		5		Electrical	1B
Nystrom ¹	1942	8	2		Electrical	2A
Ohlone	1970		1			3
Olinda	1957	2	1		Electrical	2A
Peres	1948		1			1A
Riverside	1940		1	x		1A
Seaview	1972	4	4			3
Shannon	1967	4	7			2B
Sheldon	1951		3	x	Electrical	1B
Stege	1943	4	1			2A
Stewart	1963		1			1A
Tara Hills	1958		8	x		1B
Valley View ¹	1962	4	2			2A
Verde	1950		1			1A
Washington	1940		3	x		1B
Wilson ¹	1953	4	1	x		2A
Total (39)		\$5,558,367²				

¹ Projects eligible for state funding modernization.

² Awarded June 5, 2002, and June 19, 2002. Includes 10 percent contingency funding.

Table 5. Measure M Phase 1A. Budget, Contracts and Schedule.

School	Harding	Hercules	Lincoln	Madera	Montalvin	Peres	Riverside	Stewart	Verde	Total Phase 1A
Original Budget (June 5, 2002)	\$8,530,000	\$13,380,000	\$10,360,000	\$7,620,000	\$6,780,000	\$14,180,000	\$7,550,000	\$6,810,000	\$7,840,000	\$83,050,000
Budget (September 13, 2004)										
Construction Costs	\$11,163,966	\$11,044,908	\$12,149,888	\$7,806,279	\$8,144,634	\$13,640,774	\$9,177,653	\$6,926,785	\$9,721,789	\$89,776,676
Soft Costs (20.7%)	\$2,850,335	\$2,571,053	\$3,050,500	\$2,147,973	\$2,275,656	\$3,248,954	\$2,610,676	\$2,018,911	\$2,653,439	\$23,427,498
Total Budget	\$14,014,301	\$13,615,961	\$15,200,388	\$9,954,252	\$10,420,290	\$16,889,728	\$11,788,329	\$8,945,696	\$12,375,228	\$113,204,113
SAB #	019	017	015	014	013	011	016	012	010	
SAB Revenues										



STATE NEW CONSTRUCTION ELIGIBILITY

State Allocation Board Funding for Measure M Phase 1A Projects.

SAB #	School	SAB Fund Release Date	SAB Fund Amount
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No.



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 the annual performance audit report for the period ending June 30, 2003, and the midyear update for the period ending December 31, 2003.)

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	Annual Salary	District/ Statutory Benefits	Total Salary/ Benefits	General Fund %	Bond Fund %	Annual Expense Charged to Bond
Bond Finance Office						
Sr. Director of Bond Finance	\$ 101,472	\$ 37,957	\$139,429	25	75	\$104,572
Director of Capital Projects	94,088	36,608	130,696	50	50	65,348
Principal Accountant	54,155	29,056	83,211	0	100	83,211
Administrative Secretary	36,491	25,436	61,927	25	75	46,446
Bond Finance Office Subtotal	\$ 286,206	\$129,057	\$415,263	28	72	\$299,577
Bond Management Office						
District Engineering Officer	\$ 128,988	\$ 34,522	\$163,510	10	90	\$147,159
Bond Program Management Specialist (Open Position)	34,218	24,880	59,098	10	90	53,188
Director of Bond Facilities	94,088	38,443	132,531	10	90	119,278
Bond Regional Facility Project Manager	76,216	35,157	111,373	10	90	100,236
Bond Regional Facility Project Manager	76,216	35,157	111,373	10	90	100,236
Bond Network Planner	71,210	33,932	105,142	10	90	94,628
Bond Mgt. Office Subtotal	\$ 480,936	\$202,091	\$683,027	10	90	\$614,725
Total for Mgt. and Finance	\$767,142	\$331,148	\$1,098,290	17	83	\$914,302

The Board of Education approved these staff positions and their funding allocations. To verify that bond proceeds could be appropriately used for staff positions within the facilities program, the District “validated” its decision by seeking and obtaining clearance from the Contra Costa County Superior Court.

The functions of the bond management team, District staff, master architect (WLC) and program manager (SGI) are documented in two comprehensive manuals:

Program Management Plan. (Revised May 12, 2003)
Procedures Manual. Fiscal Year 2003-2004. Section 4: Operations.

The Program Management Plan provides descriptions of every aspect of managing a facilities program from strategic planning to detailed office administration procedures. This document is designed to serve the bond management team in performing its duties at each step in the facilities program.

The District’s senior management prepared

In spite of the potential for creativity and streamlined work, both firms experienced difficulty in carrying out their separate functions as one team under the master architect agreement. For a number of reasons, the District decided to bifurcate the agreement, the negotiations for which are still in the process as of the writing of this report. 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’). At the present time

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:

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

For a detailed project cost breakdown for Phases M-1A, M-1B and D-1A, refer to the following table:

Capital Assets Management Plan/Reconciliation Report. September 13, 2004.

Budget Category	M-1A Budget	M-1B Budget	D-1A Budget
Pre-Design Services	\$237,788	\$253,525	\$401,447
Design Phase Services ¹			
Bond Program Manager	\$5,329,315 (4.7%)	\$6,477,841 (4.8%)	\$16,373,234 (7.4%)
Master Architect	4,690,820 (4.1%)	4,774,469 (3.5%)	10,974,365 (5.0%)
Design Manager	0	0	

ARCHITECTURAL SELECTION PROCESS

Throughout each phase of construction, M-1A, M-1B and D-1A, the District implemented a well structured and detailed architectural selection process. Architectural firms were invited to respond to a detailed Request for Proposal (RFP). An interview committee then evaluated the proposals submitted and selected a number of firms to be interviewed. During the interviews, the firms were further evaluated and ranked. The interview committee then selected the top firms to be recommended to the board. The board made the final selection and assignment to specific projects.

The statistics for the Phase M-1A projects are presented below:

Architectural Firms	Number of Firms
Invited to respond to RFP	148
Total responses	43
Respondents short listed	38
Interviewed	13
Selected	8

Because of the detailed architectural selection process implemented for Phase M-1A projects, the process to select Phase M-1B projects was limited to the pool of prequalified firms. This restriction resulted in six (6) of the Phase M-1A architects being assigned projects for Phase M-1B projects, with two (2) new firms' selection for Phase M-2B projects.

In preparation for the Phase D-1A architectural selection process, the prequalified firms with experience with middle and high 12 Tf 1 es12 Telection pr12 Tf 912 Tf 1 .0(12 Tf 1 .0

Construction management should assist the District in developing detailed estimates at every stage of design documentation by explicitly defining the components, scope and costs of all building systems. Among construction management

The position's General Fund functions include the following:

- Enrollment projections
- FTE Allocations related to the general fund
- Year end Audit—some overlap with the general fund

The District also recently hired a Principal Accountant –Bond Fund (funded at 100 percent from bond funds). This position's current duties include closing out old contracts related to projects associated with the bond program, as well as preparing expense reports and other state reports related to construction. The employee has spent considerable time trying to reconcile the District's financial records (BiTech) with reports generated by SGI through the PPAX financial system.

There was a consensus among fiscal services involved in the bond program that SGI has had some difficulty working with the District's fiscal services staff in terms of accounting, accounting procedures and communication. Staff also noted that SGI seems to be duplicating some work already provided by the District.

However, it must be noted that TSS did not independently verify any of these statements. This information was relayed to TSS in a final set of short interviews with fiscal services staff in November, during the last stage of the performance audit. These statements will be validated or rejected through testing during the development of the midyear report.

Finding

The board's most recent selection of architects varied significantly from the recommendations of the interview committee.

Recommendation

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 Response

Staff concurs 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.



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PAYMENT PROCEDURES

Process Utilized

In the course of this examination, Total School Solutions (TSS) interviewed District staff, reviewed documentation and observed processes. To clarify issues or questions, subsequent interviews were also held. TSS closely reviewed the variances and deviations in accounts payable.

TSS also

TSS also reviewed the accounting department's yearend closing procedures. SGI works with accounts payable to determine which purchase orders remain open. SGI uses its tracking software system to check for outstanding invoices. Invoices are logged into SGI's and the District's separat



District Response

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 for Best Practices

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 Response

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.

TECHNOLOGY/E-RATE IN THE FACILITIES PROGRAM

Process Utilized

In the process of this ;

District Response

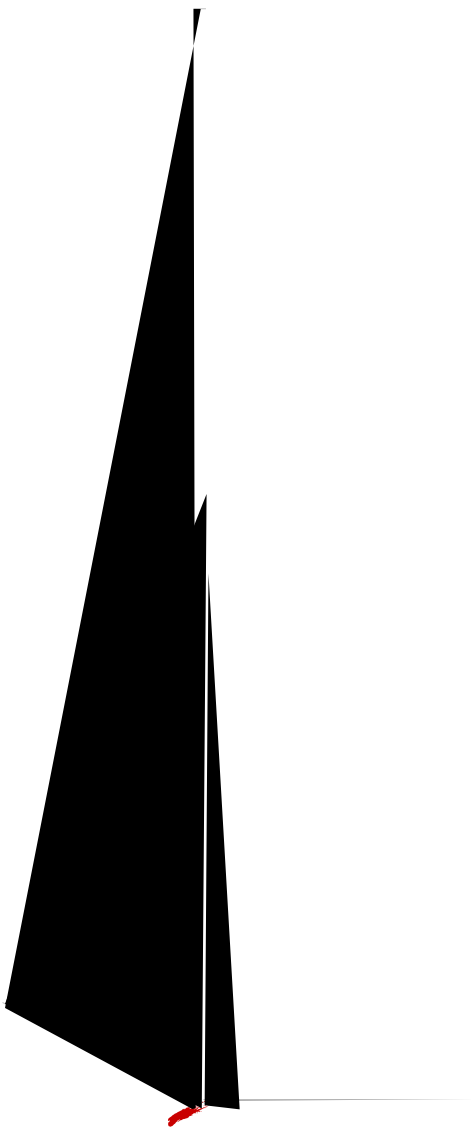
The District has appointed a Senior Director for Accountability and Technology. She is coordinating all technology related issues and is working closely with the Bond Program.

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

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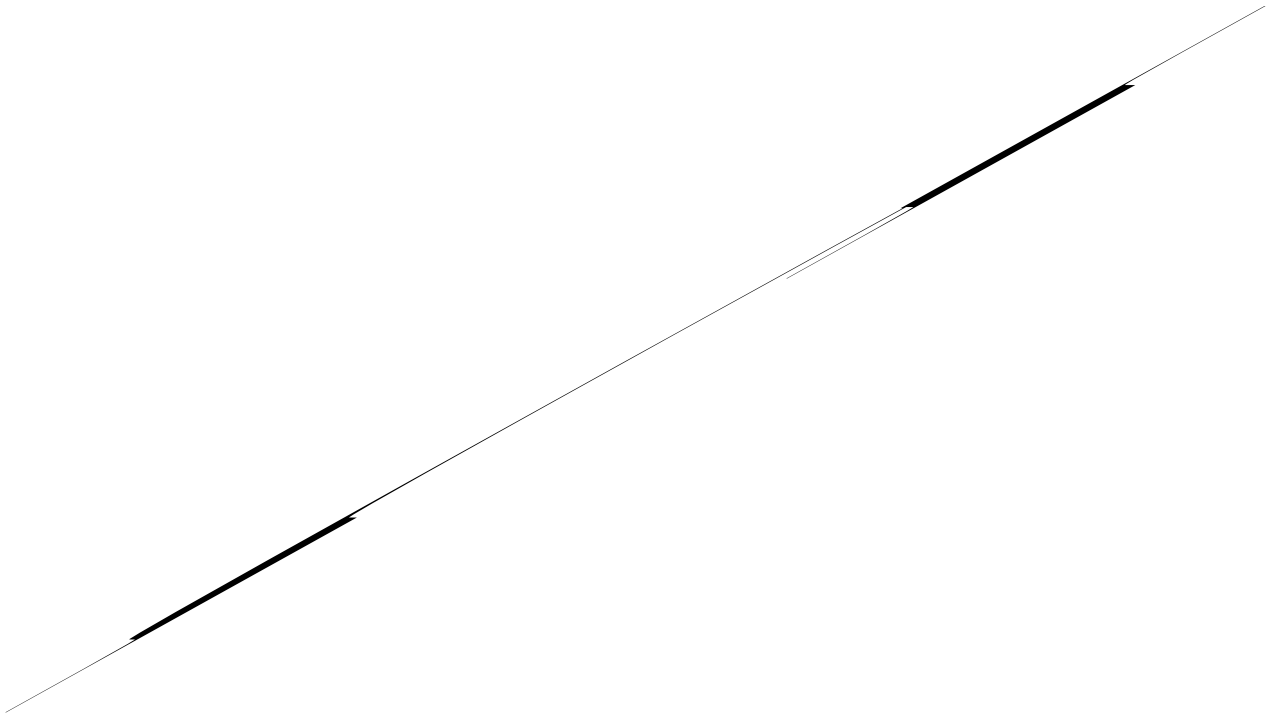
In the interviews, community members' opinions varied from total satisfaction to dissatisfaction with the program. Many people involved in the process were satisfied with the District's ongoing efforts. Other participants had more negative views of the program. This second group often consisted of newer members to the process. There were some general complaints from the bond oversight committee about receiving full information in a timely fashion.

In the first 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





APPENDIX A



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