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5. *To ensure that the proceeds from the sale of school facilities bonds are used for specified school facilities projects only, and not for teacher and administrator salaries and other school operating expenses, by requiring an annual independent performance audit to ensure that the funds have been expended on specific projects only.”*









8. **Claim Avoidance and Control Procedures:** We evaluated and reviewed the procedures used to limit the number of claims filed against the District related to construction projects for the period. Specific consideration was given to contractor inquiries and capture of documentation surrounding scope change causes, schedule changes, and cost impact analysis. Steps taken to effectively communicate potential claims and mitigate claims risk were also given specific consideration.

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15. **Project Close-Out Controls:** We evaluated the District's policies, procedures, and practices to close out projects in accordance with contract requirements. This review included analysis of checklists, procedures, retention policies, and contract terms and conditions. We analyzed procedures implemented to identify the parameters for contractor performance and compare the District's close-out procedures to good practices applied by similar organizations. This included review of criteria for all relevant parties to determine whether the project was complete. These procedures also included processes to verify there were controls to obtain unconditional contractor lien release and ensure unresolved claims are not pending prior to final payment.

16. **Post-Financing Review:** We comritai(tai(t)5.54W5l54W5l54W511.94 0 Td ()Tj 0.003 Tc -0.003 Tw [(i)6.9 (n)3.6







OBJECTIVE NO. 3 – DESIGN AND CONSTRUCTION BUDGET MANAGEMENT

Observation: We reviewed budget and cost documentation provided by the District and conducted interviews with Bond Finance and Facility Planning and Construction personnel, and identified the following practices:

- During FY 2016-17, the District did not have established policies and procedures for design and construction budget



following bid and procurement items, all procured prior to FY 2016-17, were exceptions to regulations and laws:

- The District was unable to provide evidence of a competitive solicitation process for architectural services for the following three vendors procured in previous fiscal years:

Project Site	Scope	Architect Selected	Contract Number	Contract Executed Date	Original Contract Value
Korematsu Middle School Campus Replacement	Furniture, Fixture, and Equipment Replacement Services	Hibser Yamauchi Architects, Inc.	1000001802	10/13/2015	\$111,345
Stege Elementary School	Master Planning Services	Powell and Partners Architects	1000000585	2/3/2011	\$205,400

Pinole Valley High School Modernization Reconstruction WLC Architects,

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procurement practices applied by the District for these contracts were incomplete and inconsistent at each of the three project sites.

Improvement Recommendation: The District should ensure that adequate documentation as evidence of a competitive solicitation and procurement process is maintained to comply with District policies and procedures and/or PCC, CUPCCAA, and other laws and regulations. Detailed processes and procedures for procurement should be added to the comprehensive Bond Program policies and procedures manual for transparency and accountability and approved by the Board. (See Objective No. 22's improvement recommendation for more detail.)

OBJECTIVE NO. 5 – PROCUREMENT FRAUD PREVENTION AND DETECTION CONTROLS

Observation: We validated the controls in place to prevent and detect procurement fraud. Through our vendor testing, we determined that the District had limited controls in place to reduce the risk of fraudulent activity or a means to bypass policies and regulations for California Multiple Award Schedule (CMAS) contracts and select professional services contracts. Details for issues re2 (ce)5 (04.1 (.9 (s)2.th)7.7 (a)2 (t th)7.7 .3





housing) were developed. However, a clear and documented plan for how the District is going to stay within the total estimated available funding while meeting the intended needs of the master plan was unavailable



as a result of unresolved change orders, differing site conditions, or disruptions, delays, acceleration, and other time-related issues that require timely monitoring, planning, and effective actions in place to avoid claims.

Improvement Recommendations: Written policies and procedures for proactive claims avoidance practices should be created and added to a comprehensive Bond Program policy and procedure manual (see Objective No. 22 improvement recommendation for additional details).

OBJECTIVE NO. 9 – MATERIALS SPECIFICATIONS

Observation: We reviewed the District's design standards for standardized items and educational specifications to meet District needs and provide uniformity amongst facilities and school sites. In 2017, the District had the following six items for design standards documentation:

- a. *Material and Product Standards* – Detailed allowable materials and products that the District has deemed adequate to meet educational specifications according to the Construction Specifications Institute codes to provide equitable learning environments.
- b. *Material and Product Standards Sole Source Resolution* – Specified which materials and products included within the established standards are not subject to substitution for similar or like products.
- c. *Technology Infrastructure Standards* – Infrastructure standards and requirements to ensure information technology specifications can be met and that technological advances can be incorporated into new and existing facilities throughout the District.
- d. *Elementary School Educational Specifications* – Provided a general framework of requirements that can be applied to meet teaching and learning needs throughout District elementary schools. Specific areas of focus for these specifications included school environment, safety, and general requirements for educational spaces within elementary schools (i.e., classrooms, flexible learning suite, etc.).
- e. *Middle School Educational Specifications* – Provided a general framework of requirements that can be applied to meet teaching and learning needs throughout District middle schools. Specific areas of focus included school environment, safety, and general requirements for educational spaces (i.e., classrooms, arts, physical education and athletics, etc.).
- f. *High School Educational Specifications* – Provided a general framework of requirements that can be applied to meet teaching and learning needs throughout District high schools. Specific areas of focus included school environment, safety, and general requirements for educational spaces (i.e., classrooms, arts, physical education and athletics, etc.).

The items listed above clearly identify critical products and systems, allowable alternative items, needs for each type of school (elementary, middle, and high school), and processes for material and product substitutions. The design standards are to be provided to architects and consultants during the bid or RFP process to ensure compliance; however, evidence of this was not witnessed as the design standards were not Board-approved until April 12, 2017 (at the end of the fiscal year, prior to new bids or RFPs).

No exceptions taken.



OBJECTIVE NO. 10 – COST BENEFIT AND VALUE ENGINEERING
ANALYSES F7Mtype 131 Tf 9.96 -06(EC)2.



6. *Presentation Phase:* Present a presentation and/or report to key stakeholders that convey the adequacy of the alternative(s) and the associated value improvement.

Specific areas of focus and attention that should be considered when conducting these types of analyses have been incorporated in Appendix B of this report.

OBJECTIVE NO. 11 – MAINTENANCE OF DISTRICT ASSETS FUNDED BY LOCAL BOND AND WARRANTY CONDITIONS COMPLIANCE

Observation: We assessed the District’s practices for maintenance of assets incorporated into school site construction and reviewed the accuracy and completion of maintenance schedules to warrantied assets. The District was unable to provide requested documentation supporting District assets, preventative



stakeholders. However, prior to 2016 there was no established master plan for Bond funds spent. See the following specific areas of review for control-related issues for this objective:

1. Objective No. 2 – District and Professional Services Staffing Plan for the Bond Program
2. Objective No. 6 – Bond Program Master Planning and Reporting
3. Objective No. 10 – Cost Benefit and Value Engineering Analysis
4. Objective No. 15 – Project Close-Out Controls
5. Objective No. 22 – Transparency of Bond Program

Improvement Recommendation: See individual improvement recommendations for each objective identified.

OBJECTIVE NO. 13 – CHANGE ORDER MANAGEMENT AND CONTROLS APPLICATION

Observation: Change order documentation was reviewed for compliance with PCC, school construction State requirements, and other relevant regulations. Controls and activities to manage change orders and



compliance and readiness for processing and payment. Payment Approval Forms, detailing vital information such as Munis contract number, vendor number, invoice date, date received, payment amount requested, current balance in Munis, and an accounting summary, were attached to each payment application/invoice and utilized in conjunction with review of the payment application/invoice to document current project status and include approvals of appropriate District staff including Finance Coordinator, District Engineering Officer, and Executive Director of Bonds and Finance. These forms have been updated for FY 2017-2018 to customize according to District needs such as multi-year, multi-funded, retention, reimbursables, etc.

No exception taken.

OBJECTIVE NO. 15 – PROJECT CLOSE-OUT CONTROLS

Observation: We evaluated the District’s policies, procedures, and practices to close out projects in accordance with contract requirements. This evaluation included review of contract terms as well as supplemental documentation (i.e., close-out checklists, retention policies, etc.) produced by the District to standardize and streamline close-out activities. The District provided the Bond Program Close Out Procedures with a date of October 2015, which included sections such as Notice of Completion, Change Orders, As-Built Drawings, Manuals and Warranties, Certified Payroll, Stop Notices, Final Agreement & Release, Warranty & Guarantee, Material and Equipment, and Facility Keys.

However, through June 30, 2017, the District did not maintain a consolidated close-out log for all projects in the close-out phase to report on compliance of close-out procedures. Specific project close-out documentation was available for specific projects upon request; however, a consolidated summary report and central file location for projects in the close-out phase, evidencing completeness and accuracy, was not available.

Improvement Recommendation: The District should compile a consolidated project-close out checklist to ensure turnover of documentation by contractors and completion of all critical tasks prior to release of final payment. As of January 2018, the District is currently working to develop this consolidated close-out checklist to strengthen the control environment and streamline close-out processes.

OBJECTIVE NO. 16 – POST-FINANCING REVIEW

Observation:



adopted on April 24, 2013, which clearly identifies the purpose of refunding/restructuring and the objectives of providing net present value debt service savings, providing assistance with tax rate management, and/or adjusting the debt service structure. The District has consulted with its municipal advisor (KNN Public Finance), Bond counsel (Nixon Peabody LLP), and underwriters (J.P. Morgan Securities LLC and Piper Jaffray & Co.) to determine the most beneficial options for taxpayers and ways to

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OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	PLANNED RESOLUTION DATE
4	Bidding and Procurement Procedures	The District was unable to provide evidence of a competitive solicitation process for architectural services for three vendors procured in previous fiscal years.	The District should ensure that adequate documentation as evidence of a competitive solicitation and procurement process is maintained to comply with District policies and procedures and/or PCC, CUPCCAA, and other laws and regulations.	The District agrees with the recommendation. This recommendation is based on the review of contracts procured in previous fiscal years and pre-date the District's current practices. The District now maintains and will continue to maintain adequate documentation that comply with procurement requirements. Further, the District will draft comprehensive procedures that align with current practices that are compliant with all procurement regulations.	June 2018
4	Bidding and Procurement Procedures	For contracts procured in previous fiscal years, the District was unable to provide contracts and proof of a competitive procurement process for three separate contracts for Mobile Modular Management, who provided portable classrooms and leasing services.	The District should ensure that adequate documentation as evidence of a competitive solicitation and procurement process is maintained to comply with District policies and procedures and/or PCC, CUPCCAA, and other laws and regulations.	The District agrees with this recommendation. This recommendation is based on the review of contracts procured in previous fiscal years and pre-date the District's current practices. The District now maintains and will continue to maintain adequate documentation that comply with procurement requirements. Further, the District will draft comprehensive procedures that align with current practices that are compliant with all procurement regulations.	June 2018
5	Procurement Fraud Prevention and Detection Controls	The District exceeded contract limitations specified on a California Multiple Award Schedule (CMAS) contract on an historically procured contract.	The District should continue to review all relevant contracting laws and guidelines and ensure that systems and controls are in place to work within the confines specified. Competitive bidding and procurement practices should continue to include an RFQ/RFP and a full evaluation of bidders on a comparative basis as required by District policies and procedures and/or state law and regulations. RFQs submitted for prequalification of vendors is the initial step to onboarding architects, engineers, etc., but does not constitute the only step in a competitive bid process, and practices implemented by the District should reflect this.	The District is not subject to the maximum order limit set forth on the State's Multiple Award Schedule. The order limit referenced on the Schedule is only applicable to State entities. The District is authorized pursuant to Public	





APPENDIX B – COST BENEFIT AND VALUE ENGINEERING ANALYSES

The following guidelines and recommendations can be utilized by the District to maximize value engineering (VE) studies and cost benefit analyses.

VE SCOPING

- Identify whether or not a VE study should be conducted for each project (or a component) prior to finalization of the contract.
- Prepare a revised scope of work template that is consistent with SAVE International® guidelines.
- Set a delivery date within a short period of time following the last day of the VE workshop (three days)



