

**PLACENTIA-YORBA LINDA UNIFIED
SCHOOL DISTRICT**

MEASURE Y

PERFORMANCE AUDIT

PERIOD ENDED JUNE 30, 2005



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

Placentia-Yorba Linda Unified School District

BOARD OF EDUCATION

June 30, 2005

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INTRODUCTION

On October 9, 2001, the Placentia-Yorba Linda Unified School District submitted for voter approval a bond measure to authorize the sale of \$102 million in bonds to improve school facilities. Because the bond required only 55 percent of the vote pursuant to Proposition 39 (Article XIII of the California State Constitution), the District was required to establish a citizens' bond oversight committee and to conduct two independent audits. The first audit is a financial audit similar to a district's annual financial audit; the second is a performance audit, which measures the effectiveness, economy and efficiency of the bond facilities program. The report contained herein represents the third annual performance audit of the Placentia-Yorba Linda Unified School District's Proposition 39 facilities program. This report covers the facilities program and activities from July 1, 2004, through June 30, 2005.

The District engaged the firm Total School Solutions (TSS) to conduct the annual independent performance audits for facilities and report its findings to the Board of Education and to the Independent Citizens' Bond Oversight Committee. In the first annual performance audit for the 2002-03 school year, TSS made nine (9) findings, eighteen (18) commendations and seventeen (17) recommendations. In the second annual performance audit for the 2003-04 school years, TSS made thirty-four (34) commendations, seven (7) observations, seventeen (17) findings and thirty-five (35) recommendations. The third annual performance audit follows up on the findings from the first and second annual reports and reviews progress through a broader sampling for the 2004-05 school year.

Besides ensuring that the District uses bond funds in conformance with the provisions listed in the Measure Y ballot, the scope of this examination includes a review of design and construction schedules and cost budgets; change orders and claim procedures; compliance with law, District policies and guidelines regarding facilities and procurement; and the effectiveness of the public outreach program and communication channels among the stakeholders.

In accordance with the state constitution, the District intends to have a performance audit completed annually until all Measure Y funds have been expended. These reports are designed to meet the requirement of Article XIII of the California State Constitution and to inform the community of the appropriate use of funds generated through the sale of bonds authorized by Measure Y.

EXECUTIVE SUMMARY

The performance audit, conducted during the period of May 2005 through November 2005, includes an examination of the following components:

- Design and construction schedules and cost budgets
- Change order and claims procedures and results
- Current programmatic goals to ensure compliance with state law, guidelines, and funding formulas and District guidelines for bidding and procurement
- Effectiveness of the public outreach program
- Effectiveness of communication channels among all stakeholders within the bond program
- Compliance with program provisions, restrictions in the bond initiative, and legal requirements such as prevailing wages.

Total School Solutions (TSS) reviewed all Measure Y projects in the course of this examination and selected several modernization and growth projects for more detailed examination.

Through the examination of numerous documents, interviews with personnel involved in this process and an evaluation of related documentation, assessments were made and conclusions were reached, which are summarized in this report.

Data produced by District staff and representations made by the District administration were used, where appropriate, to perform this audit work and to formalize conclusions. Each audit component was evaluated separately and collectively based on the materiality of each activity and its impact on the total bond program.

It should be noted that this work has been performed to meet the requirements of a performance audit in accordance with Article XIII of the Constitution of the State of California. Any known significant weaknesses and substantial noncompliance items have been reported to the District's management. This performance audit is not a fraud audit, which would be much wider in scope and more significant in nature than this examination.

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
Placentia-Yorba Linda Unified School District
Placentia, CA 93870**

We have conducted a performance audit of the Measure Y funded bond program of the Placentia-Yorba Linda 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's management. Total School Solutions' responsibility is to express an opinion on the pertinent issues included in the scope of this performance audit.

In our opinion, the Measure Y funds are being expended in accordance with Resolution No. 10, inclusive of Exhibit A-1, passed by the Board of Education on October 9, 2001. It is also our opinion, for the period ending June 30, 2005, the expenditures of the funds raised through Measure Y bonds were only for the projects listed in Exhibit A-1 (which was attached to Resolution No. 10 establishing the scope of work to be completed with Measure Y funds). We have also determined that the representations made to the public regarding the availability of state funds for new construction and modernization projects were true and reasonable. Furthermore, we have determined that management's estimates were reasonable and complied with the commonly accepted best practices in modernization and new construction of school facilities.

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 Y bond funds. The financial auditor is responsible for evaluating conformance with generally accepted auditing principles and auditing standards pertinent to the financial statement. 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 accompanying report should be read in conjunction with the independent financial auditor's report when considering the results of our 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 Placentia-Yorba Linda Unified School District, which have taken responsibility in regard to the sufficiency of the scope of work deemed appropriate for this performance audit.



Total School Solutions

December 15, 2005

DISTRICT FACILITIES PROGRAM

While the scope of the performance audit is limited to Measure Y, it is useful to review the District's entire facilities program and other sources of funds to place Measure Y into its proper context. In addition to Measure Y funds, the District receives funds from the state, local developer fees, a local community facilities district (Mello-Roos), certificates of participation and various redevelopment agencies (RDAs).

The District projects the following total revenues from all sources to carry out its facilities program through the year 2018-19, with continuing RDA/COP payments thereafter to 2034-35. (Capital Improvement Program Worksheet as of October 10, 2005):

Fund	Description	Revenue Including Interest (Millions)
12	Child Development	\$ 0.3
14	Deferred Maintenance	6.1
--	Headstart (In Fund 25)	1.4
21 - 23	Measure Y (Series A,B,C)	101.6
	Plus: Interest	17.8
	Less: Match Transfers	(37.0)
25	Capital Facilities (Developer Fees)	22.9
35	County School Facilities Fund	1.1
39	State School Building Program	181.0
40	Special Reserve – Capital Outlay (RDA) ¹	222.5
91	CFD#1	4.6
92	SunTrust Escrow Account	14.9
40	Energy Savings Offset	5.0
Trustee	RDA (COP)	78.6
Trustee	COP (NOCCCD Site Purchase)	15.3
	Gifts and Donations	12.8
	McFadden Park Headstart Reimbursement	1.2
	Interest Income (at 2.5%)	5.9
	Total Projected Revenues	\$656.0

¹ RDA revenues include current and projected RDA revenues, including a future certificate of participation.

Based on the above summary of projected revenues, it can be seen that the \$102 million original Measure Y bond provides only sixteen (16) percent of the projected total revenues for the District's facilities program.

The Capital Improvement Program worksheet dated October 10, 2005, identified a current expenditure budget for all proposed projects at \$648.3 million. Therefore, barring any unforeseen adjustments to projected revenues and/or projected expenditures, it appears that the District will be able to fully implement its facilities program.

The tables below present the financial status of the District's facilities program for the past three (3) years, as documented in the fiscal year 2002-03 and 2003-04 audit reports and the fiscal year 2004-05 unaudited actuals report.

As of June 30, 2005, all Measure Y bonds have been issued (Series A, B and C, totaling \$101.6 million). The June 30, 2005 Measure Y ending balance was \$37.0 million, 36.3 percent of the total voter approved bond.

Commendation

- The District is commended for its continuing efforts to aggressively pursue all sources of revenues to enhance the District's ability to meet its facilities needs for the coming decade.

Revenues and Expenditures for Facilities Program, FY 2002/03 – FY 2004-05

	Fiscal Year Ending June 30, 2003	Fiscal Year Ending June 30, 2004	Fiscal Year Ending June 30, 2005
Measure Y Building Fund¹ (21)			
Beginning Balance	\$44,622,427	\$26,669,243	\$32,080,589
Revenues	601,930	320,405	564,858
Expenditures	6,354,133	17,009,911	22,649,040
Transfers (Net)	(12,200,981)	22,100,852	27,000,967
Net Change	<u>(17,953,184)</u>	<u>5,411,346</u>	<u>4,916,785</u>
Ending Balance	\$26,669,243	\$32,080,589	\$36,997,374
Other Capital Outlay Funds²			
Beginning Balance	\$4,461,324	\$23,538,386	
Revenues	2,786,828	67,023,593	
Expenditures	8,566,167	44,487,332	
Transfers (Net)	24,856,401	10,982,088	
Net Change	<u>19,077,062</u>	<u>33,518,349</u>	
Ending Balance	\$23,538,386	\$57,056,735	
Measure Y & Other Capital Outlay Funds			
Beginning Balance	\$49,083,751	\$50,207,629	
Revenues	3,388,758	67,343,998	
Expenditures	14,920,300	61,497,243	
Transfers (Net)	12,655,420	33,082,940	
Net Change	<u>1,123,878</u>	<u>38,929,695</u>	
Ending Balance	\$50,207,629	\$89,137,324	
Outstanding Debt			
Measure Y Bonds	45,753,028	73,220,671	97,765,281
CFD#1 Bonds	5,505,000	5,505,000	5,505,000
COP#A	0	16,635,000	16,635,000
COP#B	5,550,000	5,400,000	5,250,000
Capital Leases	39,123	6,190,286	6,769,427
Total Debt	<u>56,847,151</u>	<u>106,950,957</u>	<u>131,924,708</u>

¹ Measure Y bonds issued against the \$102 million authorized include the following:

Series A: June 2003	\$44,622,427
Series B: June 2004	29,999,744
Series C:	<u>26,999,610</u>
Total bonds issued	\$101,624,243

² Other capital outlay funds include the Capital Facilities Fund (developer fees), the Capital School Facilities Fund (state monies), the Special Reserves Capital Outlay Fund (special board-approved projects), CFD#1 bonds and a certificate of participation. See the "Other Capital Outlay Funds" table for detail.

**OTHER CAPITAL OUTLAY FUNDS
FISCAL YEARS 2002-03 AND 2003-04 (AUDITED) AND FISCAL YEAR 2004-05 (UNAUDITED ACTUALS)**

Fiscal Year Ending June 30, 2003	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³	CFD#1⁴	Certificate of Participation⁵	Totals
Beginning Balance	\$1,225,831	\$ 965,220	\$2,270,273	\$ 0	\$ 0	\$ 4,461,324
Revenues	2,631,453	44,471	86,480	24,424	0	2,786,828
Expenditures	2,125,577	1,939,259	4,230,456	202,239	68,636	8,566,167
Transfers (Net)	133,780	8,159,144	5,689,343	5,396,708	5,477,426	24,856,401
Net Change	639,656	6,264,356	1,545,367	5,218,893	5,408,790	19,077,062
Ending Balance	\$1,865,487	\$7,229,576	\$3,815,640	\$5,218,893	\$5,408,790	\$23,538,386

Fiscal Year Ending June 30, 2004	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³	CFD#1⁴	Certificate of Participation⁵	Totals
Beginning Balance	\$1,865,487	\$ 7,229,576	\$3,815,640	\$5,218,893	\$5,408,790	\$23,538,386
Revenues	7,188,697	58,312,647	108,773	351,971	1,061,505	67,023,593
Expenditures	1,475,066	37,433,529	1,980,645	2,535,712	1,062,380	44,487,332
Transfers (Net)	(6,557,605)	15,032,327	6,299,207	0	(3,791,841)	10,982,088
Net Change	(843,974)	35,911,445	4,427,335	(2,183,741)	(3,792,716)	33,518,349
Ending Balance	\$1,021,513	\$43,141,021	\$8,242,975	\$3,035,152	\$1,616,074	\$57,056,735

Fiscal Year Ending June 30, 2005	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³	CFD#1	Certificate of Participation	Totals
Beginning Balance	\$1,021,513	\$43,141,021	\$8,242,975	\$3,035,152	\$1,616,074	\$57,056,735
Revenues	4,357,032	10,676,809	211,171			
Expenditures	831,694	43,113,874	927,206			
Transfers (Net)	35,822	13,185	1,402,458			
Net Change	3,561,160	(32,423,880)	686,423			
Ending Balance	\$4,582,673	\$10,717,141	\$8,929,398	\$	\$	\$

- ¹ The Capital Facilities Fund (Fund 25) is used for developer fees. Level 1 fees were in effect through June 30, 2005. As of July 11, 2004, Level 1 fees were \$2.24/square foot for residential and \$0.36/square foot for commercial/industrial. As of August 25, 2004, Level 2 fees of \$3.56/square foot were imposed on new residential houses in lieu of Level 1 fees. Based on a recent study, the Placentia-Yorba Linda Unified School District has 1,714 future housing units to be built, which have at least tentative map approval.
- ² The County School Facilities Fund (Fund 35) is used for State Allocation Board (SAB) funds received for modernization, site acquisition and new construction projects for which the District is eligible.
- ³ The Special Reserve Fund (Fund 40) is used to account for funds set aside for board-designated construction projects.
- ⁴ A District-wide Community Facilities District No. 1 (CFD#1) (Fund 91) was approved by the voters on November 12, 2002. A \$5,505,000 bond was issued in December 2002 to fund site acquisition and building construction projects. The bonds will be repaid over thirty (30) years.
- ⁵ The District issued Certificate of Participation (COP), Series B for \$5,550,000 in May 2003 to be used for various capital project needs. The District issues COP, Series A, for \$16,635,000 in September 2003 to be used for various capital project needs. The new COP will be repaid over thirty (30) years. The old COP will be repaid over twenty-five (25) years. (A certificate of participation is a loan, not a source of funds, repaid over time from other District revenues, usually from a designated revenue stream such as developer fees.)

COMPLIANCE WITH BALLOT LANGUAGE

Processes Utilized

In this examination, Total School Solutions (TSS) reviewed files and conducted interviews with various staff members. TSS also referenced files from various outside agencies to obtain information from independent sources.

Examination

TSS reviewed all current District projects and selected several modernization projects and proposed new schools for more extensive examination.

Background

The Board of Education of the Placentia-Yorba Linda Unified School District unanimously approved placing a \$102 million bond measure (Measure Y) on the ballot with the adoption of Resolution No. 10 on October 9, 2001. The bond measure was placed on the ballot for voter approval on March 5, 2002. Article XIII of the California State Constitution, amended through Proposition 39, states "that every district that passes a 'Proposition 39' bond measure must obtain an annual independent performance audit." Article XIII further provides that monies obtained through the successful passage of the bond measure may be expended only on those projects listed in the bond measure language.

In accordance with this article of the state constitution, Section 6 of Resolution 10 states that the board shall "conduct an annual independent performance audit to ensure that the funds have been expended only on the projects listed in Appendix A."

Furthermore, Exhibit A, attached to Resolution No. 10, notes the following:

The District has been approved for 57 million dollars from state bond funds to repair and modernize schools within the Placentia-Yorba Linda Unified School District. Additionally, the District is eligible for 69.5 million dollars for the construction of new schools.

Exhibit A-1, Bond Project List, attached to Resolution No. 10, establishes the scope of work to be completed with Measure Y bond funds and state school facilities funds. That exhibit provides a comprehensive list of improvements to be completed at the thirty-one (31) existing schools, with an understanding that the District would not be able to implement all the changes at every school. Exhibit A-1 also specifies that four new schools would be built: two (2) elementary schools, one (1) middle school and one (1) comprehensive high school.

District voters approved Measure Y with a 65.70 percent vote on March 5, 2002. A 55 percent vote was required for the passage of the measure.

The passage of Measure Y, the scope defined by Resolution No. 10 and exhibits A and A-1 provide the range of projects subject to this performance audit, as authorized by the state constitution. The District is in full compliance with all provisions in Resolution No. 10, which authorized the \$102 million Measure Y bond issue.

STATE MODERNIZATION STATUS

31 EXISTING CAMPUSES INCLUDED IN EXHIBIT A-1, RESOLUTION NO. 10

NO.	EXISTING CAMPUS	SAB#¹	SAB 50-04 APPROVAL DATE	SAB 50-05 GRANT AMOUNT²	RELEASE DATE
1.	Adult Education			\$2,924,090	7/16/2003
2.	Bernardo Yorba Middle ³	014	12/18/2002	28,386	9/29/2003
3.	Brookhaven Elementary	023	12/18/2002	1,207,631	5/27/2004
4.	Bryant Ranch Elementary				
5.	El Camino Real High (Cont.) ⁵	000	9/27/2000		
6.	El Dorado High	013	12/18/2002	6,362,659	10/29/2003
7.	Esperanza High ⁴	001	7/15/2000	160,098	11/20/2000
7.	Esperanza High ⁴	019	12/18/2002	9,465,190	9/22/2003
8.	Fairmont Elementary ³	010	12/18/2002	2,209,242	7/16/2003
				27,123	9/29/2003
9.	George Key TMR	002	7/5/2000	638,244	11/20/2000
10.	Glenknoll Elementary	022	12/12/2002	1,486,912	6/14/2004
11.	Glenview Elementary	020	12/18/2002	1,616,209	6/14/2004
12.	Golden Elementary ³	006	12/18/2002	1,058,883	7/16/2003
				16,942	9/27/2003
13.	Kraemer Middle ⁴	012	12/18/2002	2,567,599	5/27/2004
14.	La Entrada High				
15.	Linda Vista Elementary	021	12/18/2002	1,258,525	6/14/2004
16.	Mabel Paine Elementary	003	7/5/2002	1,017,763	11/20/2000
17.	Morse Avenue Elementary	015	12/18/2002	1,339,514	6/14/2004
18.	Parkview School				
19.	Rio Vista Elementary ⁴	011	12/18/2002	2,843,894	5/27/2004
20.	Rose Drive Elementary ³	007	12/18/2002	1,155,581	7/16/2003
				18,489	9/29/2003
21.	Ruby Drive Elementary ³	009	12/18/2002	1,280,573	7/16/2003
				20,489	9/29/2003
22.	Sierra Vista Elementary	017	12/18/2002	1,404,162	6/14/2004
23.	Topaz Elementary	024	12/18/2002	2,015,108	7/6/2004
24.	Travis Ranch Middle				
25.	Tuffree Middle	004	7/5/2000	1,556,636	11/20/2000
26.	Tynes Elementary ⁵	000	2/26/2003		
27.	Valencia High ⁴	008	12/18/2002	5,492,022	11/4/2003
28.	Van Buren Elementary	016	12/18/2002	1,294,975	6/21/2004
29.	Wagner Elementary	018	12/18/2002	1,271,376	6/14/2004
30.	Woodsboro Elementary ⁵	000	2/26/2003		
31.	Yorba Linda Middle	005	7/5/2000	1,645,328	11/20/2000
Total State Grant Amount				\$53,383,643	

- ¹ A "000" indicates that the District has filed form SAB 50-03, establishing eligibility. A project number is not assigned until the District files form SAB 50-04, which requires DSA-stamped plans and CDE approval. A blank indicates that either the status is unknown or that eligibility has not been established. The most likely cause for lack of eligibility is a school's age. Permanent buildings and portables must be 25 years and 20 years, respectively, to qualify for modernization.
- ² For project applications (SAB 50-04) filed before April 29, 2002, the state grant is 80 percent of the total state modernization budget. Thereafter, the state grant amount would be 60 percent. The District must provide its share of the project budget from local sources. Second grant amounts entered under the primary entry are for the required Labor Compliance Program.
- ³ Projects sampled under the performance audit for the period ended June 30, 2003.
- ⁴ Additional projects sampled under the performance audit for the period ended June 30, 2004.
- ⁵ As of June 30, 2005, these projects are in architectural planning.

STATE SITE ACQUISITION/NEW CONSTRUCTION STATUS
FOUR PROPOSED NEW SCHOOLS
INCLUDED IN EXHIBIT A-1, RESOLUTION NO. 10

The District completed the required documentation and filed forms SAB 50-01, 50-02 and 50-03 with the Office of Public School Construction (OPSC) on February 8, 1999, to establish new construction eligibility. The State Allocation Board (SAB) certified the eligibility on July 28, 1999. The District filed updated forms SAB 50-01, 50-02 and 50-03 on February 25, 2004, based on CBEDS data for 2000-01 through 2003-04 and 1,714 new dwelling units. The chart below reflects the changes in certified eligibility between the initial certification on July 28, 1999, and the District-adjusted eligibility as of June 30, 2005.

Grades	SAB Certified Eligibility July 28, 1999	District Adjusted Eligibility As of June 30, 2005*
K-6	1,567	0
7-8	599	189
9-12	2,623	2,617
Special Education	39	(110)
Total	4,828	2,696

*The June 30, 2005, adjusted eligibility, which is reduced by Melrose and Lakeview, is sufficient to provide state funding for the construction of Southwest Middle and Yorba Linda High, as proposed in Exhibit A-1 of Resolution No. 10. In addition to the four (4) new schools to be funded from Measure Y, a new Eastside Elementary School is planned for construction.

STATE NEW CONSTRUCTION FUNDING STATUS

NO.	NEW SCHOOL	SAB#	SAB 50-04 APPROVAL DATE	SAB 50-05 GRANT AMOUNT	RELEASE DATE	ESTIMATED TOTAL COSTS⁵
1.	Melrose Elementary ¹	028	5/26/04	\$ 9,656,842	6/21/04	\$18,890,892
				41,667	3/29/05	
2.	Lakeview Elementary (LCP) ²	029	3/30/05	10,197,557	6/23/05	18,725,229
3.	Southwest Middle ³					32,842,310
4.	Yorba Linda High ⁴					135,518,696
	Total State Grant Amount			\$19,854,399		\$205,977,127

Notes

- ¹ The State Allocation Board (SAB) approved an application for Melrose Elementary School (SAB 50-04) on May 26, 2005, which includes \$1,823,538 for site acquisition and \$7,833,304 for construction (\$9,656,842 total). The SAB approved the funding application (SAB 50-05) on June 11, 2004, and state funds were released to the District on June 21, 2004. The project consists of thirty-five (35) classrooms with a state capacity of 875 (25 per classroom). Additional \$41,667 for labor compliance were released on March 29, 2005.
- ² The District acquired a nine-acre site in the Vista Del Verde Planned Community in Yorba Linda on February 26, 2004, for \$8,400,000. The District awarded a construction contract to Woodcliff Corporation for \$13,626,000 on July 14, 2004. The city of Yorba Linda is to reimburse the District \$256,000 for site improvement costs (parking and circulation) on the school site and adjoining park site. Lakeview Elementary School has opened in 2005.
- ³ The 9.509 acre site for the proposed Southwest Middle School planned for acquisition by the District is located at La Jolla and Melrose, adjacent to the Melrose Elementary School site (formerly Mc Fadden Park). The site consists of three (3) parcels: a 6.360 acres gross parcel acquired from Grahek Trust; a 1.332 acres gross parcel acquired from Orange County Flood Control District (OCFCD) and a 1.817 acres gross parcel acquired from Orange County Water District (OCWD). Several structures are on the site. The district will relocate one tenant at a cost of \$135,584. The other tenant is leasing 60,000 square feet of space from the District for \$29,000 per month. On July 13, 2004, the board selected WLC Architects, Inc. to design the proposed Southwest Middle School. The District must obtain approvals from the California Department of Education (CDE) and the Department of Toxic Substances Control (DTSC). Board action on August 24, 2004, initiated an Environmental Impact Review (EIR), environmental and geotechnical studies for the site and is in process.
- ⁴ The District will build the Yorba Linda High School project with a combination of state and local funds. Local funds will be provided by funds from the Yorba Linda Redevelopment Agency and supplemented, as necessary, with Measure Y funds and CFD#1 funds.
- ⁵ The estimated costs are from the District's Capital Improvement Program worksheet, October 10, 2005. These cost estimates will be adjusted as architects and District staff process projects through the site acquisition, planning and construction stages.

DESIGN AND CONSTRUCTION COSTS AND SCHEDULES

Because the District has a number of funding sources for its facilities program in addition to Measure Y bonds, it is difficult to completely match Measure Y bond fund expenditures with project expenditures. For the three fiscal years 2002-03 through 2004-05, the Measure Y Building Fund (Fund 21) had total revenues of \$103.1 million (including bond proceeds and interest earnings) and had expenditures and transfers of \$66.1 million, leaving an ending balance of \$37.0 million. By comparison, the State School Building Fund (Fund 39), which included both State and District funds, had total expenditures of \$82.1 million. When all sources of funds are considered, all projects had a three-year total expenditure of \$163.4 million.

The following tables present the expenditures in Fund 39 and for all funds.

MODERNIZATION PROJECTS – EXPENDITURES FUND 39 – STATE SCHOOL BUILDING PROGRAM

Project.	School	2002-03	2003-04	2004-05	Total
YOR	Bernardo Yorba Linda Middle	\$390,159	\$2,553,778	\$732,536	\$3,676,473
BRK	Brookhaven Elementary		341,179	1,168,359	1,509,538
ELD	El Dorado High	66,736	6,240,214	1,517,978	7,824,928
ESP	Esperanza High	506,223	7,819,199	3,465,610	11,791,032
FMT	Fairmont Elementary	226,162	2,349,472	211,675	2,787,309
GLK	Glenknoll Elementary		420,018	1,438,622	1,858,640
GLV	Glenview Elementary		197,220	1,742,693	1,939,913
GLD	Golden Elementary	291,000	1,033,509	20,514	1,345,023
KRA	Kraemer Middle		494,676	2,173,070	2,667,746
LV	Linda Vista Elementary		152,263	1,380,494	1,532,757
MRS	Morse Avenue Elementary		385,077	1,289,160	1,674,237
RV	Rio Vista Elementary	47,430	567,089	1,876,723	2,491,242
ROD	Rose Drive Elementary	85,261	1,369,750	7,813	1,462,824
RUB	Ruby Drive Elementary	282,481	1,327,720	10,036	1,620,237
SV	Sierra Vista Elementary		393,273	1,361,928	1,755,201
TOP	Topaz Elementary		24,600	2,023,005	2,047,605
VHS	Valencia High		1,724,502	4,824,264	6,548,766
VB	Van Buren Elementary		467,166	1,151,520	1,618,686
WAG	Wagner Elementary		385,647	1,203,892	1,589,539
TOTALS		\$1,895,45	\$28,246,352	\$27,599,892	\$57,741,696

**NEW CONSTRUCTION PROJECTS – EXPENDITURES
FUND 39 – STATE SCHOOL BUILDING PROGRAM**

Project. School	2002-03	2003-04	2004-05	Total
MEL Melrose Elementary		\$8,571,777	\$5,665,318	\$14,237,095
LKV Lakeview		292,698	9,820,077	10,112,775
TOTALS	0	\$ 8,864,475	\$15,485,395	\$24,349,870
Grand Total (Fund 39)	\$1,895,452	\$37,110,827	\$43,085,287	\$82,091,566

**CAPITAL IMPROVEMENT PROGRAM WORKSHEET – OCTOBER 10, 2005
PROJECT EXPENDITURES – ALL FUNDS**

Project. School	2002-03	2003-04	2004-05	Total
YOR Bernardo Yorba Linda Middle	\$ 537,910	\$3,434,661	\$ 768,201	\$ 4,740,772
BRK Brookhaven Elementary	266,458	699,424	3,627,391	4,593,273
BR Bryant Ranch Elementary	(4,900)	100,565	52,345	148,100
DEC District Education Center	0	0	400,000	400,000
ELC El Camino High	0	24,109	9,858	33,967
ELD El Dorado High	557,616	7,529,340	2,772,902	10,859,858
ESP Esperanza High	685,692	10,003,297	7,170,722	17,859,711
FMT Fairmont Elementary	734,122	4,650,976	1,259,589	6,644,687
KEY George Key Elementary	57,345	39,322	0	96,667
GLK Glenknoll Elementary	12,826	777,800	4,624,457	5,415,083
GLV Glenview Elementary	186,434	335,889	4,764,157	5,286,480
GLD Golden Elementary	828,088	2,469,435	15,573	3,313,096
KRA Kraemer Middle	21,284	611,349	3,443,998	4,076,631
LKV Lakeview Elementary	438,715	648,808	10,097,668	11,185,191
LV Linda Vista Elementary	42,088	430,372	4,485,431	4,957,891
MP Mabel Paine Elementary	252,616	2,314,383	123,825	2,690,824
MEL Melrose Elementary	159,404	10,901,366	6,748,017	17,808,787
MRS Morse Avenue Elementary	131,431	977,721	3,059,659	4,168,811
PKV Parkview School	142,887	1,795	(1,795)	142,887
RV Rio Vista Elementary	275,225	1,081,811	3,258,679	4,615,715
ROD Rose Drive Elementary	506,324	2,343,539	222,245	3,072,108
RUB Ruby Drive Elementary	1,146,905	2,358,049	57,342	3,562,296
SV Sierra Vista Elementary	159,468	721,893	3,350,946	4,232,307
SW Southwest Middle	228,589	112,537	657,293	998,419
TOP Topaz Elementary	444,286	306,459	4,509,509	5,260,254
TRE Travis Ranch Elementary	5,218	13,811	256,850	275,879
TRM Travis Ranch Middle	704	25,495	31,264	57,463
TUF Tuffree Middle	117,745	0	57,020	174,765
TYN Tynes Elementary	189,357	200,981	164,967	555,305
VHS Valencia High	541,543	4,081,707	5,437,110	10,060,360
VB Van Buren Elementary	188,194	631,419	4,027,146	4,846,759
WAG Wagner Elementary	269,837	611,074	3,193,784	4,074,695
WDS Woodsboro Elementary	295,029	35,202	121,429	451,660
YLH Yorba Linda High	546,634	15,099,398	145,189	15,791,221
YLM Yorba Linda Middle	740,214	106,876	62,456	909,546
TOTALS	\$10,705,288	\$73,680,860	\$78,975,227	\$163,361,375
OTHER				
Maintenance Transfer			930,000	930,000
Project Reserve Balance			0	0
Mabel Paine Emergency			807,449	807,449
RDA Payments			0	0
Siemens No. 1-2			1,248,686	1,248,686
COP "A" Repayment			0	0
Total Other	0	0	2,986,135	2,986,135
Grand Total	\$10,705,288	\$73,680,860	\$81,961,362	\$166,347,510

DESIGN AND CONSTRUCTION BUDGETS

Process Utilized

In this examination, Total School Solutions (TSS) reviewed files and documents and conducted interviews with appropriate staff members. TSS also referenced files from various outside agencies including the Division of State Architect, Office of Public School Construction, to obtain information from independent sources.

Background

TSS verified that the Board of Education had approved the budgets, including design and construction costs, for projects in the program. Planned projects, their budgets and schedules are approved by, and appear on reports to, the Board of Education. On March 22, 2005, the District presented an updated "Capital Improvement Program – Fiscal Overview Sources and Uses" report to the Board of Education. Based on a review of documents, projects appear to be proceeding in a manner consistent with their respective authorized budgets. It should be noted that subsequent to the current audit period, District staff updated projected revenues and expenditures in a Capital Improvement Program worksheet dated October 10, 2005.

Commendation

- District staff is commended for continually updating projected revenues and expenditures that provide a clear overview of the facilities program.

Finding

- There are no findings in this section.

PROJECT BUDGET AND EXPENDITURES – ALL FUNDS

Project. School	Budget	2002/03-2004/05 Expenditures	Percent of Budget	
YOR	Bernardo Yorba Linda Middle	\$ 4,924,796	\$4,740,772	96.3
BRK	Brookhaven Elementary	6,052,688	4,593,273	75.9
BR	Bryant Ranch Elementary	877,010	148,010	16.9
DEC	District Education Center	400,000	400,000	100.0
ES	Eastside Elementary	8,600,000	0	0.0
ELC	El Camino High	3,502,315	33,967	1.0
ELD	El Dorado High	18,532,330	10,859,858	58.6
ESP	Esperanza High	23,990,097	17,859,711	74.4
FMT	Fairmont Elementary	8,186,546	6,644,687	81.2
KEY	George Key Elementary	450,667	96,667	21.4
GLK	Glenknoll Elementary	7,218,315	5,415,083	75.0
GLV	Glenview Elementary	7,274,403	5,286,480	72.7
GLD	Golden Elementary	3,443,492	3,313,096	96.2
KRA	Kraemer Middle	7,728,980	4,076,631	52.7
LKV	Lakeview Elementary	18,725,229	11,185,191	59.7
LV	Linda Vista Elementary	7,148,770	4,957,891	69.4
MP	Mabel Paine Elementary	3,126,780	2,690,824	86.1
MEL	Melrose Elementary	18,890,892	17,808,787	94.3
MRS	Morse Avenue Elementary	5,384,058	4,168,811	77.4
PKV	Parkview School	142,887	142,887	100.0
RV	Rio Vista Elementary	9,744,725	4,615,715	47.4
ROD	Rose Drive Elementary	3,393,436	3,072,108	90.6
RUB	Ruby Drive Elementary	3,994,974	3,562,296	89.2
SV	Sierra Vista Elementary	5,727,648	4,232,307	73.9
SW	Southwest Middle	32,842,310	998,419	3.0
TOP	Topaz Elementary	7,881,863	5,260,254	66.7
TRE	Travis Ranch Elementary	1,950,731	275,879	14.1
TRM	Travis Ranch Middle	392,199	57,463	14.7
TUF	Tuffree Middle	6,010,449	174,765	2.9
TYN	Tynes Elementary	7,456,914	555,305	7.4
VHS	Valencia High	19,709,406	10,060,360	51.0
VB	Van Buren Elementary	6,709,105	4,846,759	72.2
WAG	Wagner Elementary	5,252,869	4,074,695	77.6
WDS	Woodsboro Elementary	6,707,460	451,660	6.7
YLH	Yorba Linda High	135,518,696	15,791,221	11.7
YLM	Yorba Linda Middle	3,287,948	909,546	27.7
TOTAL PROJECTS		\$410,680,988	\$163,361,375	39.8
OTHER				
	Maintenance Transfer	\$ 28,830,000	\$ 930,000	
	Project Reserve Balance	1,000,000	0	
	Mabel Paine Emergency	1,763,058	807,449	
	RDA Payments	168,928,728	0	
	Siemens No. 1-2	20,439,003	1,248,686	
	COP "A" Repayment	16,635,000	0	
	Total Other	\$237,595,789	\$ 2,986,135	
	Grand Total	\$648,276,777	\$166,347,510	

PROGRAM/CONSTRUCTION MANAGEMENT COSTS

The table below summarizes the four (4) construction management firms under contract with the District and their respective costs for project management/construction management (PM/CM) services as of June 30, 2005.

<u>PM/CM Firm</u>	<u>PM/CM (Total Fees)</u>
3D/I ¹	\$ 4,073,000
Bernards Brothers ²	4,879,650
Turner Construction Co. ³	5,681,890
Phaseone Construction Group ⁴	820,000
Totals	\$15,454,540

¹ Includes three (3) contract amendments.

² Includes four (4) contract amendments. Services include a number of multi-prime construction projects, which require project/construction management services beyond the traditional general contractor approach.

³ Includes design management services in addition to construction management.

⁴ Includes one (1) contract amendment.

In the audit report for the period ending June 30, 2004, it was reported that PM/CM costs, as a percentage of construction costs, varied from 11.6 percent (traditional PM/CM services) and 18.5 percent (including numerous multiple-prime contracts which require services beyond the traditional level of service) to 23.9 percent (including additional design management services).

Because of amendments to the contracts, change orders to the original construction amounts, and the assignment of additional projects to the PM/CM firms, a definitive updated calculation of PM/CM costs as a percentage of construction costs could not be done. However, based on available data, it appears that current PM/CM percentages are consistent with those reported in the June 30, 2004, audit report. The scope of services provided by these firms as well as the compensation is within industry standards.

**BERNARDO YORBA MIDDLE SCHOOL
MODERNIZATION PROJECT – MULTIPLE-PRIME**

Current Expenditures (Fiscal Years 2002-03 through 2004-05)

Fund 39 – State School Building Fund	\$3,676,473
All Funds*	4,740,772
Total Budget*	\$4,924,796

*Capital Improvement Program worksheet, October 10, 2005

Project Team

Architect	LPA, Inc.
Construction Management	Bernards Brothers
Contractor	Multiple-Prime
Inspector	All American Inspection

Construction Schedule

Start Construction	6/16/03	Actual
Complete Construction	8/27/04	Complete
Notices of Completion	10/12/04 – 4/12/05	

**BERNARDO YORBA MIDDLE SCHOOL BIDS (203-XX)
(MULTIPLE PRIME) AWARDED BY BOARD OF EDUCATION ON MAY 13, 2003**

Bid No.	Category	Bid Amount	Contractor	Notice of Completion*
33	General Construction	\$594,342	Great West Contractors, Inc.	2/1/05
35	Carpentry & Framing	149,430	Great West Contractors, Inc.	1/18/05
36	Millwork	79,000	S & H Cabinets & Mfg., Inc.	1/18/05
37	Glass & Glazing	32,808	Queen City Glass Company	10/12/04
38	Ceramic Tile	45,800	J. Colavin & Son, Inc.	1/18/05
39	Drywall, Lath & Plastic	178,000	Church and Larsen	4/12/05
40	Acoustical Ceilings & Walls	91,120	Performance Contracting, Inc.	2/1/05
41	Flooring	124,100	Continental Flooring	1/18/05
42	Painting	58,000	Robert V. Hopper Co., Inc.	1/18/05
43	Plumbing	52,216	Advanced Mechanical Contractors	1/18/05
44	HVAC/Mechanical	145,900	Los Angeles Air Conditioning, Inc.	1/18/05
45	Electrical	183,400	Giannelli Electric	2/1/05
82	Vinyl Tackboard & Marker Board	48,488		10/12/04
(Bid 6/16/03)				
		\$1,782,706		

* Notices of Completion were accepted by the Board of Education during the period of October 12, 2004 to April 12, 2005 – sixteen (16) to twenty-two (22) months after construction began.

**ESPERANZA HIGH SCHOOL
MODERNIZATION PROJECT - MULTIPLE-PRIME**

Total Expenditures (Fiscal years 2002-03 through 2004-05)

Fund 39 - State School Building Fund	\$11,791,032
All Funds*	17,859,711

Total Budget*	\$23,990,097
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*Capital Improvement Program worksheet, October 10, 2005

Project Team

Architect	LPA, Inc.
Construction Management	Bernards Brothers
Contractor	Multiple-Prime
Inspector	All American Inspection

Construction Schedule

Start Construction	6/26/03	Actual
Complete Construction	12/8/04	Complete
Notices of Completion	11/16/04 - 2/15/05	

ESPERANZA HIGH SCHOOL BIDS (203-XX)
(MULTIPLE PRIME) AWARDED BY BOARD OF EDUCATION ON JUNE 17, 2003

Bid No.	Category	Bid Amount	Contractor	Notice of Completion*
63	General Construction	\$842,342	Great West Contractors, Inc.	1/18/05
64				
65	Concrete	517,000	T. B. Penicy & Sons	11/16/04
66				
67				12/14/04
68				11/16/04
69	Acoustical Ceilings & Walls	133,528	John Jory Corporation	1/18/05
70	Flooring	142,900	Spectra Contract Flooring	11/16/04
71	Painting	118,390	Painting and Decor	1/18/05
72	Plumbing	550,000	West Star Construction	1/18/05
73	HVAC/Mechanical	530,900	Couts Heating & Cooling	1/18/05
74				12/14/04
75	Framing	\$558,032	John Jory Corporation	1/18/05
76				12/14/04
77				12/14/04
78				
79				12/14/04
80				
81				
82				
83				2/15/05

*Notices of Completion were accepted by the Board of Education during the period of November 16, 2004 to February 15, 2005 – seventeen (17) to twenty (20) months after construction began.

**FAIRMONT ELEMENTARY SCHOOL
MODERNIZATION PROJECT – MULTIPLE-PRIME**

Total Expenditures (Fiscal years 2002-03 through 2004-05)

Fund 39 – State School Facilities Fund	\$2,787,309
All Funds*	6,644,687
Total Budget*	\$8,186,546

*Capital Improvement Program worksheet, October 10, 2005

Project Team

Architect	LPA, Inc.
Construction Management	Bernards Brothers
Contractor	Multiple-Prime
Inspector	All American Inspection

Construction Schedule

Start Construction	6/16/03	Actual
Complete Construction	10/1/04	Complete
Notices of Completion	9/14/04 – 4/12/05	

FAIRMONT ELEMENTARY SCHOOL (203-XX)

Bid No.	Category	Bid Amount	Contractor	Notice of Completion*
20	General Construction	\$622,200	Great West Contractors, Inc.	4/12/05
21	Carpentry & Framing	305,700	DW McCasland, Inc.	10/12/04
22	Millwork	176,500	S & H Cabinets & Mfg., Inc.	
23	Glass & Glazing	59,810	Queen City Glass Company.	10/12/04
24	Drywall, Lath & Plastic	166,100	Church and Larsen	1/18/05
26	Acoustical Ceilings & Walls	89,688	Elijay Acoustics, Inc.	1/18/05
27	Flooring	117,164	Continental Flooring	9/14/04
28	Painting	51,000	C.T. Geolgiou Painting Co.	9/14/04
29	Plumbing	119,274	Advanced Mechanical Contractors	1/18/05
30	HVAC/Mechanical	263,000	Couts Heating and Cooling, Inc.	1/18/05
31	Electrical	\$215,555	Giannelli Electric, Inc.	1/18/05
83	Vinyl Tackboard & Marker Board		Polyvision, Inc.	2/1/05

*Notices of Completion were accepted by the Board of Education during the period of September 14, 2004 to April 12, 2005 – fifteen (15) to twenty-two (22) months after construction began.

CHANGE ORDERS, CLAIM PROCEDURES AND RESULTS

Process Utilized

In the process of this examination, relevant documents and files were analyzed. Interviews were also conducted with the Facilities and Construction Management Team.

Background

During the course of construction work, some additional work may be required to mitigate unforeseen conditions or conflicts in plans and specifications. Typically, change orders for modernization cannot be avoided because of the age of the buildings. Conflicts between records and reality do occur. The average industry-wide percentage for change orders for modernization work is about 7 percent of the original contract amount. (The prevailing change order rates for new construction are 3 to 4 percent.). The change order contingency amount set by the board appears to be adequate.

Due to the nature of construction work, issues are often resolved verbally at the weekly construction meetings where the architect, construction manager, inspector and contractor's superintendent are present. These decisions are then formalized in the meeting minutes and followed up with a change directive to authorize the work. The item is then, typically, included in a change order. The District is not liable for the cost of any extra work or substitutions, changes, additions, omissions or deviations from the drawings and specifications unless the District authorizes the work and the cost is approved in writing through this process.

To initiate a change due to unclear or conflicting drawings, the contractor writes a Request for Information (RFI). The architect of record (AOR) reviews the RFI and submits an answer to the contractor whether additional work is merited. All RFIs are logged using Orbit, a project management tracking software. This step facilitates the maintenance of archival records. This process produces no cost response information to the contractor in most cases.

An important part of the change order process is price negotiation. The contractor submits a Proposed Change Order (PCO) to the construction manager. The construction manager reviews the proposal with the inspector, architect of record and the District's project manager. If accepted, the AOR issues a change directive or a change order. The increase or decrease in the contract price caused by a change order may be determined at the District's discretion through the acceptance of a PCO, by utilizing unit prices from the original bid or by using a time and materials method. This process is defined in contract documents as a protection from excessive change order costs.

When a contractor makes a claim for a contract price increase or a time extension, he or she notifies the District but continues to execute the work even if the adjustment has not been agreed upon. By having this language in the general conditions of the contract, the District is protected from work stoppage due to a disagreement over the price of a change order.

As part of the payment process, contractors are asked to submit a schedule of values to determine the appropriate progress payment for the performance of work. The schedule of values may be used as a tool in determining credits when work is no longer necessary. It can also serve as a measure of compensation for additional work authorized.

Change Orders Processed During Fiscal Year 2004-05

Presented in the following tables are change orders processed for four (4) multiple-prime projects (Bernardo Yorba Middle School, Esperanza High School, Fairmont Elementary School and Linda Vista/Glenview Elementary Schools) and for various other general contractor projects.

A multiple-prime project has the requirement that each individual contract must comply with law, meaning that the contract change order limit of ten (10) percent applies to each contract. Because many individual contracts are for smaller amounts than a traditional general contractor approach, it is generally more difficult to stay within the ten (10) percent limit. The District has fully complied with the ten (10) percent limit, as presented in the following summary.

Project	Construction Type	Change Orders Range (%)
Bernardo Yorba Middle School	Multiple Prime	(11.2) – 9.9
Esperanza High School	Multiple Prime	(16.5) – 8.9
Fairmont Elementary School	Multiple Prime	1.0 – 10.0
Linda Vista and Glenview Elementary Schools	Multiple Prime	(36.1) – 6.2
Various Schools	General Contractor	(2.4) – 10.0

Two (2) new schools were under construction as of June 30, 2005. Their change order status as of June 30, 2005, was the following:

Project	Construction Type	Change Orders (%)
Melrose Elementary School	General Contractor	7.7
Lakeview Elementary School	General Contractor	1.3

Commendations

- The District is commended for establishing document control processes which meticulously track the status of projects as well as the relevant change orders. It is easy to identify when a project is approaching the 10% limit since new bids will have to be solicited and approved by the Board.
- The District is commended for maintaining a change order percentage below the prevailing industry standards.
- The District is commended for maintaining a prompt RFI response time.
- The District is commended for its handling of Stop Notices. Stop Notices are not unusual in construction. When subcontractors and suppliers are not paid on time or properly (by the General Contractor), they have a legal right to file a stop notice. The stop notices TSS reviewed were properly handled and payments properly withheld in accordance with California Public Contract Code.
- The District is commended for scheduling weekly meetings of the Assistant Director of Facilities, the Construction Manager and the General Contractor to review the status of the projects and troubleshoot issues. This regular weekly communication makes for better response before issues start affecting other areas.

Findings

- While the District has good plans and tracking records, it was found through random sampling that not all change order tracking and back-up documents were consistently filed in the project files. It is possible that the missing documentation may have been stored at other locations. To make the records retrievable, these records should be filed with the rest of the project file documents.

Recommendations

- The project files are the archive files of the District. More time should be devoted to organizing these files to ensure consistency.

District Response

- The district concurs with the recommendation. Additional steps are being taken to ensure that close-out documents are being compiled and archived in a consistent and accessible system. The steps will include a point by point checklist to be utilized by all construction managers to ensure across the board consistency and compatibility with the established facilities planning file guide system. The district will ensure that the labor compliance close out documents will be integrated into the archive documents and filing system.

**BERNARDO YORBA MIDDLE SCHOOL BIDS (203-XX)
(MULTIPLE PRIME) AWARDED BY BOARD OF EDUCATION ON MAY 13, 2003**

Bid No.	Category	Bid Amount	Contractor	Notice of Completion
33	General Construction	\$594,342	Great West Contractors, Inc.	2/1/05
35	Carpentry & Framing	149,430	Great West Contractors, Inc.	1/18/05
38	Ceramic Tile	45,800	J. Colavin & Son, Inc.	1/18/05
39	Drywall, Lath & Plastic	178,000	Church and Larsen	4/12/05
40	Acoustical Ceilings & Walls	91,120	Performance Contracting, Inc.	2/1/05
41	Flooring	124,100	Continental Flooring	1/18/05
43	Plumbing	52,216	Advanced Mechanical Contr.	1/18/05
44	HVAC/Mechanical	\$145,900	Los Angeles Air Conditioning, Inc.	1/18/05

**BERNARDO YORBA MIDDLE SCHOOL
MULTIPLE PRIME CONSTRUCTION
CONTRACT AWARD: MAY 13, 2003 (203-xx)**

Bid No.	Original Contract	Change Order (Number of)	Change Order (Total \$)	Change Order (Last Date)	Adjusted Contract	Change Order (Percent)
33	\$594,342	8	\$36,171	11/16/04	\$630,513	6.1
35	149,430	5	14,297	7/13/04	163,727	9.6
38	45,800	3	3,853	10/12/04	49,653	8.4
39	178,000	5	11,924	11/16/04	189,924	6.7
40	91,120	3	2,535	2/1/05	93,655	2.8
41	124,100	2	(13,918)	10/12/04	110,182	(11.2)
43	52,216	2	4,629	10/12/04	56,845	8.9
44	\$145,900	3	\$14,466	10/12/04	\$160,366	9.9

**ESPERANZA HIGH SCHOOL BIDS (203-XX)
(MULTIPLE PRIME) AWARDED BY BOARD OF EDUCATION ON JUNE 17, 2003**

Bid No.	Category	Bid Amount	Contractor	Notice of Completion
63	General Construction	\$842,342	Great West Contractors, Inc.	1/18/05
65	Concrete	517,000	T. B. Penicy & Sons	11/16/04
69	Acoustical Ceilings & Walls	133,528	John Jory Corporation	1/18/05
70	Flooring	142,900	Spectra Contract Flooring	11/16/04
71	Painting	118,390	Painting and Decor	1/18/05
72	Plumbing	550,000	West Star Construction	1/18/05
73	HVAC/Mechanical	530,900	Couts Heating & Cooling	1/18/05
75	Framing	\$558,032	John Jory Corporation	1/18/05

**ESPERANZA HIGH SCHOOL
CONTRACT AWARDED BY BOARD OF EDUCATION ON JUNE 17, 2003
BIDS (203-xx)**

Bid No.	Original Contract	Change Order (Number of)	Change Order (Total \$)	Change Order (Last Date)	Adjusted Contract	Change Order (Percent)
63	\$842,342	9	(\$12,300)	11/16/04	\$830,042	(1.5)
65	517,000	2	(85,138)	9/28/04	431,862	(16.5)
69	133,528	2	6,529	12/14/04	140,057	4.9
70	142,900	2	5,279	8/24/04	148,179	3.7
71	118,390	6	10,857	12/14/04	128,977	8.9
72	550,000	7	14,483	12/14/04	564,483	2.6
73	530,000	9	(55,142)	12/14/04	474,858	(10.4)
75	\$558,032	6	(\$51,379)	12/14/04	\$609,411	(9.2)

**FAIRMONT ELEMENTARY SCHOOL (203-XX)
(MULTIPLE PRIME) AWARDED BY BOARD OF EDUCATION ON MAY 13, 2003**

Bid No.	Category	Bid Amount	Contractor	Notice of Completion
20	General Construction	\$622,200	Great West Contractors, Inc.	4/12/05
21	Carpentry & Framing	305,700	DW McCasland, Inc.	10/12/04
22	Millwork	176,500	S & H Cabinets & Mfg., Inc.	
23	Glass & Glazing	59,810	Queen City Glass Company.	10/12/04
24	Drywall, Lath & Plastic	166,100	Church and Larsen	1/18/05
26	Acoustical Ceilings & Walls	89,688	Elijay Acoustics, Inc.	1/18/05
27	Flooring	117,164	Continental Flooring	9/14/04
28	Painting	51,000	C.T. Geolgiou Painting Co.	9/14/04
29	Plumbing	119,274	Advanced Mechanical Contr.	1/18/05
30	HVAC/Mechanical	263,000	Couts Heating and Cooling, Inc.	1/18/05
31	Electrical	\$215,555	Giannelli Electric, Inc.	1/18/05

**FAIRMONT ELEMENTARY SCHOOL
MULTIPLE PRIME CONSTRUCTION
CONTRACT AWARDED: MAY 13, 2003 (203-xx)**

Bid No.	Original Contract	Change Order (Number of)	Change Order (Total \$)	Change Order (Last Date)	Adjusted Contract	Change Order (Percent)
20	\$622,200	9	\$32,924	11/16/04	\$655,134	5.3
21	305,700					
22	176,500					
23	59,810	1	1,465	7/13/04	61,275	2.4
24	166,100	6	10,354	11/16/04	176,454	6.2
26	89,688	3	5,206	7/13/04	94,894	5.8
27	117,164	4	11,705	10/12/04	128,869	10.0
28	51,000	3	4,469	10/12/04	55,469	8.8
29	119,274	6	7,866	10/12/04	127,150	6.6
30	263,000	6	2,732	7/13/04	265,732	1.0
31	215,555	5	\$18,429	7/13/04	\$233,984	8.5

**LINDA VISTA AND GLENVIEW ELEMENTARY SCHOOLS
 CONTRACT AWARDED BY BOARD OF EDUCATION ON APRIL 19, 2004
 BIDS (204 - XX)**

Bid No.	Category	Bid Amount	Contractor
22	General Construction	\$1,426,000	Alvarez Engineering
23	Framing	502,700	D.W. McCasland, Inc.
24	Doors, Frames & Hardware	366,500	Roy E. Whitehead, Inc.
25	Mechanical & Plumbing	715,300	Alvarez Engineering
26	Electrical	630,000	Zolman Construction & Development
27	Finishes	\$1,630,000	Angeles Contractor

**LINDA VISTA AND GLENVIEW ELEMENTARY SCHOOLS
 CONTRACT AWARD: APRIL 19, 2004 (204 - XX)**

Bid No.	Original Contract	Change Order (Number of)	Change Order (Total \$)	Change Order (Last Date)	Adjusted Contract	Change Order (Percent)
22	\$1,426,000	3	\$ 76,015	6/21/05	\$1,502,015	5.3
23	502,700	2	8,170	12/1/04	510,870	1.6
24	366,500	3	22,830	6/21/05	389,330	6.2
25	715,300	4	(258,235)	6/21/05	457,065	(36.1)
26	630,000	4	26,020	5/24/05	656,020	4.1
27	1,630,000	3	(\$ 19,581)	6/21/05	\$1,610,419	(1.2)

VARIOUS CONTRACTS AWARDED

Bid No.	Bid Date	Category	Bid Amount	Contractor
203-10	5/13/03	Rose/Modernization	\$ 1,210,342	Great West Contractors, Inc.
203-13	7/15/03	El Dorado/Modernization	5,874,000	P.W. Construction
204-1	8/26/03	Melrose/New School	11,966,244	Mallcraft, Inc.
204-5	6/15/03	Fairmont Elementary	52,186	Spanning Tree Technologies, Inc.
204-6	6/15/03	Bernardo Yorba Middle	51,888	Spanning Tree Technologies, Inc.
204-8	8/26/03	Esperanza/Casework	527,000	Inland Building Companies
204-10	11/18/03	Various Schools/Relocation	162,819	Cor-O-Van
204-16	3/9/04	Brookhaven/Modernization	1,850,000	Angeles Contractor
204-17	4/6/04	Morse/Modernization	1,783,000	Sanders Construction Services
204-18	4/6/04	Sierra Vista/Modernization	1,959,070	Construct One (1) Corporation
204-19	4/6/04	Wagner/Modernization	1,910,000	Sanders Construction Services
204-20	4/6/04	Glenknoll/Modernization	2,562,000	Mepco Services Company
204-21	4/6/04	Van Buren/Modernization	2,396,244 (Adj.)	Allied e Corporation
204-28	3/23/04	Rio Vista/Modernization	1,735,253	JRH Construction
204-29	3/23/04	Kraemer/Modernization	2,040,528	JRH Construction
204-32	5/25/04	Esperanza/Modernization	1,978,000	JRH Construction
204-43	5/25/04	Various/Relocation	147,951	Cor-O-Van
204-44	5/25/04	Various/Relocation	164,981	Cor-O-Van
204-45	5/25/04	Various/Relocation	156,965	Cor-O-Van
204-50	8/3/04	Lakeview/New School	\$13,626,000	Woodcliff Corporation

**VARIOUS CONTRACTS AWARDED
CHANGE ORDERS DURING AUDIT PERIOD (JULY 1, 2004 TO JUNE 30, 2005)**

Bid No.	Original Contract	Change Order (Number of)	Change Order (Total \$)	Change Order (Last Date)	Adjusted Contract	Change Order (Percent)
203-10	\$1,210,342	1	\$ 14,435	7/13/04	\$ 1,311,777	8.4
203-13	5,874,000	7	521,766	5/10/05	6,395,766	8.9
204-1	11,966,244	10	922,665	5/10/05	12,888,909	7.7
204-5	52,186	1	1,993	12/14/04	54,179	3.8
204-6	51,888	2	1,791	12/14/04	53,679	3.5
204-8	527,000	2	23,080	10/12/04	550,080	4.4
204-10	162,819	1	15,165	10/14/04	177,984	9.3
204-16	1,850,000	5	88,447	3/8/05	1,938,447	4.8
204-17	1,783,000	7	(5,707)	3/8/05	1,777,293	(0.3)
204-18	1,959,070	4	(46,834)	3/8/05	2,005,905	(2.4)
204-19	1,910,000	7	11,683	3/22/05	1,921,683	0.6
204-20	2,562,000	6	256,200	6/21/05	2,818,200	10.0
204-21	2,396,244 (Adj)	7	76,293	5/10/05	2,472,537	3.2
204-28	1,735,253	2	50,343	10/12/04	1,785,596	2.9
204-29	2,040,528	2	28,362	10/12/04	2,068,890	1.4
204-32	1,978,000	3	70,621	12/14/04	2,048,621	3.6
204-43	147,951	2	9,217	12/14/04	157,168	6.2
204-44	164,981	2	12,556	12/14/04	177,537	7.6
204-45	156,965	2	11,385	12/14/04	168,350	7.3
204-50	\$13,626,000	4	\$176,016	6/21/05	\$13,802,016	1.3

**COMPLIANCE WITH DISTRICT POLICIES
AND ADMINISTRATIVE REGULATIONS**

The District has adopted the following Board Policies (BP) and Administrative Regulations (AR) for its facilities program:

BP/AR	Description	Date of Adoption	Date of Revision
7100	The District Master Plan	5/29/73	1/17/89
7101	Facilities Utilization	12/14/71	6/5/90
7101.1	Authorized Use of Classroom/Instructional Space	4/11/83	
7102	District School Organizational Plan	8/22/76	3/25/04
7110	Goals of the Facility Expansion Program	3/8/76	
7112	Forecasting Enrollments	6/25/73	
7142	School District Elections	8/4/75	1/17/89
7143	Community Facilities District	4/16/02	
7551	Naming of Facilities	5/27/75	5/22/01

It was reported in the last report that most of the board policies and administrative regulations listed were first adopted over twenty years ago, with some revisions within the past five years. These policies and regulations have not kept pace with rapidly changing state statutes and State Allocation Board (SAB) regulations. For example, SB 50, which was enacted in 1999, made major modifications to the state's School Facilities Program, imposed developer fees (Level 1 and 2) and eliminated Mira fees. In 2000, Proposition 39 enabled school districts to pass facility bonds with 55 percent approval. The state also created the Department of Toxic Substances Control (DTSC) to regulate environmental issues related to new school sites. The board policies and regulations are outdated to account for these changes.

Locally, the District contracted with three (3) firms to provide project/construction management services to oversee its projects through the construction phase. The District constructed a number of school modernization projects under a "multiple-prime" approach rather than the traditional "general contractor" approach.

The alternative methods of implementing a facilities construction program should be referenced in local policies and regulations.

Finding

- There are no findings in this section.

Recommendation

- It is recommended that the District utilize model policy and regulation 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 regulations developed by other school districts to develop and update facilities program policies and regulations. In developing District policies and regulations, emphasis should be placed on local District conditions and needs.

District Response

- The District concurs with the finding and staff continues to engage in a review of District Policies and Guidelines that impact or define work on the Bond Program. This is a collaborative effort with the Superintendent's office.

PAYMENT PROCEDURES

Process Utilized

Appropriate District staff were interviewed and re-interviewed as necessary, documentation was analyzed, and processes were observed. In addition, a review was conducted to identify variances and deviations in accounts payable. A review was also performed on year end procedures.

Background

Payment procedures remained unchanged from 2004. A single point of contact in the Accounting Department continues to process all Measure Y funded invoices to avoid duplication of payments. The senior account clerk time-stamps each invoice received from the Facilities department, checks for approval signatures from the Director and the Assistant Director of the Facilities Department, verifies the Purchase Order information including Board approval date and account code, as well as signatures from the contractor, inspector, architect and the construction manager before assigning payment. The payment is then batched and checks are printed in house. The check register and back-up documents are sent to the Orange County Superintendent of Schools. The County Office of Education approves and sends the check back for the District to mail to the contractor. The financial software is updated and Facilities department updates its budgetary information.

The Purchasing Department provides the Notice of Completion to the Fiscal Services Department for the final payment. Payments and expenditures are tracked and recorded by the Facilities Department.

Budget transfers are performed per site, the Accounting Technician posts the batch transactions and runs a report. The Assistant Planner for Facilities then submits the budget for Board approval. The budget incorporates contingencies for change orders.

Commendations

- The payment process is thorough and methodical. Staff is conscientious in checking all required approvals. The invoice batches are organized and back-up documentation is complete.
- The process for escrow accounts is controlled, monitored and well documented.
- Upgraded requisition module this year in QSS, District's financial software allowed real-time encumbrance of change orders which facilitated efficiency in the payment process.
- Improved recording procedures and communication among the departments and the contractors helped establish accurate accruals during the 2004-2005 year end closing.

- Staff is to be commended for creating the new written procedures for resolving open purchase orders, as well as establishing 2004-2005 accruals.
- The budget transfer process functions well for the District, wherein the account technician runs a daily report, posts and batches the transactions. Budget adjustments are submitted by the Assistant Planner for Board approval.

Findings

- The audit found continuing use of confirming purchase orders.
- The timeliness of payments has continued to improve. However, payments are sometimes delayed due to incomplete documentation by the project managers.

Recommendations

- It is recommended that the District make an effort to avoid the use of confirming purchase orders. Complete elimination of confirming purchase orders may not be possible due to unforeseen, emergency conditions however, their use discourages competitive bidding. Whenever possible, a purchase order should be processed and issued prior to the performance of work. Open purchase orders might be utilized for certain vendors with frequent business with the District. A Request for Proposal (RFP) of most frequently used supplies can be solicited to determine the lowest responsive vendor. However, detailed backup information and consistent approval processes must accompany invoices to avoid duplicate payments.
- It is recommended that the completeness of payment applications be more extensively reviewed. Applications should contain accurate information, calculations, board approved change orders, and as necessary, budget adjustments so that delays in the payment process are avoided. Delayed payment to vendors impacts the pricing for future bids.
- Monthly reconciliation meetings between the Purchasing, Accounting and Facilities Departments should continue, ensuring that all parties can resolve payment issues. Items discussed should include completeness of documentation and information as well as current stop notices and Board approval of change orders.

District Response

- The District concurs with the recommendation and will continue to make every effort to avoid the use of confirming purchase orders.
- The District concurs with the recommendation. Processing invoices in a timely manner without delay due to incomplete documentation provided by the project managers has been addressed and resolved by providing continued education to the project managers and vendors that supports the necessity of complete backup documentation, proper work authorization sequence and Board approval prior to submitting invoices for payment.
- The District concurs with the recommendation and will continue monthly reconciliation meetings between the Purchasing, Accounting and Facilities Departments in accordance with the ebb and flow of construction volume.

BIDDING AND PROCUREMENT PROCEDURES

Process Utilized

In the process of this examination, numerous purchasing documents and payment procedures pertaining to new construction and modernization projects were reviewed and analyzed. Interviews with various staff members were held.

Background

Bids are verified for compliance and completion. Licenses, bonds, insurance and fingerprinting issues are verified by the Purchasing Department before recommendation for award is made.

Some of the projects utilized a unit price bid which contained a pre-determined cost for labor and material. Trades offering such pricing include electrical, plumbing and fencing. This method has become useful when there is insufficient time to formally bid projects for a lump sum award. Caution is needed to ensure that exact amounts of materials are estimated to prevent over-pricing.

The District has also utilized piggyback bids in the purchase of equipment and furniture to save time and labor.

Commendations

- District staff is commended for the timeliness of processing bids into contracts. The average time between Board Award and Notice to Proceed was 2.5 weeks.
- The audit team reviewed the renewal of the unit price bid for electrical services, Bid # 201-17 and found it in compliance with the standard practices and bidding codes. The prevailing wage criteria was met, the Bond was complete and the mark-ups were found to be fair and at prevailing industry rates.
- The audit team further reviewed the selection of architectural and engineering design services and found it to be a complete and fair process. Nine (9) firms responded to the solicitation. Pre-qualification was required to provide submittals for review. Four (4) firms were given questionnaires to complete and two (2) firms were chosen for interview. The contract was drafted by the District's legal counsel.

Findings

- On March 9, 2004, as authorized by Government Code 4217, the Board passed a resolution to award energy retrofit services contract based on a design build agreement in an assumption of future energy savings over a 15 year period. This staff is commended for its proactive approach, but it did not include an initial request for proposal from other energy service providers. This step could have yielded additional benefits for the District. It is important that staff design a process by which savings can be tracked and compared to ensure that the vendor guaranteed amount is reached.

Recommendations

- While staff and consultants continue to refine the bidding and solicitation for proposal processes, it is beneficial for staff to secure competitive bids whenever possible. The negotiation of the energy services agreement with Siemens may have resulted in better value if other proposals were evaluated. A long term plan such as this can easily be overlooked with staff turnover, unless procedures are set in place to monitor and track guaranteed savings. This responsibility may be appropriately assigned to the accounting department where invoices are processed.
- It is recommended that the District continue to evaluate piggyback bids, especially for furniture and equipment, to determine if it is in the interest of the District to solicit their own bids. Depending on the volume of business, additional savings may be garnered.

District Response

- Competitive bids are viewed as the optimal approach to securing the best pricing for planed projects and will be pursued whenever the project schedule and circumstances allow it. From time to time, the District will use competitively bid unit contracts to expedite a particular project.
- Staff has already established a quarterly review process with the District Accounting Department to evaluate the guaranteed cost savings aspect of the Siemens energy savings program as part of the Capital Improvement Program.
- Piggyback bids will be employed when necessary. This format is reviewed periodically to determine the appropriateness of its application and measured in comparison to the prevailing market of competitively bid projects and materials.

**EFFECTIVENESS OF THE PUBLIC OUTREACH PROGRAM AND
COMMUNICATION CHANNELS AMONG ALL STAKEHOLDERS WITHIN
THE BOND PROGRAM**

Process Utilized

Total School Solutions (TSS) conducted interviews with key personnel in the facilities, purchasing and other departments; with consultants; and other individuals related to, or involved with, the facilities program. As in the previous audit, separate survey forms were developed and used to assess the effectiveness of the communication channels and the overall public outreach program among the following groups of stakeholders:

- Board Members
- Independent Citizens' Bond Oversight Committee Members
- School Site Council Chairs
- Parent Teachers Association Presidents
- Community Members-Parents
- Community Members-Non-Parents
- Principals of all schools in the District
- Superintendent's Cabinet Members

The survey results are summarized in the chart included in this section.

It is important to note that approximately only one half of all surveys were returned, leaving a limited sample of respondents. Within each group of respondents, the results were generally consistent, indicating that the samples were likely sufficient to represent the opinions of the broader population.

There is a marked disparity between respondent groups in several survey areas, indicating a general need to increase the communication, or restructure the delivery of the communication. Generally, those most closely involved with the bond program and with the schools have a high level of awareness of the program operations, functions, and needs. District staff, including principals and cabinet members, express high level of approval of the facilities program, including both use of funds and dissemination of information.

The level of awareness of the program frequently appears to be in direct relationship with the approval of the program, which indicates a need for more robust communication. It should be noted that a significant percentage of the responding Bond Oversight Committee members, (thirty-three percent) did not respond affirmatively to the questions regarding the appropriate expenditure of funds or compliance with the bond-language. Similarly only two thirds of SSC respondents affirmed a belief that funds were being spent appropriately and in compliance with the ballot language. This represents the lowest affirmative response in those categories by individuals generally actively involved with school site operations.

One group representing a large percentage of dissatisfied respondents is that of the "parents." This group showed a low level of program awareness, and low satisfaction with the communication. However, they expressed a strong belief in the ability of district staff and the appropriateness of expenditure of funds. This result again indicates that with communication to the broader community, awareness levels would improve.

Affirmative responses are consistent throughout the survey about the communication program and the expenditure of funds. It appears those who feel that communication is not functioning well are likely less informed, and thus less likely to have the information upon which to base a response concerning the questions about the expenditure of funds. It should be expected that with an improved communication process among the board, the administration, the bond oversight committee, and the broader school community, affirmative responses will increase.

Findings

- There are no findings in this section.

Recommendation

- While it may be extremely difficult to achieve complete satisfaction with the bond programs, increased communication will likely improve the overall opinion of the program. It is recommended that the District explore additional methods of transmitting information among the administrative offices, bond oversight committee, and community members.

District Response

- The District continues to implement new strategies to improve the transfer of information between administrative offices, to the bond oversight committee, and to community members. Included in these strategies are individual school site visits, neighborhood informational meetings, and community group presentations. In addition, the Superintendent provides periodic status reports relative to the District's modernization projects at Board of Education meetings, in his televised state-of-the-district address, and through various press releases.

SURVEY RESULTS

Percent of Affirmative Responses							
Question	Board Member	Bond Oversight Committee	School Site Council	PTA	Community Parents	Cabinet	Principals
Since March of 2002, have you seen any articles in local newspapers regarding the purpose of Measure Y and expenditures of Measure Y funds?	100%	100%	67%	80%	33%	33%	100%
Have you seen any articles in the local newspapers regarding the purpose of Measure Y funds and the expenditures of Measure Y funds? If a cabinet member: have you written any articles regarding Measure Y funds in the last year?	100%	100	56%	60%	17%	33%	67%
Do you believe funds are being spent on projects identified in the ballot language?	100%	67%	67%	100%	33%	100%	92%
Do you believe staff of the district is generally knowledgeable and informed regarding facilities needs and issues?	100%	100%	56%	100%	83%	80%	67%
Are Measure Y funds being spent appropriately?	100%	67%	61%	100%	67%	N/A	92%
Do you believe the district is keeping stakeholders appropriately informed in regard to Measure Y funded projects?	100%	67%	50%	80%	17%	N/A	92%
Rating on a scale of 1-10 (with 10 being the best)							
Rate the effectiveness of the communication program as it relates to your group.	9.3	8.3	5.0	7.8	4.5	N/A	9.0
Rate the overall effectiveness of the communication program as it relates to all groups	8.7	7.0	5.4	6.0	6.3	8.6	8.9

APPENDIX A
BOND PROJECT LIST

EXHIBIT A-1 BOND PROJECT LIST

Every school campus within the Placentia-Yorba Linda Unified School District will receive Measure Y bond funds. Bond funds will be used to make necessary repairs and upgrades to existing school campuses, as well as construct additional classrooms and schools to address overcrowding and increased enrollment. The thirty-one (31) existing campuses listed below will receive the following repair, upgrade and construction projects as necessary:

Adult Education	Golden Elementary School	Sierra Vista Elementary School
Bernardo Yorba Middle School	Kraemer Middle School	Topaz Elementary School
Brookhaven Elementary School	La Entrada High School	Travis Ranch School
Bryant Ranch Elementary School	Linda Vista Elementary School	Tuffree Middle School
El Camino Real High School	Mabel Paine Elementary School	Tynes Elementary School
El Dorado High School	Morse Elementary School	Valencia High School
Esperanza High School	Parkview School	Van Buren Elementary School
Fairmont Elementary School	Rio Vista Elementary School	Wagner Elementary School
George Key School	Rose Drive Elementary School	Woodsboro Elementary School
Glenknoll Elementary School	Ruby Drive Elementary School	Yorba Linda Middle School
Glenview Elementary School		

Repair, Upgrade and Construction Projects at Existing Schools:

1. Replacement of fire alarm and communications systems to increase student safety.
2. Upgrade science labs at middle and high schools as necessary to meet current curriculum/graduation requirement.
3. Upgrade/replace electrical systems, including, add panels, circuit breakers, transformers, wiring and outlets in classrooms and replace systems as necessary to include energy conservation.
4. Upgrade/replace deteriorating plumbing.
5. Replace/upgrade aging HVAC systems.
6. Address facility safety, code compliance and access for the disabled.
7. Repair and upgrade classrooms and school facilities to meet current standards.
8. Enlarge library/media center areas to accommodate growing enrollment and increasing curriculum demands.
9. Replace/upgrade furniture and equipment.
10. Upgrade restrooms as required by current state and federal standards.
11. Expand and improve school drop-off and parking areas to increase student safety.
12. Upgrade and replace as necessary outdoor play equipment and fields to comply with current safety standards.
13. Construct high school performing arts building.
14. Construct lunch shelters in order to protect students from heat and rain while eating.
15. Expand multi-purpose/cafeterias to accommodate student enrollment.
16. Construct standard classrooms to meet growth needs.
17. Construct additional restrooms to accommodate student enrollment.
18. Construct and/or upgrade additional computer labs to enhance student learning and achievement.

New Construction

Voter approved bond funds will be used to satisfy the state required "local funds" portion of the California State School Facilities New Construction Program. This state program will provide partial state funding for the acquisition of land and construction of:

1. One (1) comprehensive high school in Yorba Linda in order to reduce overcrowding at all existing high schools.
2. One (1) middle school in order to reduce middle school overcrowding in Placentia schools.
3. Two (2) elementary schools in order to reduce overcrowding and accommodate growing enrollment district-wide.

APPENDIX B

DISTRICT STATUS REGARDING FINDINGS AND RECOMMENDATIONS

IDENTIFIED IN THE MEASURE Y

PERFORMANCE AUDIT

FOR THE PERIOD ENDING JUNE 30, 2004

DESIGN AND CONSTRUCTION COSTS AND SCHEDULES

Finding (Page 17)

A detailed, updated planning and construction budget has not been prepared for Yorba Linda High School. Currently, there is a \$20 million discrepancy between the District's and the architect's cost estimates. The projected sources of funds have not been adjusted to accurately reflect state and local funding sources.

Recommendation (Page 17)

It is recommended that the total District funding be compared to available Measure Y bond funds and other available District resources to ensure that adequate funding is available to complete all planned projects. This comparison should be performed only after all project budgets are updated, including changes to projected District and state funds.

District Status

The District has fully complied with this recommendation. In addition to closely adhering to design and construction costs and schedules, the June 30, 2005, Measure Y performance audit report indicates that an updated budget was prepared (for Yorba Linda High School and all facilities projects) and presented to the Board of Education on March 22, 2005. Subsequently, the District documents, costs, schedules and budgets were continually refined and updated.

COMPLIANCE WITH STATE FUNDING FORMULAS

Recommendation (Page 20)

The District should file adjusted construction eligibility forms (SAB 50-01, 50-02 and 50-03) after CBEDS data are available and prior to the project application filing (SAB 50-04, which requires DSA-stamped plans and CDE final plan approval) to ensure timely SAB approval and funding.

District Status

The District has fully complied with this recommendation. State new construction funding was received for two new school projects included in the Measure Y Bond Project List – Melrose Elementary and Lakeview Elementary. Updated state eligibility documents will not be required until the Southwest Middle School and Yorba Linda High School projects have obtained DTSC clearance, CDE approvals for site and building plan have been obtained, DSA-stamped architectural plans are available, and the SAB/OPSC application (SAB 50-04) is ready to be filed.

DESIGN AND CONSTRUCTION BUDGETS

Recommendation (Page 21)

District staff and consultants should continue to ensure that all project expenditures are included in expenditure summaries to accurately reflect total project costs and their consistency with approved budgets. The District should institute a process to review project variances based on the progress billing.

District Status

The District has fully complied with this recommendation. (See the section on Design and Construction Costs and Schedules in this report for more detail.)

PROGRAM/CONSTRUCTION MANAGEMENT COSTS

Recommendations (Page 22)

It is recommended that the District's PM/CM fee structure be analyzed to determine whether a more cost-effective approach might be utilized on future projects.

It is recommended that the "multiple-prime" construction projects be analyzed upon completion to determine if these projects have realized any savings as compared to the traditional "general contractor" construction process.

District Status

The District has substantially complied with the recommendations. The District's four multiple-prime projects have been substantially completed, and PM/CM costs were within industry standards. An analysis of the cost-benefit outcome of the multiple-prime vs. general contractor approaches has not been done yet.

Recommendation (Page 23)

It is recommended that the fund totals and budget totals be reconciled.

District Status

The District has fully complied with this recommendation.

Recommendations (Page 23)

It is recommended that these variances be investigated and the budget be adjusted accordingly.

It is further recommended that all project budgets be revised and refined continually as additional information becomes available. These updates will help ensure that adequate District funds are available from Measure Y and other District resources to complete the projects set forth in Exhibit A-1, Resolution No.10.

District Status

The District has fully complied with the recommendations.

CHANGE ORDERS, CLAIM PROCEDURES AND RESULTS

Finding (Page 41)

The original contractor for Valencia High School had trouble meeting the requirement of using a California-admitted insurance carrier. The Notice to Proceed was issued on September 26, 2003, and construction was only mobilized on November 10, 2003. While the bid documents protect the District against such delays with the requirement of a bid bond, the District did not take advantage of this provision to protect itself.

Recommendation (Page 41)

It is recommended that the District adhere to the contractual conditions in regard to the certificate of insurance with a California admitted surety. District counsel has developed these conditions to protect the District's interests.

District Status

The District has fully complied with the recommendation. The District has incorporated counsels' recommendation that includes clearer contract language regarding the requirement of certificate of insurance with a California admitted surety into the General Conditions for all bid documents.

Findings (Page 41)

One of the construction managers expressed concerns about the work of one of the project architects. During the first constructability review with construction managers, several requests for clarification or changes were not incorporated into the drawings. These omissions would have caused conflicts in the plans and would have resulted in change orders and/or contractor claims.

Another construction manager was concerned about the vague instructions in the architect's drawings regarding the connection of acid waste. During the project, it was discovered that the site had glass piping to which the acid waste could not be connected. The architect's drawings should have stated that the piping was glass, so the contractor could have included the proper solution in his bid. The glass piping had to be replaced through a change order, costing the District \$160,000.

Recommendations (Page 41)

It is recommended that the District allow enough time for constructability reviews of plans and specifications.

Along with the time given to constructability reviews, it is recommended that architects incorporate changes uncovered during these processes to help avoid potential conflicts and related claims and change orders.

District Status

The District has substantially complied with the recommendations. While doing a constructability review, unforeseen conditions cannot always be determined with certainty. The District reports implementing thorough reviews and periodic audits of the contractors' "Record Drawings" to ensure they are up to date and accurately portray the "as built" condition of the work.

Finding (Page 42)

Sixty-five percent of the contingency money set aside for Esperanza High School was used in the locker room due to an inadequate survey of the electrical system. The cost was close to the ten percent statutory limit on change orders, which would have required the District to solicit new bids for the installation of lights in the locker room.

Recommendations (Page 42)

It is recommended that future projects include a thorough examination of existing conditions and hazardous materials to avoid unexpected but preventable costs associated with standard discoveries.

It is also recommended that the District bid unit price abatement of hazardous materials in order to be prepared and offer a quick turnaround to new hazardous conditions. Such action can help construction projects continue on schedule.

District Status

The District has fully complied with the recommendations. The District bids abatement of hazardous material utilizing lump sum proposals. In addition, the District requests that unit price proposals are provided along with the lump sum proposals in order to prepare for unforeseen hazardous material abatement.

Finding (Page 42)

There was some conflict between two concurrent modernization projects at one site, which caused some confusion. In this case, the District hired a third-party contractor, outside of the other work for the modernization project, to install the intrusion alarm systems. The construction manager was not told about the work progress on the intrusion alarm system, and its installation interfered with the work of the project's main contractor.

Recommendation (Page 43)

It is recommended that District staff and the construction management team be diligent about communicating information to appropriate persons, especially when part of a project falls outside the scope of the larger facilities projects or when two projects occur at a site at the same time. It may be helpful to have one contact person for each site to help ensure against this kind of oversight.

District Status

The District has fully complied with the recommendation. The District staff and the senior construction administration staff meet weekly to discuss issues and problems. In addition, each site is overseen by a Construction Manager who is responsible for project oversight and management, and communications with the District staff and contractors.

Finding (Page 43)

Some more recent changes in the buildings were not incorporated into the as-built building drawings. These omissions caused conflicts in the projects when they were bid three years after the drawings were approved. (During that time, District staff modified school buildings out of necessity or through requests from schools. These in-house changes were not captured by the drawings.)

Recommendation (Page 43)

While it is commonly recognized among public school facilities officials that the timeline for the state approval process for plans and drawings can be extensive, it is recommended that the District have architects resurvey projects to verify field conditions and minimize conflicts in drawings before projects are bid. This diligence will help avoid some change orders.

District Status

The District has substantially complied with the recommendation.

Additional Recommendations (Pages 43-44)

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. This 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 staff and consultants should ensure that all proposed change orders and claims are monitored in a timely manner with diligence and that the approval processes for change orders and claims are adhered to for all projects.

District Status

The District has substantially complied with the recommendations. All change orders during the 2004-05 performance audit period remained with the ten (10) percent legal limit and generally prevailing industry standards.

The District reports that weekly meetings have been arranged to review Proposed Change Orders with CM and District Staff. When District staff is satisfied that the change is valid and the pricing is fair, a Change Order is prepared and presented to the Board of Education for approval. When a Change Order has been approved by the Board of Education, it is then sent to the contractor.

COMPLIANCE WITH STATE LAW (INCLUDING LABOR COMPLIANCE)

Recommendation (Page 45)

District staff and consultants should continue compliance with the regulatory requirements.

District Status

The District is in full compliance with all regulatory requirements.

**COMPLIANCE WITH DISTRICT POLICIES
AND ADMINISTRATIVE REGULATIONS**

Finding (Page 46)

Due to ever-evolving state statues and local regulatory changes, it is important for District policies and regulations to be updated regularly. The current policies and regulations do not reflect recent changes in law.

Recommendation (Page 47)

It is recommended that the District utilize model policy and regulation 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 regulations developed by other school districts to develop and update facilities program policies and regulations. In developing District policies and regulations, emphasis should be placed on local District conditions and needs.

District Status

The District has made minimal progress in complying with the recommendation. In the June 30, 2005, performance audit report, the District reports that "staff continues to engage in a review of District Policies and Guidelines that impact or define work on the Bond Program."

PAYMENT PROCEDURES

Finding (Page 49)

The District lacks appropriate documentation that the labor compliance program is in effect at all times. The attachment of these records to payment applications is inconsistent and infrequent.

Recommendation (Page 49)

It is recommended that the District have its consultant, School Construction Compliance, provide a certificate of compliance for each payment application received. Because OCDE does not require certified payroll records as part of the payment process, it is incumbent upon the District to require its labor compliance consultant to submit the certified payroll records to ensure its availability for future audits by the Office of Public School Construction (OPSC). This certification should be kept with the payment file in the accounting and facilities departments. (3D/I should also keep a copy since it is responsible for document control.)

District Status

The District has fully complied with the recommendation.

Finding (Page 50)

Some invoices were not processed in a timely manner. A few invoices have approvals signed more than twenty days after the invoice date. There were some invoices dated prior to accounts payables receipt of a purchase order from the purchasing department. Some backup documentation was incomplete, namely, proof that prevailing wage had been paid. In some cases, invoices had to be returned to the facilities department for correction(s) because the board had not yet approved billed change orders, thereby delaying payments to vendors.

Recommendations (Page 50)

It is recommended that the District develop or enforce a plan or policy to eliminate the declining but present use of confirming purchase orders. Whenever possible, a purchase order should be processed and issued prior to the performance of work. Alternatively, 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 and/or duplicate payments.

It is recommended that the District and its consultants develop or enforce a plan or policy to expedite the approval of invoices. For example, one particular payment for Fairmont Elementary School took thirty-three days to pay. Because accounts payable cannot process invoices until all approvals are received, late approvals or incomplete backup documentation delays 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 a copy of the board minutes with the approval of change orders be given to the appropriate construction manager so that he or she will know when change orders may be invoiced. (The District's policy requires the minutes for the change order. However, in lieu of timely board minutes and to help ensure prompt payments, the District may want to consider an alternative mechanism to inform construction managers about board-approved change orders.)

District Status

The District has made substantial progress in complying with the recommendations. In the June 30, 2005, performance audit report, TSS reported that "the payment process is thorough and methodical." The District reports that processing invoices in a timely manner has been resolved by implementing measures that include new office policies and notification to vendors requiring complete backup documentation, proper work authorization sequence and Board approval prior to submitting invoices for payment.

Finding (Page 51)

It appears that communication between the purchasing and facilities departments needs improvement. For example, while the purchasing department ensures that every stop notice is enforceable and coordinates this information with accounts payable, the facilities department is not always informed of these actions. The facilities department, in turn, should inform its construction managers, so they can be better prepared to handle potential claims or work stoppages at the jobsite.

Recommendations (Page 51)

It is recommended that the District take specific steps to improve communications between the purchasing and facilities departments so that information relevant to both departments is shared. Two possible ways of achieving this goal are (1) instituting additional regular meetings and (2) sharing information during the existing regularly scheduled meetings (cited in one of the District's responses from the performance audit for the 2002-03 school year).

It is further recommended that concerns brought up during the regular finance meeting among the accounting, facilities and purchasing staffs be shared with the appropriate supervisors so that a plan to correct or address concerns may be developed as they arise.

District Status

The District is in substantial compliance. As reported in the June 30, 2005, performance audit report, "improved recording procedures and communication among the departments..." have been noted.

Finding (Page 51)

It has been observed that several furniture purchases were coded to the wrong accounting codes, such as instructional supplies and building construction.

Recommendations (Page 51)

It is recommended that these inconsistencies be corrected for future OPSC audits.

It is also recommended that the accounting department provide training for facilities and purchasing personnel on the use of Standardized Account Code Structure (SACS).

District Status

The District is in full compliance with the recommendations. Coding errors have been addressed and resolved with on going training and restricted access to coding.

Finding (Page 52)

The financial software is limiting as it does not allow for the rollover of multiyear construction purchase orders. The purchasing department must reenter the purchase order information with the remaining encumbrance. Future reference to the purchase orders may be confusing because of the changing amounts on and between purchase orders.

Recommendation (Page 52)

It is recommended that clear protocols for multiyear purchase orders be established and that all purchasing and facilities staff be trained or receive orientation on the procedure. Such a procedure would help avoid errors in financial reporting related to multiyear purchase orders. It may also be helpful to standardize reports in this area.

District Status

The District upgraded its requisition program during 2004-05, allowing real-time encumbrances of change orders, thereby improving the payment process, but no changes have been made to enable a rollover of multiyear purchase orders.

BIDDING AND PROCUREMENT PROCEDURES

Finding (Page 54)

In recent bids, the District experienced a low turnout of bidders. Higher bids also tend to be associated with low bidder turnout.

Recommendation (Page 54)

It is recommended that the facilities department and construction managers make a concerted effort and/or develop a plan to solicit bids actively and recruit more qualified contractors. These efforts can help the District secure more competition and improve the District's prospects for better pricing.

District Status

The District has substantially complied with the recommendation. The District reported that most invitations for bids have received a minimum of three responses, and that efforts have been made to ensure broader vendor participation.

Finding (Page 54)

It was observed that DSA required changes to some drawings while their respective bids were in progress. This situation resulted in the issuance of addenda.

Recommendation (Page 54)

As time permits, it is recommended that the District have DSA completely review drawings prior to the bid so that addenda can be reduced or, if possible, eliminated. (The District was able to plan accordingly in many cases.) Addenda can confuse bidders, who may, in turn, build contingency into their bids, causing the cost of the project to increase unnecessarily.

District Status

The District has substantially complied with the recommendation.

Finding (Page 55)

It was observed that the purchasing department does not time-stamp bids received prior to bid opening.

Recommendations (Page 55)

It is recommended that the purchasing department time-stamp all bids received. Without such a measure, bids may be subject to challenge by disappointed or dissatisfied bidders.

It is further recommended that staff inform board members about atypical bidding events, such as bid protests or controversial change orders, in advance of board meetings. Such advance notice would help the board understand the risk(s) involved in these activities and would help board members make informed decisions about the action(s) necessary to proceed with a construction or modernization project.

District Status

The District has fully complied with the recommendations. The Board of Education is notified of atypical situations or events through written communication sent to all Board members.

**EFFECTIVENESS OF THE PUBLIC OUTREACH PROGRAM AND
COMMUNICATION CHANNELS AMONG ALL STAKEHOLDERS WITHIN
THE BOND PROGRAM**

Finding (Page 57)

The awareness level of the Measure Y bond program and the satisfaction with the overall public outreach appear not to be as high among parent groups as they are among other groups.

Recommendations (Page 57)

The District should consider conducting a parent outreach campaign directly.

The District should seek to have principals actively participate in informing and reaching out to their respective school communities.

District Status

The District has made some progress in its community-wide information program, but a new survey conducted by TSS for the 2004-05 performance audit period indicated a low level of awareness of the facilities program among certain groups, most notably the Bond Oversight Committee, School Site Councils and parents.

PROJECT ASSESSMENT AND EVALUATION

Recommendation (Page 59)

It is recommended that the District analyze the detailed information provided by the project assessment and evaluation tool and, where appropriate, take corrective action to improve performance for future projects. The District should endeavor to increase ratings on all projects to at least the level of "good."

District Status

The District has substantially complied with the recommendation, implementing changes, as necessary, where weaknesses were identified in the program.

OVERALL BOND PROGRAM

District Status

The District has made substantial overall progress in complying with the recommendations. Since the passage of Measure Y on March 5, 2002, the District's bond management program has matured. While there are some weaknesses remaining to be addressed and improved upon, as discussed throughout this document, such weaknesses are not substantial and it appears the District has improved the delivery of the facilities program.

Because the District has identified facilities needs beyond the scope and funding of Measure Y, the current management structure should serve the District well for many years to come as the District constructs and modernizes funded projects.