

**PLACENTIA-YORBA LINDA UNIFIED
SCHOOL DISTRICT**

MEASURE Y

PERFORMANCE AUDIT

PERIOD ENDED JUNE 30, 2006



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

Placentia-Yorba Linda Unified School District

BOARD OF EDUCATION

June 30, 2006

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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 fourth 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, 2005, through June 30, 2006.

The District engaged the firm Total School Solutions (TSS) to conduct the annual independent performance audit for facilities and report its findings to the Board of Education and to the Independent Citizens' Bond Oversight Committee. This fourth annual performance audit followed up on the findings from the first through third annual reports and reviews progress through a broader sampling for the 2005-06 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 2006 through November 2006, 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, 2006. 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, 2006; the expenditures of the funds generated 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 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

Total School Solutions

December 15, 2006

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 (COPs) 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 18, 2006):

Fund	Description	Revenue Including Interest (Millions)
12	Child Development	\$ 0.3
14	Deferred Maintenance and Energy Savings Offset	10.3
25	Headstart, including McFadden Park	1.4
21 - 23	Measure Y (Series A,B,C)	104.8
	Plus: Interest	2.9
	Less: Match Transfers	(21.9)
25	Capital Facilities (Developer Fees)	23.9
35	County School Facilities Fund	1.2
39	State School Building Program (Proposition 47 and 55)	163.4
40	Special Reserve – Capital Outlay (RDA) ¹	223.8
91	CFD#1	4.6
92	SunTrust Escrow Account	14.9
40	Energy Savings Offset and DEC Construction Cost	1.0
Trustee	RDA (COPs)	78.2
Trustee	COPs (NOCCCD Site Purchase)	15.3
40	Gifts and Donations	13.5
	Interest Income (2.5%), All Funds	21.0
	Total Projected Revenues	\$658.6

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 15.5 percent of the projected total revenues for the District's facilities program.

The tables below present the financial status of the District's facilities program for the past four (4) years, as documented in the fiscal year 2002-03, 2003-04 and 2004-05 audit reports and the fiscal year 2005-06 unaudited actuals report.

As of June 30, 2006, all Measure Y bonds have been issued (Series A, B and C, totaling \$102 million). The June 30, 2006 Measure Y ending balance was \$29.3 million, 28.7 percent of the total voter approved bond.

Commendation

- The District is commended for refinancing Measure Y bonds previously sold, which lowered the interest rate paid by taxpayers while netting \$3.5 million in additional capital facilities funds.
- 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 2005-06

	Fiscal Year Ending June 30, 2003	Fiscal Year Ending June 30, 2004	Fiscal Year Ending June 30, 2005	Fiscal Year Ending June 30, 2006
Measure Y Building Fund¹ (21-23)				
Beginning Balance	\$44,622,427	\$26,669,243	\$32,080,589	\$36,997,374
Revenues	601,930	320,405	579,400	1,289,623
Expenditures	6,354,133	17,009,911	24,420,871	7,786,183
Transfers (Net)	(12,200,981)	22,100,852	28,758,256	(1,207,002)
Net Change	(17,953,184)	5,411,346	4,916,785	(7,703,562)
Ending Balance	\$26,669,243	\$32,080,589	\$36,997,374	\$29,293,812
Other Capital Outlay Funds²				
Beginning Balance	\$4,461,324	\$23,538,386	\$56,278,189	\$26,023,507
Revenues	2,786,828	67,023,593	15,288,099	6,692,340
Expenditures	8,566,167	44,487,332	45,711,513	16,500,456
Transfers (Net)	24,856,401	10,982,088	168,732	65,260,015
Net Change	19,077,062	33,518,349	(30,254,682)	55,451,899
Ending Balance	\$23,538,386	\$57,056,735	\$26,023,507	\$81,475,406
Measure Y & Other Capital Outlay Funds				
Beginning Balance	\$49,083,751	\$50,207,629	\$88,358,778	\$63,020,881
Revenues	3,388,758	67,343,998	15,867,499	7,981,963
Expenditures	14,920,300	61,497,243	70,132,384	24,286,639
Transfers (Net)	12,655,420	33,082,940	28,926,988	64,053,013
Net Change	1,123,878	38,929,695	(25,337,897)	47,748,337
Ending Balance	\$50,207,629	\$89,137,324	\$63,020,881	\$110,769,218
Outstanding Debt				
Measure Y Bonds	\$45,753,028	\$73,303,093	\$97,999,671	\$96,624,671
CFD#1 Bonds	5,505,000	5,505,000	5,505,000	5,410,000
COPs #A (September 2003)	0	16,635,000	16,635,000	16,385,000
COPs #B (May 2003)	5,550,000	5,400,000	5,250,000	5,100,000
COPs (2005-06)	0	0	0	86,710,315
Capital Leases	39,123	4,926,109	15,052,482	14,396,993
Total Debt	\$56,847,151	\$105,769,202	\$140,442,153	\$224,626,979

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

Series A: June 2002	\$44,997,800
Series B: May 2004	29,999,744
Series C: May 2005	<u>26,999,610</u>
Total bonds issued	\$101,997,154

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 certificates of participation. See the "Other Capital Outlay Funds" table for detail.

OTHER CAPITAL OUTLAY FUNDS
FISCAL YEARS 2002-03 AND 2004-05 (AUDITED) AND FISCAL YEAR 2005-06 (UNAUDITED ACTUALS)

Fiscal Year Ending June 30, 2003	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³	CFD#1⁴	Certificates of Participation⁵	Capital Projects Component Unit⁶	Totals
Beginning Balance	\$1,225,831	\$ 965,220	\$2,270,273	\$ 0	\$ 0	\$ 0	\$ 4,461,324
Revenues	2,631,453	44,471	86,480	24,424	0	0	2,786,828
Expenditures	2,125,577	1,939,259	4,230,456	202,239	68,636	0	8,566,167
Transfers (Net)	133,780	8,159,144	5,689,343	5,396,708	5,477,426	0	24,856,401
Net Change	639,656	6,264,356	1,545,367	5,218,893	5,408,790	0	19,077,062
Ending Balance	\$1,865,487	\$7,229,576	\$3,815,640	\$5,218,893	\$5,408,790	\$0	\$23,538,386

Fiscal Year Ending June 30, 2004	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³	CFD#1⁴	Certificates of Participation⁵	Capital Projects Component Unit⁶	Totals
Beginning Balance	\$1,865,487	\$ 7,229,576	\$3,815,640	\$5,218,893	\$5,408,790	\$0	\$23,538,386
Revenues	7,188,697	58,312,647	108,773	351,971	1,061,505	0	67,023,593
Expenditures	1,475,066	37,433,529	1,980,645	2,535,712	1,062,380	0	44,487,332
Transfers (Net)	(6,557,605)	15,032,327	6,299,207	0	(3,791,841)	0	10,982,088
Net Change	(843,974)	35,911,445	4,427,335	(2,183,741)	(3,792,716)	0	33,518,349
Ending Balance	\$1,021,513	\$43,141,021	\$8,242,975	\$3,035,152	\$1,616,074	\$0	\$57,056,735

Fiscal Year Ending June 30, 2005	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³			Capital Projects Component Unit⁶	Totals
Beginning Balance	\$1,021,513	\$ 43,141,021	\$8,242,975			\$3,872,680	\$56,278,189
Revenues	4,357,032	10,676,809	211,171			43,087	15,288,099
Expenditures	831,694	43,113,874	927,206			838,739	45,711,513
Transfers (Net)	35,822	13,185	1,402,458			(1,282,733)	168,732
Net Change	35,822	(32,423,880)	686,423			(2,078,385)	(30,254,682)
Ending Balance	\$4,582,673	\$10,717,141	\$8,929,398			\$1,794,295	\$26,023,507

Fiscal Year Ending June 30, 2006	Capital Facilities Fund¹	County School Facilities Fund²	Special Reserves Capital Outlay³			Capital Projects Component Unit⁶	Totals
Beginning Balance	\$4,582,673	\$10,717,141	\$8,929,398			\$1,794,295	\$26,023,507
Revenues	1,732,905	1,158,460	3,800,975			N/A	6,692,340
Expenditures	2,171,793	9,313,050	5,015,613			N/A	16,500,456
Transfers (Net)	0	1,207,002	64,053,013			N/A	65,260,015
Net Change	(438,888)	(6,947,588)	62,838,375			N/A	55,451,899
Ending Balance	\$4,143,785	\$3,769,553	\$71,767,773			\$1,794,295	\$81,475,406

- ¹ The Capital Facilities Fund (Fund 25) is used for developer fees. Level 1 fees were in effect through June 30, 2006. As of June 12, 2006, Level 1 fees were \$2.63/square foot for residential and \$0.42/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. As of June 30, 2005, 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. For 2005-06, includes the proceeds from a COPs issued against the future Yorba Linda Redevelopment Agencies monies.
- 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 Certificates of Participation (COPs), Series B for \$5,550,000 in May 2003 to be used for various capital project needs. The District issues COPs, Series A, for \$16,635,000 in September 2003 to be used for various capital project needs. The new COPs will be repaid over thirty (30) years. The old COPs will be repaid over twenty-five (25) years. (A certificates 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.)
- ⁶ The Capital Projects Component Unit Fund is used to account for COPs/CFD funds for District designated construction projects. It replaces the CFD #1 and Certificates of Participation funds. Accounting data for 2005-06 were not available.

COMPLIANCE WITH BALLOT LANGUAGE

Processes Utilized

In this examination, Total School Solutions (TSS) reviewed records and conducted interviews with various staff members. TSS also referenced files from various outside agencies to verify information through 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, Appendix 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 (4) 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 Appendix A and Exhibit 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 SCHOOL FACILITIES PROGRAM

The District has filed facilities applications under the following programs:

50	-	New Construction
57	-	Modernization
58	-	Rehabilitation

As of June 30, 2006, the District has received the state grant amounts summarized in the following table:

State Program	SAB#	State Grant Amounts	Status
New Construction	50/001-50/027 ¹	\$4,107,686	Completed (Project Closed)
New Construction	50/028-50/029 ²	19,896,066	In process
Modernization	57/001-57/026 ³	53,383,643	Nearing completion
Rehabilitation	58/001 ⁴	712,020	In process
Total State Grant Amount		\$78,099,415	

¹ These twenty-seven (27) projects were funded by the state in 2000, prior to the passage of Measure Y.

² Melrose Elementary and Lakeview Elementary which were also included in Measure Y.

³ These twenty-six (26) projects were part of the thirty-one (31) existing campuses included in Measure Y.

⁴ Mabel Paine Elementary School

By utilizing the various State programs available to the District, State grant amounts received to date total \$78,099,415.

STATE MODERNIZATION STATUS

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

NO. EXISTING CAMPUS	SAB#¹ 57	SAB 50-04 APPROVAL DATE	SAB 50-05 GRANT AMOUNT²	RELEASE DATE	STATUS
1. Adult Education			\$2,924,090	7/16/2003	99% Complete
2. Bernardo Yorba Middle ³	014	12/18/2002	28,386	9/29/2003	8/9/2005
3. Brookhaven Elementary	023	12/18/2002	1,207,631	5/27/2004	95% Complete 6/5/2006
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	95% Complete 10/28/2005
7. Esperanza High ⁴	001	12/18/2002	160,098	11/20/2000	Closed 1/31/2002
7. Esperanza High ⁴	019	12/18/2002	9,465,190	9/22/2003	98% Complete 9/8/2005
8. Fairmont Elementary ³	010	12/18/2002	2,209,242 27,123	7/16/2003 9/29/2003	95% Complete 8/5/2005
9. George Key TMR	002	7/5/2000	638,244	11/20/2000	Closed 6/27/2002
10. Glenknoll Elementary	022	12/12/2002	1,486,912	6/14/2004	99% Complete 6/8/2006
11. Glenview Elementary	020	12/18/2002	1,616,209	6/14/2004	99% Complete 6/8/2006
12. Golden Elementary ³	006	12/18/2002	1,058,883 16,942	7/16/2003 9/29/2003	99% Complete 8/5/2005
13. Kraemer Middle ⁴	012	12/18/2002	2,567,599	5/27/2004	95% Complete 5/4/2006
14. La Entrada High					
15. Linda Vista Elementary	021	12/18/2002	1,258,525	6/14/2004	99% Complete 6/8/2006
16. Mabel Paine Elementary	003	7/5/2002	1,017,763	11/20/2000	100% Complete 12/1/2003
17. Morse Avenue Elementary	015	12/18/2002	1,339,514	6/14/2004	99% Complete 6/8/2006
18. Parkview School					
19. Rio Vista Elementary ⁴	011	12/18/2002	2,843,894	5/27/2004	90% Complete 5/4/2006
20. Rose Drive Elementary ³	007	12/18/2002	1,155,581 18,489	7/16/2003 9/29/2003	99% Complete 8/5/2005
21. Ruby Drive Elementary ³	009	12/18/2002	1,280,573 20,489	7/16/2003 9/29/2003	99% Complete 8/5/2005
22. Sierra Vista Elementary	017	12/18/2002	1,404,162	6/14/2004	99% Complete 6/8/2006
23. Topaz Elementary	024	12/18/2002	2,015,108	7/6/2004	99% Complete 6/20/2006

24. Travis Ranch Middle							Closed 12/21/2001
25. Tuffree Middle	004	7/5/2000	1,556,636	11/20/2000			
26. Tynes Elementary ⁵	025	2/26/2003					
27. Valencia High ⁴	008	12/18/2002	5,492,022	11/4/2003		95% Complete 10/17/2005	
28. Van Buren Elementary	016	12/18/2002	1,294,975	6/21/2004		99% Complete 6/20/2006	
29. Wagner Elementary	018	12/18/2002	1,271,376	6/14/2004		99% Complete 6/8/2006	
30. Woodsboro Elementary ⁵	026	2/26/2003					
31. Yorba Linda Middle	005	7/5/2000	1,645,328	11/20/2000			Closed 1/16/2004
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, 2006, 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 the use of state funding at Melrose and Lakeview, is sufficient to provide state funding for the construction of Gualberto J. Valadez 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# 50/	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	\$18,810,209
				41,667	3/29/05	
2.	Lakeview Elementary (LCP) ²	029	3/30/05	10,197,557	6/23/05	18,575,777
3.	Gualberto J. Valadez (formerly Southwest) ³					55,534,949
4.	Yorba Linda High ⁴					135,500,000
	Total State Grant Amount			\$19,896,066		\$228,420,935

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 10.02 acre site at LaJolla and Melrose consists of four (4) parcels, which the District is in the process of acquiring. For a more complete status, refer to the separate report that follows this section.
- 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. For a more complete status, refer to the separate report that follows this section.
- ⁵ The estimated costs are from the District's Capital Improvement Program worksheet, October 18, 2006. These cost estimates will be adjusted as architects and District staff process projects through the site acquisition, planning and construction stages.

NEW MIDDLE SCHOOL

Gualberto J. Valadez Middle School
(Formerly Southwest Middle School)

Valadez Middle School is scheduled to open in the Fall of 2008 to serve 800 grades 6-8 students. It is located on a 10.02 acre site at La Jolla and Melrose, adjacent to the Melrose Elementary School site (formerly McFadden Park).

The District's Board of Education authorized the Superintendent to negotiate for the acquisition of four (4) parcels of land at its meeting of June 20, 2006, based on the following appraised values and descriptions:

Parcel(s)	Acres	Owner	Appraised Value
344-172-02/04	6.168	Joseph L. Grahek Estate	\$8,700,000
344-172-05	1.762	OCWD ¹	1,403,700
Unknown	1.332	OCFCD ²	580,410
Unknown	0.758	District	N/A
Totals	10.020		\$10,684,110

¹ Orange County Water District

² Orange County Flood Control District

Several structures are on the site. According to the Performance Audit for the period ending, June 30, 2005, the District will relocate one (1) tenant at a cost of \$135,584, and another tenant is leasing 60,000 square feet of space for \$29,000 per month.

In preparation for acquisition of the site and construction of the new school, the District has taken the following actions:

Board Meeting	Action
July 13, 2004	Architect selection: WLC Architects, Inc.
August 24, 2004	Selection of consultant to prepare Environmental Impact Report (EIR): LSA Associates, Inc. (Total: \$64,500)
August 24, 2004	Selection of consultant to prepare geotechnical studies: Mission Geoscience, Inc. (Total: \$54,175)
March 22, 2005	Approval of Schematic Design
October 25, 2005	Approval of Design Development and Construction documents
December 6, 2005	Approval of the name for the new school: Gualberto J. Valadez Middle School
February 14, 2006	Award contract for Program Management/Construction Management (PM/CM) services with 3D/International and California Construction Management (3DI/CCM) (\$1,569,772)

June 5, 2006

Certify the EIR

June 20, 2006

Certify the findings regarding the investigation of the site: Preliminary Environmental Assessment (PEA) and Department of Substances Control (DTSC).

June 20, 2006

Authorize funding application to OPSC/SAB (SAB 50-04) based on use of 9-12 grants.

Upon final approval of site plans from the California Department of Education (CDE) and the Division of State Architect (DSA), the project will go to bid.

NEW HIGH SCHOOL

Yorba Linda High School

(School for 1,600 with capacity up to 2,100)

(Scheduled to open Fall 2008)

Board Meeting	Action
July 12, 2005	Preliminary Environmental Assessment (PEA) contract with LFR-LeVire Fricke was approved on February 10, 2004. Increase of \$35,000 to extend the investigation and analysis of 55 acre site.
August 13, 2005	Board approval of schematic design (Deferred to September 13, 2005 meeting)
September 13, 2005	Board approval of schematic design (Approved) Authorized Design Development
December 6, 2005	Approved the name of the school as Yorba Linda High School
January 17, 2006	Approved contract with LFR, Inc. for \$23,020 for an Environmental Site Assessment (ESA) on fill materials to be placed on the new site per DTSC recommendation. (Note: Yorba Linda High School site will need 1.5 million cubic yards of fill material.)
January 17, 2006	Approve contract with Planning Center for an EIR (\$73,250)
February 14, 2006	PM/CM services contract approved with 3DI/CCM (3D/International and California Construction Management)
March 14, 2006 and April 11, 2006	(Previous 15 acres purchased from North Orange County Community College District). Purchase of 50.637 acres from Shapell Industries, Inc. Brings total to 65 gross acres, net 55. (Appraisal \$73M) Purchase price of \$56,431,500; District will receive \$6.5 million in prepaid developer fees. Open escrow – close in six (6) months, pending completion of DTSC, CEQA and CDC.
March 28, 2006	Approve contract with John R. Byerly, Inc. for Geotechnical services (\$27,000)
April 11, 2006	Estimated budget of \$130 plus million. Nathan Shapell has offered a grant to the District of \$13.5 million
April 11, 2006	Approve Design Development
May 9, 2006	Original contract with LFR-Levine Fricke on February 10, 2004 for Preliminary Environmental Assessment (PEA). Approve Amendment 4.
June 20, 2006	Approve \$17,000 increase to contract with John R. Byerly, Inc.

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 four fiscal years 2002-03 through 2005-06, the Measure Y Building Fund (Fund 21) had expenditures of \$55.6 million, and an ending balance of \$29.3 million. When all sources of funds are considered, all projects had a four-year total expenditure of \$221.4 million.

The following table presents the expenditures in the Facilities Program for all funds:

MODERNIZATION PROJECTS – EXPENDITURES

CAPITAL IMPROVEMENT PROGRAM WORKSHEET – JULY 25, 2006 EXPENDITURES – ALL FUNDS

Project.	School	2002-03	2003-04	2004-05	2005-06	Total
YOR	Bernardo Yorba Linda Middle	\$548,680	\$3,451,592	\$770,386	\$114,524	\$4,885,182
BRK	Brookhaven Elementary	266,458	699,537	3,563,354	357,345	4,886,694
BR	Bryant Ranch Elementary	-4,900	93,746	44,406	293,246	426,498
DEC	District Education Center	800	71,472	165,472	465,943	703,687
ELC	El Camino High	0	24,109	9,993	675,843	709,945
ELD	El Dorado High	557,616	7,529,340	2,833,202	813,843	11,734,001
ESP	Esperanza High	685,692	10,003,297	6,982,204	785,831	18,457,024
FMT	Fairmont Elementary	734,122	4,555,119	1,180,295	89,745	6,559,281
KEY	George Key Elementary	57,345	39,322	612	0	97,279
GLK	Glenknoll Elementary	12,826	777,800	4,546,485	460,759	5,797,870
GLV	Glenview Elementary	186,434	387,931	4,697,405	546,875	5,818,645
GLD	Golden Elementary	828,088	2,469,435	6,255	23,645	3,327,423
KRA	Kraemer Middle	21,284	611,349	3,391,028	2,063,855	6,087,516
LKV	Lakeview Elementary	438,715	648,808	10,097,668	7,630,039	18,815,230
LV	Linda Vista Elementary	42,088	430,372	4,436,693	888,750	5,797,903
MP	Mabel Paine Elementary	252,616	2,314,383	65,843	74,521	2,707,363
MP	Mabel Emergency	0	0	807,449	1,195,484	2,002,933
MEL	Melrose Elementary	159,404	10,901,366	6,745,283	1,080,533	18,886,586
MRS	Morse Avenue Elementary	131,431	977,721	3,014,908	439,958	4,564,018
PKV	Parkview School	142,887	1,795	-1,795	0	142,887
RV	Rio Vista Elementary	179,639	990,764	3,145,017	1,645,250	5,960,670
ROD	Rose Drive Elementary	506,324	2,348,078	161,136	217,328	3,232,866
RUB	Ruby Drive Elementary	1,146,905	2,358,049	58,144	76,632	3,639,730
SV	Sierra Vista Elementary	159,468	739,682	3,299,910	600,339	4,799,399
SW	Southwest Middle	228,589	112,538	985,226	4,625,105	5,951,458
TOP	Topaz Elementary	444,286	306,459	4,435,476	1,511,763	6,697,984
TRE	Travis Ranch Elementary	5,218	13,811	258,783	1,639,182	1,916,994
TRM	Travis Ranch Middle	704	25,495	19,957	0	46,156
TUF	Tuffree Middle	117,745	0	57,020	1,084,545	1,259,310
TYN	Tynes Elementary	189,357	200,981	177,028	1,636,094	2,203,460

MODERNIZATION PROJECTS – EXPENDITURES CONTINUED
CAPITAL IMPROVEMENT PROGRAM WORKSHEET – JULY 25, 2006
EXPENDITURES – ALL FUNDS

Project.	School	2002-03	2003-04	2004-05	2005-06	Total
VHS	Valencia High	541,543	4,081,707	5,289,364	2,991,731	12,904,345
VB	Van Buren Elementary	188,194	631,419	3,999,469	470,600	5,289,682
WAG	Wagner Elementary	269,837	611,074	3,137,573	406,654	4,425,138
WDS	Woodsboro Elementary	295,029	35,202	58,655	1,512,154	1,901,040
YLH	Yorba Linda High	546,634	15,099,398	178,313	930,631	16,754,976
YLM	Yorba Linda Middle	871,213	112,546	62,443	65,266	1,111,468
TOTALS		\$10,752,271	\$73,655,697	\$78,680,660	\$37,414,013	\$200,502,641
OTHER						
	Maintenance Transfer			930,000	930,000	1,860,000
	Project Reserve Balance			0	0	0
	Mabel Paine Emergency			0		0
	RDA Payments			0		0
	Siemens No. 1-2			1,248,686	1,404,916	2,653,602
	COP "A" Repayment			0	16,385,000	16,385,000
	Total Other	0	0	2,178,686	18,719,916	20,898,602
Grand Total		\$10,752,271	\$73,655,697	\$80,859,346	\$56,133,929	\$221,401,243

DESIGN AND CONSTRUCTION BUDGETS

Process Utilized

In this examination, Total School Solutions (TSS) reviewed records 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 18, 2006. That document will be reviewed and commented upon during the next annual performance audit.

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	2002-03-2005-06 Expenditures	Percent of Budget	
YOR	Bernardo Yorba Linda Middle	\$ 4,879,211	\$4,778,769	98.1
BRK	Brookhaven Elementary	4,768,757	4,734,482	99.3
BR	Bryant Ranch Elementary	937,311	183,760	19.6
DEC	District Education Center	677,934	510,404	75.3
ES	Eastside Elementary	8,600,000	0	0.0
ELC	El Camino High	5,242,876	342,435	6.5
ELD	El Dorado High	26,229,812	11,174,445	42.6
ESP	Esperanza High	21,343,729	18,094,745	84.8
FMT	Fairmont Elementary	6,894,929	6,523,295	94.6
KEY	George Key Elementary	451,279	97,279	21.6
GLK	Glenknoll Elementary	5,850,384	5,479,412	95.4
GLV	Glenview Elementary	5,941,438	5,549,705	93.4
GLD	Golden Elementary	3,585,801	3,311,764	92.4
KRA	Kraemer Middle	6,114,666	5,418,066	88.6
LKV	Lakeview Elementary	18,575,777	18,331,273	98.7
LV	Linda Vista Elementary	5,799,536	5,490,883	94.7
MP	Mabel Paine Elementary	3,009,966	2,624,854	87.2
MEL	Melrose Elementary	18,810,209	18,383,105	97.7
MRS	Morse Avenue Elementary	4,344,375	4,317,812	99.3
PKV	Parkview School	142,887	142,887	100.0
RV	Rio Vista Elementary	8,404,170	4,433,410	52.7
ROD	Rose Drive Elementary	3,250,574	3,117,254	95.8
RUB	Ruby Drive Elementary	3,964,631	3,581,241	90.3
SV	Sierra Vista Elementary	4,714,279	4,543,685	96.3
SW	Southwest Middle (Gualberto J. Valadez)	55,534,949	3,140,633	5.6
TOP	Topaz Elementary	6,791,538	6,475,941	95.3
TRE	Travis Ranch Elementary	2,009,556	1,752,855	87.2
TRM	Travis Ranch Middle	392,811	46,156	11.7
TUF	Tuffree Middle	6,048,761	675,613	11.1
TYN	Tynes Elementary	13,859,761	1,272,826	91.0
VHS	Valencia High	19,506,154	11,520,947	59.0
VB	Van Buren Elementary	6,766,262	5,072,584	74.9
WAG	Wagner Elementary	4,273,650	4,179,031	97.7
WDS	Woodsboro Elementary	9,208,681	874,959	9.5
YLH	Yorba Linda High	136,230,716	18,005,214	13.2
YLM	Yorba Linda Middle	2,636,613	1,194,334	45.2
	TOTAL PROJECTS	\$434,343,982	\$22,412,793	5%
	OTHER			
	Maintenance Transfer	\$ 28,830,000	\$ 1,860,000	6.4
	Project Reserve Balance	0	0	0
	Mabel Paine Emergency	2,002,935	1,514,191	75.5
	RDA Payments	167,364,144	0	0
	Siemens No. 1	6,161,506	1,173,620	19.0
	Siemens No. 2	14,277,497	1,479,982	10.3
	COP "A" Repayment	16,385,000	16,385,000	100.0
	Total Other	\$235,471,082	\$186,645,105	79.0%
	Grand Total	\$669,815,064	\$209,057,898	31.2%

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, 2006.

PM/CM Firm	PM/CM (Total Fees)
3DI ¹	\$ 4,073,000
3DI ²	3,378,987
3DI ²	1,569,772
3DI ²	1,515,634
Bernards Brothers ³	4,879,650
Turner Construction Co. ⁴	5,681,890
Phaseone Construction Group ⁵	1,376,478
Turner Construction Co. ⁶	207,500
Totals	\$22,682,911

¹ Includes three (3) contract amendments.

² New contracts

³ 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.

⁴ Includes design management services in addition to construction management.

⁵ Includes two (2) contract amendments.

⁶ Settlement Agreement

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).

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 appears to be within industry standards.

CHANGE ORDER AND CLAIM PROCEDURES

Process Utilized

In the process of this examination, relevant documents 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 occur. The average industry-wide percentage for change orders in modernization is about 7-8 percent of the original contract amount. (The change order standard for new construction is 3-4 percent.). The change order contingency amount set by the board appears to be adequate.

Due to the urgent nature of school construction work, issues are sometimes resolved verbally at the weekly construction meetings where the architect, construction manager, inspector and contractor's job superintendent are present. These decisions are then formalized in the meeting minutes and followed up where appropriate, with a change directive to authorize the work and eventual payment. 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 a change order or through a construction change directive.

To initiate a change due to unclear or conflicting construction drawings, the contractor issues a Request for Information (RFI). The architects of record (AORs) review the RFI and submits an answer to the contractor indicating whether additional work is merited. To avoid delay claims, the construction manager must minimize the distribution time of RFIs and follow-up with the AORs to find a resolution.

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 construction manager 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, through unit prices from the original bid or by utilizing a time and materials method as agreed upon by the District and the contractor. At times, the process may go through several cycles due to a disagreement over cost.

When a contractor makes a claim for a contract amount increase or time extension, 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 cost of a change order.

As part of the payment process, contractors are asked to submit a schedule of values to determine the appropriateness of the progress payments for their 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 cost for the additional work.

During construction, contractors may request to substitute their subcontractors listed in their original bids. The process of replacement outlined in the Public Contract Code must be followed, and the replacement subcontractors must be properly licensed and meet the criteria established by the contract.

Presented in the following tables are change orders processed for sampled school projects during the 2005-06 Fiscal Year.

Projects	Contractor	Number of Change Orders	Percentage of Change Orders
Linda Vista & Glenview	Alvarez Engineering	4	9.60%
Linda Vista & Glenview	DW McCasland Inc.	3	2.30%
Linda Vista & Glenview	Zolman Construction	5	5.10%
Linda Vista & Glenview	Angeles Contractor	4	0.70%
Various Cooling Systems	Spanning Tree Technology	1	7.40%
Topaz	JRH Construction Co.	3	9.80%
Lakeview	Woodcliff Construction	6	2.80%
Valencia HS	Mallcraft Inc	1	4.70%
Rio Vista	JRH Construction Co.	1	3.30%
Travis Ranch	Construct 1 Corporation	3	7.50%

Commendations

- District has started converting site plans into electronic files. The process is well-organized and comprehensive. Such means of archival will ensure future accessibility of records for planning purposes resulting in reduced change orders and claims during future projects.
- Several checklists were developed by the Facilities Department to facilitate the construction close-out. These checklists include the Construction Management Project Close-out checklist and the DSA Project Close-out Checklist. The checklists included contractual requirements, punchlist, completion notification, change orders, back charges, and final documents. By detailing every step, the staff has established a clear communication process, minimizing claims.

Findings

- Bid Form for Bid # 206-1 Travis Ranch Elementary School and Bid # 206-7 Valencia High Schools did not have the DSA stamp signifying that the drawings were approved prior to the bidding process.

- The playground at Travis Ranch was added as a change order rather than being bid separately. Cost for work added as a change order tends to be higher due to a lack of a competitive process.

Recommendations

- To minimize change orders, the bid documents should be DSA stamped and approved prior to bid. Major scope of work are better bid than added as change orders

District Response

- The district concurs with the recommendation. The Facilities and Planning Department, as a matter of standard operating procedure, recognizes the impact of DSA-approved plans on the bid process and on minimizing change order impacts. Whenever possible, the Facilities and Planning Department bids projects with DSA-approved plans. In addition the District concurs with minimizing major added scope of work changes during construction to avoid the added cost of change order premiums.

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

Bid No.	Award Date	Category	Bid Amount	Contractor
22	4/19/04	General Construction	\$1,426,000	Alvarez Engineering
23	5/03/04	Framing	502,700	D.W. McCasland, Inc.
24		Doors, Frames & Hardware	366,500	Roy E. Whitehead, Inc.
25	4/19/04	Mechanical & Plumbing	715,300	Alvarez Engineering
26	4/19/04	Electrical	630,000	Zolman Construction & Development
27	4/19/04	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	4	\$ 136,418	11/15/05	\$1,562,418	9.6
23	502,700	3	11,481	9/13/05	514,181	2.3
24	366,500	3	22,830	6/21/05	389,330	6.2
25	715,300	6	(257,334)	11/15/05	457,966	(34.9)
26	630,000	5	31,843	9/13/05	661,843	5.1
27	1,630,000	4	\$ 10,725	9/13/05	\$1,640,725	0.7

VARIOUS CONTRACTS AWARDED

Bid No.	Award Date	Category	Bid Amount	Contractor
204-39	5/11/04	Various/Cooling Systems	\$449,872	Spanning Tree Technologies
204-48	6/8/04	Topaz/Modernization	\$2,386,656	JRH Construction Company
204-49	6/2/04	Kramer & Rio Vista/Abatement	\$184,560	CST Environmental Inc.
204-50	8/3/04	Lakeview/New School	\$13,626,000	Woodcliff Corporation
204-51	4/6/04	Valencia High School/Modernization	\$2,711,000	Mallcraft, Inc.
205-6	5/19/05	Rio Vista & Kramer/Modernization	\$1,944,138	JRH Construction Company
206-1	9/14/05	Travis Ranch/Multipurpose	\$954,777	Construct 1 Corporation

**VARIOUS CONTRACTS AWARDED
CHANGE ORDERS DURING AUDIT PERIOD (JULY 1, 2005 TO JUNE 30, 2006)**

Bid No.	Original Contract	Amended Contract	Change Order (Number of)	Change Order (Total \$)	Change Order (Last Date)	Adjusted Contract	Change Order (Percent)
204-39	\$449,872	N/A	1	\$33,113	8/23/05	\$482,985	7.4
204-48	\$2,386,656	N/A	3	\$234,573	12/6/05	\$2,527,229	9.8
204-49	\$184,560	N/A	1	(\$14,000)	9/13/05	\$170,560	(13.1)
204-50	\$13,626,000	N/A	6	\$380,778	11/15/05	\$14,007,278	2.8
204-51	\$2,711,000	\$2,957,909	1	\$139,961	10/25/05	\$3,097,870	4.7
205-6	\$1,944,138	N/A	1	\$64,741	12/6/05	\$2,008,879	3.3
206-1	954,777	N/A	3	\$71,723	2/28/06	\$1,026,500	7.5

**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 previous 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 and do not 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 PYLUSD has recently embarked on a review of all school board policies including those pertaining to Facilities and Planning. An evaluation and comparison of current PYLUSD school board policies to CSBA sample policies will be completed. Recommendations for additions, deletions, and modifications to district Board policies relative to Facilities and Planning will be presented for PYLUSD Board of Education consideration by June of 2007.

PAYMENT PROCEDURES

Process Utilized

Appropriate District staff were interviewed, and re-interviewed as necessary, documentation was analyzed, and processes were observed.

Background

Payment procedures have remained unchanged from 2005. All Measure Y funded invoices are processed by the Senior Account Clerk-Construction in the Accounts Payable Department. Invoices are sent directly to her from the Facilities Department. She is responsible for time-stamping each invoice, making sure all of the appropriate signatures are in order, verifies that the description of work and/or the goods received matches the description on the purchase order/contract, verifies that the cumulative totals reported on the payment application agrees with her own progress payment records and verifies if any change orders occurred and, if so, verifies the Board approval date. Once the information is determined to be in good order, the invoice is recalculated for accuracy and processed for payment. Payments are processed in batches and printed in-house. The check register and back-up documents are then sent to the Orange County Superintendent of Schools for approval. Once approved, the District mails the checks.

The tracking of all progress payments are recorded and maintained in a spreadsheet by the Senior Account Clerk-Construction. The information is maintained by contract/project. The data contains the following fields: vendor name and number, purchase order number, contract amount, description of the contract/agreement, duration of the agreement, Board Approval date, date on which the information was sent to the county office, record of changes (i.e. change order), insurance expiration date, notice of completion date and a history of all payments. The payment history information includes the invoice date, number, amount, payment date and the available balance for the contract.

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 relationship between the Fiscal Services and Facilities departments seems to be good. There appears to be open communication between the two (2) departments in an effort to keep staff informed in advance of any problems or issues.
- The progress payment billing record maintained by Sr. Account Clerk-Construction is an excellent tool in determining if the cumulative totals (i.e. change orders and/or invoices to date) on a payment application are accurate or if any changes occurred which she may not be made aware of.

Observation

- Within the sample of seventeen payments, three payments were paid after the thirty day timeframe. The exact causes for the delays could not be determined. However, it appears the invoices were delayed prior to getting to the Accounts Payable Department. Staff reported that sometimes the information received from the project managers or contractors is incomplete or inaccurate which causes the payment request to be returned or delayed.

Findings

- No findings in this section

Recommendation

- It is recommended that staff inform the project managers and contractors that the required information in the payment applications should be accurate and complete. By doing so, delays in the payment process could be avoided.

District Response

- The District concurs and is in compliance with this recommendation. Contractors are given the standardized payment application forms during pre-construction meetings and are routinely informed at construction progress meetings regarding the necessity of complying with department standards for payment information. In addition contractors are informed at construction progress meetings that inaccurate and incomplete accounting will delay the processing of payments.

BIDDING AND PROCUREMENT PROCEDURES

Process Utilized

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

Background

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

Some of the projects utilized a unit price bid. The unit price bids utilize a pre-determine cost for labor and material. Trades offering such pricing are electrical, plumbing and fencing. This method has been convenient when there is not enough time to formally bid project as a lump sum award.

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

Commendations

- District continues to utilize unit pricing bids and piggyback of California Multiple Award Schedule (CMAS) in order to increase efficiency.
- Proper bidding procedures were utilized for bids in this audit period, including advertisement, bid documents, job walks, addenda and bid evaluation. The notices to proceed are issued in a timely manner to ensure start of the project.
- The Purchasing Department is to be commended for the publication of a purchasing guideline, issued to secretaries and administrators, which provides the proper procedures to be followed in procurement of supplies and services.

Finding

- The addenda reviewed during this audit indicated significant scope of work being identified through addenda. For example, the lead paint inspection report for Topaz Elementary School was issued as an addendum. Use of addenda signals to the prospective bidders the status of readiness of the project documents. If a bid has too many significant changes by addenda, bidders tend to bid higher prices to cover other perceived incomplete information.

Recommendations

- It is recommended that the use of addenda in the bidding process be minimized when possible.

District Response

- The District concurs with this recommendation. Facilities and Planning has informed the project managers of the need to minimize addenda during the bid process.

**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. Furthermore, the superintendent and a number of directors were also interviewed.

As in the previous audit, separate survey forms were developed 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

However, due to exceptionally low rate of response to the survey this year, from all of the groups listed above, the results have not been tabulated and presented with this report.

Although only a limited number of responses were returned, within each group of respondents, the results were generally consistent, indicating the prevalent view of each group. The responses from each group, anecdotally, present a high degree of satisfaction with the communication contents and process. However, since the responses were too few to draw any statistically significant conclusions, they have not been relied upon in developing the succeeding commentary.

TSS has observed previously through our surveys, and through personal observations and interviews this year, that those most closely involved with the bond program and with the schools generally have a high level of awareness of the program operations, functions, and needs. District staffs, including principals and cabinet members, express high level of satisfaction with 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. However, there is a general prevailing understanding in the district that the facilities program is now winding down. With the completion of most of the modernization projects, there is a low level of interest in the bond program at the school level. The low response of the survey could be a result of that belief of the community.

Generally, the school site council members display a lower level of satisfaction with many of the district programs, with the facilities program being no exception. Historically, that group has been identified as one needing more direct communication at the school level, preferably through the site principals. Usually, this group takes an opportunity presented (such as the survey) to air out its grievances. A significant lower response from that group may, anecdotally, represent more satisfaction with the bond program.

One other group that shows a low level of program awareness and less satisfaction with the communication, in numerous school districts state-wide, is the group comprised of parents. However, in Placentia Yorba Linda, in the past, they have consistently expressed a strong belief in the ability of district staff and the appropriateness of expenditures of funds.

TSS has observed a consistent and gradual improvement in the district's communication program. The communication with the community, through the print media, and by the district administration, appears to be effective and productive. A "Measure Y Update" publication dated March 2006, that was mailed to District residents, gave a comprehensive review of the two (2) new schools that have opened (Melrose and Lakeview Elementary), the two (2) new schools planned (Gualberto J. Valadez Middle and Yorba Linda High), the twenty-two (22) schools that have been modernized over the past four (4) years, the various sources of monies to finance the construction program, and the role of the Citizens' Oversight Committee.

It should be noted that with a new cohort of students and parents entering the school system every year, the need to provide information about the district programs, including the facilities/bond program, is on-going. The district is encouraged to continue to provide useful and relevant information to all school site councils, PTA groups and the parents in general.

Findings

- There are no findings in this section.

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 AS OF NOVEMBER 15, 2006
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.

During the 2005-06 fiscal year, the District entered into agreements to purchase land for agreements to purchase land for Yorba Linda High School, initiated a Preliminary Environmental Assessment, Environmental Impact Report and geotechnical study, approved the school's schematic design and design development and hired 3DI/CCM to provide PM/CM services. At the April 11, 2006 Board meeting, the new school budget was estimated at \$130 plus million.

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 Gualberto J. Valadez 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 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 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 and 2005-06 performance audit periods 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 and June 30, 2006, performance audit reports, 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. As reported in the June 30, 2006 performance audit report, "there is an open line of communication between the departments."

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 receives 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 significant progress in its community-wide information program. A new survey conducted by TSS for the 2005-06 performance audit period yielded a low rate of response, but the results were generally consistent, indicating a high degree of satisfaction with the communication contents and process.

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 complied with the recommendation, implementing changes, as necessary, where weaknesses were identified in the program. The project assessment and evaluation tool is no longer used by the District.

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 the performance audit reports, 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.

APPENDIX C

**DISTRICT STATUS AS OF NOVEMBER 15, 2006
REGARDING FINDINGS AND RECOMMENDATIONS**

IDENTIFIED IN THE MEASURE Y

PERFORMANCE AUDIT

FOR THE PERIOD ENDING JUNE 30, 2005

CHANGE ORDERS, CLAIM PROCEDURES AND RESULTS

Findings (Page 29)

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 (Page 29)

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

District Status

The District has substantially complied with the recommendation. As noted in the District response in the June 30, 2005, performance audit report, "Additional steps are being taken to ensure that close-out documents are being complied and archived in a consistent and accessible system." In the June 30, 2006 performance audit report, the District was commended for "converting site plans into electronic files. The process is well-organized and comprehensive. Such means of archival will gain future accessibility and accuracy of records..."

COMPLIANCE WITH DISTRICT POLICIES AND ADMINISTRATIVE REGULATIONS

Recommendation (Page 37)

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 June 30, 2006, 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

Findings (Page 39)

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 (Page 39)

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 Status

The District has made substantial progress in complying with the recommendations. In the June 30, 2006, performance audit report, it was noted that: "In a sample of fifteen (15) purchase orders, none were found to be confirming orders." It was further noted that: "In a sample of seventeen (17) payments, only three (3) were found to be paid after thirty (30) days.

BIDDING AND PROCUREMENT PROCEDURES

Findings (Page 42)

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 (Page 42)

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 Status

The District has substantially complied with the recommendations. The District "established a quarterly review process...to evaluate guaranteed cost savings of the Siemens energy program..." In the June 30, 2006, performance audit report, the District was commended for continuing "to utilize unit pricing bids and piggybacking...to efficiently use time and afford faster response time for special trades..."

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

Recommendation (page 44)

While it may be extremely difficult to achieve complete satisfaction with the bond program, 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 Status

The District has made significant progress in its community-wide information program. A new survey conducted by TSS for the 2005-06 performance audit period yielded a low rate of response, but the results were generally consistent, indicating a high degree of satisfaction with the communication contents and process