



**CSIS** California School Information Services

# Torrance Unified School District

## Purchasing Review

July 8, 2013



**Joel D. Montero**  
Chief Executive Officer







## CSIS California School Information Services

---

July 8, 2013

Dr. George Mannon, Superintendent  
Torrance Unified School District  
2335 Plaza del Amo  
Torrance, CA 90501

Dear Superintendent Mannon:

In December 2012, the Torrance Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide a review of the district's purchasing process and system procedures. Specifically, the agreement stated that FCMAT would perform the following:

The Torrance Unified School District is responsible for providing procurement services, distribution and warehousing of materials and mail services to all district sites. The district requested FCMAT to review the purchasing process and system procedures including workflow requirements to provide recommendations for cost efficiencies.

The primary focus of this review is to provide the Purchasing Department with reasonable assurance based on the testing performed that adequate management controls are in place. Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. The purchasing process can be a high-risk audit area in which potential fraud issues such as fictitious vendors or unauthorized misappropriation of assets may be detected. Specific review objectives will include evaluating the policies, procedures, and internal controls related to the Purchasing Department.

The FCMAT team will sample test transactions from the prior six months and will not include the testing of the complete purchasing records. Sample testing and review results are intended to provide reasonable, but not absolute assurance as to the accuracy of procurement processes, compliance with bidding requirements and other purchasing data. The objective of the report will be to provide findings regarding the efficiency and accuracy of the Purchasing Department and make recommendations for the following:

1. Provide reasonable assurance that purchasing transactions are entered by properly authorized personnel and that the transactions are accurately summarized for procurement purposes. The FCMAT team will obtain the data and information necessary to perform testing of various purchase orders and requisition records.

### FCMAT

Joel D. Montero, Chief Executive Officer

1300 17<sup>th</sup> Street - CITY CENTRE, Bakersfield, CA 93301-4533 • Telephone 661-636-4611 • Fax 661-636-4647

422 Petaluma Blvd North, Suite. C, Petaluma, CA 94952 • Telephone: 707-775-2850 • Fax: 707-775-2854 • [www.fcmat.org](http://www.fcmat.org)

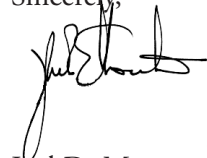
Administrative Agent: Christine L. Frazier - Office of Kern County Superintendent of Schools

This component will be to evaluate the effectiveness and efficiency of departmental purchasing processing and operations, which include new vendors, contracts, bid requirements, and system operations.

2. Provide reasonable assurance that access to the purchasing system is properly secured from unauthorized changes and that the proper internal control systems are in place for data transfers between the purchasing and accounts payable departments.
3. Evaluate the division of labor and segregation of duties between classified and management employees in the purchasing department.
4. Review the Purchasing Department work flow and staffing.
5. Review the records processing procedures and file management protocol.
6. Evaluate desk manuals and procedures for each departmental employee.
7. Verify that the district is in compliance with the Education Code and Public Contract Code regarding bid limits.
8. Review procedures related to deductions and payments to vendors, including but not limited to purchase orders and sample contracts for professional services, construction and other purchases for services.

This final report contains the study team's findings and recommendations in the above areas of review. FCMAT appreciates the opportunity to serve the Torrance Unified School District, and extends thanks to all the staff for their assistance during fieldwork.

Sincerely,

A handwritten signature in black ink, appearing to read 'Joel D. Montero', with a stylized flourish at the end.

Joel D. Montero  
Chief Executive Officer

# Table of contents

About FCMAT .....	iii
Introduction .....	1
Background.....	1
Study Guidelines .....	2
Study Team.....	2
Executive Summary.....	3
Findings and Recommendations.....	5
Purchasing Services.....	7
Staffing and Organization .....	9
Procedures .....	11
Transaction Testing.....	17
Ancillary Topics .....	19
Appendices.....	21



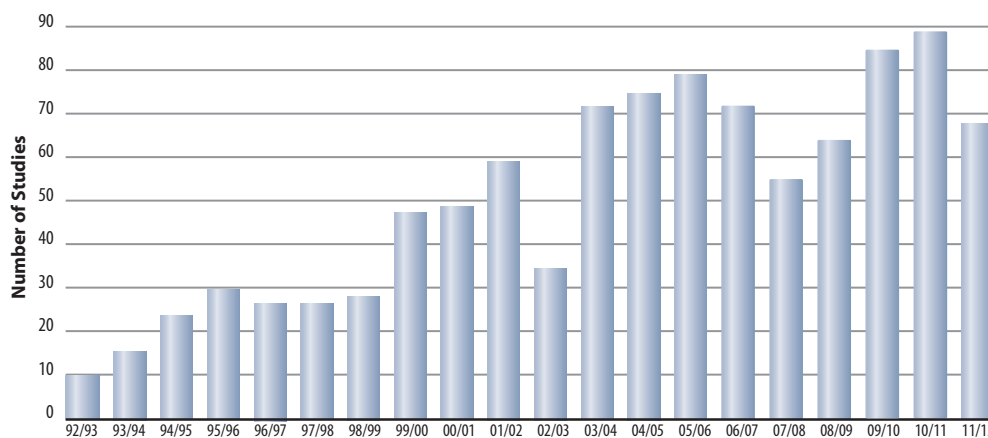
# About FCMAT

FCMAT's primary mission is to assist California's local K-14 educational agencies to identify, prevent, and resolve financial and data management challenges. FCMAT provides fiscal and data management assistance, professional development training, product development and other related school business and data services. FCMAT's fiscal and management assistance services are used not just to help avert fiscal crisis, but to promote sound financial practices and efficient operations. FCMAT's data management services are used to help local educational agencies (LEAs) meet state reporting responsibilities, improve data quality, and share information.

FCMAT may be requested to provide fiscal crisis or management assistance by a school district, charter school, community college, county office of education, the state Superintendent of Public Instruction, or the Legislature.

When a request or assignment is received, FCMAT assembles a study team that works closely with the local education agency to define the scope of work, conduct on-site fieldwork and provide a written report with findings and recommendations to help resolve issues, overcome challenges and plan for the future.

**Studies by Fiscal Year**



FCMAT also develops and provides numerous publications, software tools, workshops and professional development opportunities to help local educational agencies operate more effectively and fulfill their fiscal oversight and data management responsibilities. The California School Information Services (CSIS) arm of FCMAT assists the California Department of Education with the implementation of the California Longitudinal Pupil Achievement Data System (CALPADS) and also maintains DataGate, the FCMAT/CSIS software LEAs use for CSIS services. FCMAT was created by Assembly Bill 1200 in 1992 to assist LEAs to meet and sustain their financial obligations. Assembly Bill 107 in 1997 charged FCMAT with responsibility for CSIS and its statewide data management work. Assembly Bill 1115 in 1999 codified CSIS' mission.

AB 1200 is also a statewide plan for county office of education and school districts to work together locally to improve fiscal procedures and accountability standards. Assembly Bill 2756 (2004) provides specific responsibilities to FCMAT with regard to districts that have received emergency state loans.

In January 2006, SB 430 (charter schools) and AB 1366 (community colleges) became law and expanded FCMAT's services to those types of LEAs.



Since 1992, FCMAT has been engaged to perform nearly 850 reviews for LEAs, including school districts, county offices of education, charter schools and community colleges. The Kern County Superintendent of Schools is the administrative agent for FCMAT. The team is led by Joel D. Montero, Chief Executive Officer, with funding derived through appropriations in the state budget and a modest fee schedule for charges to requesting agencies.



# Introduction

## Background

The Torrance Unified School District is located in western Los Angeles County, bordered by the Palos Verdes Peninsula on the south, the cities of Redondo Beach and Gardena on the north, the city of Carson on the east and the Pacific Ocean on the west.

The district serves approximately 28,000 students at 17 elementary schools, eight middle schools, four high schools, one continuation high school, and one alternative education high school.

The purchasing department staff have served the district for many years and during that time have entrenched the procurement procedures and processes. The director of purchasing position became vacant at the end of calendar year 2012, and an interim employee fills the position while a permanent replacement is recruited. The district found in this transition an optimal opportunity to evaluate the department services and procedures and, as necessary, make adjustments to best serve the district's needs.

In December 2012, the Torrance Unified School District and the Fiscal Crisis and Management Assistance Team (FCMAT) entered into an agreement to provide a review of the district's purchasing process and system procedures.

The objective of the report will be to provide findings regarding the efficiency and accuracy of the Purchasing Department and make recommendations for the following:

1. Provide reasonable assurance that purchasing transactions are entered by properly authorized personnel and that the transactions are accurately summarized for procurement purposes. The FCMAT team will obtain the data and information necessary to perform testing of various purchase orders and requisition records. This component will be to evaluate the effectiveness and efficiency of departmental purchasing processing and operations, which include new vendors, contracts, bid requirements, and system operations.
2. Provide reasonable assurance that access to the purchasing system is properly secured from unauthorized changes and that the proper internal control systems are in place for data transfers between the purchasing and accounts payable departments.
3. Evaluate the division of labor and segregation of duties between classified and management employees in the purchasing department.
4. Review the Purchasing Department work flow and staffing.
5. Review the records processing procedures and file management protocol.
6. Evaluate desk manuals and procedures for each departmental employee.
7. Verify that the district is in compliance with the Education Code and Public Contract Code regarding bid limits.

8. Review procedures related to deductions and payments to vendors including but not limited to purchase orders and sample contracts for professional services, construction and other purchases for services.

## Study Guidelines

FCMAT visited the district on February 4 and 5, 2013, to conduct interviews, collect data and review documents. This report is the result of those activities and is divided into the following sections:

- Executive Summary
- Purchasing Services
- Staffing and Organization
- Procedures
- Transaction Testing
- Ancillary Topics
- Appendices

## Study Team

The study team was composed of the following members:

John F. Von Flue  
FCMAT Fiscal Intervention Specialist  
Bakersfield, CA

Michael Brouse, CPA  
FCMAT Consultant  
Bakersfield, CA

Leeann Errotabere\*  
Director of Purchasing  
Clovis Unified School District  
Clovis, CA

Laura Haywood  
FCMAT Technical Writer  
Bakersfield, CA

\*As a member of this study team, this consultant was not representing her employer but was working solely as an independent contractor for FCMAT.

# Executive Summary

The Torrance Unified School District purchasing department serves to fulfill the district's procurement needs for equipment, supplies, materials, and services. Due to transition in the department leadership, the district requested a FCMAT review of the department to include the related board policies, staffing and organization, purchasing procedures and internal controls. The review was also to include sample transaction testing to ensure the district is complying with applicable laws and adhering to district policy and procedures.

FCMAT conducted interviews with district, department and site staff representing customers in all areas of the district, and also interviewed all purchasing department staff. Interviews indicated several issues related to the services received from the purchasing department. The issues center on a lack of communication regarding the purchasing process and order status.

Purchasing services, just like all other district business, are established by board policies. These policies are based on statute and the priorities of the governing board. The district's policies are current with law and identify the board's priority of prudent expenditure of funds to meet the needs of the district while maintaining strong internal controls.

District purchasing department staffing includes an interim director, two buyers, and two purchasing technicians. Staff in the department have a great deal of experience and organizational knowledge as they have been with the district and with the department for many years. Job descriptions accurately identify each position's responsibilities, and the staff's duties align with them. The district's staffing ratio of purchasing staff-to-students aligns with that of other California districts. Department documents titled Areas of Responsibility are not up-to-date as adjustments to duties have been made due to changes in work demands and changes in staff over the past few years. Additionally, purchasing staff are not regularly engaged in all of the district procurement activities; for example, the purchasing department was not involved in the procurement decision for classroom smart boards. This has led to a communication gap between purchasing staff and their district customers.

Purchasing procedures include a variety of procurement methods including standard purchase order, revolving fund petty cash, purchase cards, and bidding. Comprehensive procedures, communication and cohesiveness are essential to successful procurement and requisitioner service. Purchasing procedures should ensure proper approvals and the funding source are received from the requisitioner, while the purchasing staff should provide timely feedback as to the order status and any modifications necessary to fulfill the order. The district purchasing department has become comfortable with the established processes and systems and has not updated them in recent years. The department should consider full utilization of current technologies and/or new technologies and systems available that can greatly improve efficiency and communication.

FCMAT sampled and tested purchasing transactions executed between July and November 2012. No violation of law or district policy was found in the testing. However, instances were found where additional district review, including documentation of the purchase rationale and procedural steps to identify potential conflict of interest, would greatly improve purchasing controls and confidence that the district is meeting its fiduciary responsibilities.



# Findings and Recommendations

In conducting this study, FCMAT interviewed representative district, department, and site staff; reviewed policies and procedures; and examined a sampling of district documents. To provide a more succinct report, items identified in this report are predominately of a deficit nature, meaning that items of concern are reported whereas appropriate, fitting, and correct business practices are excluded.

FCMAT was asked to interview staff regarding their impressions of the quality of services provided by the purchasing department and how the department could better serve the district. Interviewees were asked about their experiences dealing with purchasing staff and procedures, and requested to confidentially and candidly express their opinions of the purchasing department services. While some favorable responses were heard, those of concern were the focal point of this review.

Interviewees shared the following issues related to the purchasing department:

- Time from requisition to delivery is too long.
- Best price for product is not obtained. No comparison shopping seems to occur because the buyers return to known/previous vendors and products.
- Purchasing standards restrict product accessibility. Customer unable to order what they want because the standard dictates the product.
- Orders are changed by purchasing department to fit purchasing standard without communication and/or approval from customer.
- Purchasing department does not communicate order status to the customer.
- Lack of cohesive and comprehensive procurement – there are separate product order, delivery, installation, and setup services. Customer must stay involved throughout the process and take action to make each step occur.
- Customer doesn't understand the procurement process and related purchasing staff responsibilities.
- Lack of trust/understanding of the purchasing system software. The software does not provide correct information or is inaccessible.

These issues are typical of what is often found in other districts and can be best alleviated through sound purchasing practices and training for both the purchasing staff and customers to promote understanding and transparency of processes, and communication. These points will be addressed throughout this report.



# Purchasing Services

In local education agencies (LEAs), including school districts, the process of purchasing supplies, equipment and services is dictated by statute, local board policy, and district procedures and practices. Sections of the Education Code, Public Contract Code, Government Code, and California Code of Regulations provide the legal basis and parameters within which a school district must conduct its purchasing functions. Board policies, administrative regulations, procedures and guidelines add controls that are designed to protect school districts by meeting various purchasing and contract needs efficiently while considering lowest cost and highest value.

General guidelines and best practices for LEA purchasing include:

1. Board policies and administrative regulations to provide the foundation and expectation that purchasing follows legal requirements, provides strong internal controls and meets procurement objectives.
2. Designation of staff member(s) responsibilities and authority throughout the purchasing process.
3. Standardized procedures for vendor selection, requisition generation, and issuance of purchase orders. These procedures should also establish competitive bidding processes to ensure prudent and optimal use of funds and appropriate minimum standards and compatibility requirements for supplies and services.

## Board Policies

The Torrance USD board recognizes its fiduciary responsibility to oversee prudent expenditure of district funds. Board Policy (BP) 3300 (updated 2006) delegates spending authority to the superintendent or designee in accordance with the Public Contract Code and other statutes. District policy further states that “goods and services purchased shall meet the needs of the person or department ordering them at the lowest price consistent with standard purchasing practices.”

Additional board policies related to purchasing include:

- BP 3311 (2008) Bids: To ensure transparency and prudent expenditure of public funds, the board shall award contracts in an objective manner and in accordance with law.
- BP 3312 (2006) Contracts: The power to contract may be delegated to the superintendent or designee. To be valid or to constitute an enforceable obligation against the district, all contracts must be approved and/or ratified by the board.
- BP 3314 (2007) Payments for goods and services: The board recognizes the importance of developing a system of internal control procedures. To facilitate warrant processing, the purchasing, receiving, and payment functions are to be kept separate. The superintendent or designee shall sign all warrants and ensure there is appropriate documentary support verifying receipt of goods and services.
- BP 3314.2 (2010) Revolving fund: A revolving fund may be used to pay for goods, services, and other charges as determined by the board.
- A revolving cash fund may also be established for use by school principals and other administrative officials to pay for goods and services. The board shall name the administrators who will have use and control of the funds and who shall be responsible



for all payments into the accounts and expenditures from the accounts. The board shall provide an audit of revolving funds on a regular basis.

- BP 3400 (2007) Internal controls/fraud prevention: Board expects board members, employees, consultants, vendors, contractors and other parties maintaining a business relationship with the district to act with integrity and due diligence in dealings involving district assets and fiscal resources. Internal controls shall be developed to aid in the prevention and detection of fraud, financial impropriety, or irregularity. These internal controls may include segregating employee duties; providing job descriptions explaining the segregation of duties; adopting an integrated financial system; conducting background checks on business office employees; and requiring training for business office staff on the importance of fraud prevention.

All employees shall be alert for any indication of fraud, financial impropriety, or irregularity within their area of responsibility. Any employee who suspects fraud, impropriety, or irregularity shall immediately report those suspicions to his/her immediate supervisor and/or the Superintendent or designee.

These district policies set the tone and provide the foundation for purchasing controls. The policies have been updated within the last three to seven years. While one administrative regulation (AR 3451, discussed later in the report) did not reflect the latest district procedures, the policies and other administrative regulations pertaining to purchasing reflect current legal statute and best practices for purchasing and internal controls. In addition, the policies and regulations are easily accessible via the district's website for public and staff reference.

## Recommendations

*The district should:*

1. Regularly review and update board policies and administrative regulations to ensure they remain relevant and reflect the latest statutory requirements and district objectives.
2. Ensure employees are aware of board policies and that policies remain accessible for public and staff reference.
3. Establish regular training on the identification and prevention of fraudulent activity for all business staff.

# Staffing and Organization

The purchasing department is responsible for procuring supplies, materials, equipment and services for all district departments except food services. The district's 2012-13 organizational chart shows that the purchasing department is headed by the director of purchasing and communication services under the direction of the deputy superintendent of administrative services. The department is staffed with five full-time employees: the director, two buyers and two technicians. The director of purchasing and communication services position is vacant, and an interim director was hired to fill the vacancy while a permanent solution is sought. The director had been in the position since 1999. Department staffing has been stable, with the buyers having over 20 years' experience in their current positions and the purchasing technicians in their positions for over 12 years. These employees also had prior experience in the district, and most promoted into their current position from a different position in the purchasing department.

## Job Descriptions

### Director – Purchasing and Communication Services

The job description states that the basic function of the director is to plan, organize and direct the daily operations of the purchasing and print shop functions; ensure that district purchases are made in accordance with applicable laws, codes and policies; train, assign and supervise the work of assigned personnel; and perform duties as district safety coordinator. The position requires the equivalent of a bachelor's degree in business or related field and two years government purchasing responsibility, including one year in a computerized purchasing environment. The job description was adopted in 1994 and last revised in 2007.

Because the position was vacant at the time of fieldwork, information on the activities of the previous director was gathered through interviews with the interim director, district staff, and through district documentation.

### Buyer

The job description states that the buyer works under the direction of the director of purchasing and administrative services to perform technically responsible duties related to locating, sourcing, and procuring supplies, materials, equipment and services. The buyer is also responsible for coordinating formal bid procedures. Position requirements include any combination equivalent to an associate's degree and four years' experience in purchasing. The job description was adopted in 1994 and last revised in 2000.

### Purchasing Technician

The job description for the purchasing technician states that under the direction of the director of purchasing and administrative services, this position is responsible for purchasing and administration of specialized items and compliance. This position requires any combination equivalent to high school graduation and four years of purchasing experience. The job description was adopted in 1994 and last revised in 2000.

## Distribution of Duties

Job descriptions sufficiently outline functions and responsibilities of the director, buyers and technicians. Staff duties and activities observed and communicated to the study team were consistent with their job descriptions. The director reviews requisitions for compliance with district standards and protocol, approving and routing them online to appropriate department

support staff. Buyers and technicians are responsible for purchases of a distinct set of commodities and/or services.

The purchasing manual contained an outdated chart that aligned staff members to procurement areas of responsibility and listed items/categories of items they were in charge of procuring. The chart has not been updated to reflect the current staffing, procurement items, and distribution of work. Interviews with the purchasing staff indicated they have redistributed the work and there is no conflict among them regarding their responsibilities. However, the list should be updated to reflect current purchasing categories and staff assignments to help district staff know who to contact for assistance and help avert potential conflicts in the purchasing department.

Duties are sufficiently segregated in that no one person handles or controls the complete purchasing process. The district's purchasing process requires coordination between the purchasing and accounting departments as well as oversight and approvals from supervisory positions. New vendors are entered into the financial system by accounting staff and into the purchasing system by purchasing staff. The technology department provides the permissions and guards access to all technology systems.

### Staffing Level

Staff cuts have occurred throughout the district. The purchasing department was reduced by two staff members in 2007, resulting in a staff of five. In 2008, the district passed a \$300 million bond for facilities modernization but did not add staff or specifically assign the public works duties. The volume of public works projects may warrant an expanded job description of advanced buyer or buyer II, or a clear distribution of such projects to existing buyers.

According to data collected from districts surveyed throughout the state (Appendix B), purchasing staffing averages one purchasing staff member per 5,575 students. Based on this simple comparison and without consideration for local differences between districts, current staffing (with the director position filled) is consistent with that of other school districts.

## Recommendations

*The district should:*

1. Regularly review and update job descriptions to ensure they accurately reflect position qualifications, requirements, duties, and supervisor.
2. Regularly review and adjust the duties of purchasing staff to fit fluctuations in workload through the year and to adapt to new trends and procurement demands. Record these adjustments on the Areas of Responsibility chart for purchasing staff accountability and communication to district staff.
3. Maintain segregation of duties. Provide regular training and discussion on internal controls and their importance.
4. Include designated purchasing staff in district meetings that pertain to or affect purchasing services such as construction management, end-of-year, start-of-year, special grant/project meetings, etc., to improve communication with all involved.

# Procedures

District procurement procedures are communicated to district personnel via email from purchasing department staff members, and are available in hard copy via a purchasing procedural and guideline binder.

These procedural documents include:

- Purchasing Staff list
- Open Purchase Order Procedures (last update 7/12)
- List of Local Vendors Accepting District Open Purchase Orders (last update 6/04)
- Walk Through Purchase Order Instructions (last update 6/04)
- Revolving Cash Fund (Petty Cash) Procedures (last update 12/12)
- Commodity Codes, Resource Codes, Object Codes references (last update 8/10)

The district procurement system allows various purchasing processes including three types of purchase orders (standard, walk-through/one-time use, open/as needed), petty cash/revolving fund checks, purchase cards, reimbursements, annual contracts and bids.

## Purchase Orders

The purchase order processes begin with an electronic requisition generated at any district school site or department into the Government e-Management Solutions (GEMS) financial system. A requisition created in GEMS follows a predetermined workflow approval hierarchy that routes the request to the purchasing office, where it is converted into a purchase order that will be transmitted to the vendor via fax or mail.

Delays can occur for a variety of reasons including incorrect account coding, vendor not current in system, vendor not available, product not within district standards, product not available or on back order, etc. These delays interrupt and slow the purchasing process and prompt additional staff follow-up and potential breakdown in communication between the purchasing department and customer.

Purchasing staff print a hard copy of the purchase order and make numerous color copies to route to various district locations as notification of the order, with each destination receiving its own unique color copy. The color coding helps to route the copies and ensure each destination receives its copy; however, this process is cumbersome and outdated. This distribution can easily occur electronically with greater efficiency and assurance.

Purchase order financial and accounting data is integrated with receiving and accounts payable data to help ensure accurate and authorized purchase, receipt and payment of items. The GEMS system has the ability to address and monitor the procurement functions of most educational and government agencies. However, district staff are also required to utilize the Los Angeles County Office of Education (LACOE) PeopleSoft financial system to enter vendor and payment data to enable audit accountability and release of vendor payments by LACOE. The PeopleSoft system does not interact with the district purchasing system. District accounts payable staff must enter GEMS data into PeopleSoft to process payments to vendors, which is a duplication of effort.

## Recommendations

*The district should:*

1. Provide training and resource tools to site and department staff on purchasing processes, including proper account coding and product standards. Include information on why account codes and standards are needed (fund restrictions, district compatibility, district software configurations, extended warranties, service after purchase, etc.).
2. Develop purchase order follow-up procedures to provide for reliable and timely tracking and communication of order status.
3. Fully utilize current technology for purchase order notification to distribute information electronically and reduce the need for printing, color coded paper, and physical routing of copies.
4. Seek opportunities to integrate the purchasing and financial systems and eliminate the need for double data entry and reconciliation and maintenance of two systems.

### Revolving Fund Petty Cash

The district also utilizes a revolving fund purchasing system as authorized by BP 3314.2 that allows sites and departments to purchase outside a central purchasing system. While this offers flexibility and convenience for staff, it can weaken the district's purchasing controls.

The purchasing staff oversees, monitors, audits and reconciles the extensive revolving fund petty cash system (RFPC). RFPC funds are outlined in Administrative Regulation 3451 as follows:

“In order to facilitate minor purchases, the Superintendent or designee may establish a petty cash fund at each school. The petty cash fund shall be used for unforeseen, small school expenses, such as postage or individual purchases of supplies. The amount of the petty cash fund shall not exceed \$200. The principal or designee shall be responsible for all expenditures from the fund and shall create a system for tracking fund expenditures. Each expenditure shall be supported by appropriate documentation.

“Expenditures shall be reconciled and accounted for whenever the principal requests that the fund be replenished, at the end of the fiscal year, or at the request of the Superintendent or designee. The principal or designee shall ensure that the petty cash fund is kept in a safe and secure location.”

In 2002, the purchasing department published a reference document regarding the RFPC procedures. While the procedural information remains accurate, many details such as contact staff, board policy reference, and expenditure limits have changed.

FCMAT interviewed purchasing department, site and department staff members regarding the RFPC procedures. Site and department staff stated the RFPC system is used for small, immediate need purchases. Some indicated it is an authorized process that allows them to bypass centralized purchasing procedures to efficiently fulfill their procurement needs. The RFPC site and department accounts vary in size depending on the need or use, and by request. Because the RFPC system is used frequently, the Board of Trustees recently (6/12) approved an increase of site petty

cash to a maximum of \$500 and an increase in the revolving cash account from \$40,000 to \$60,000.

Purchasing staff described tedious, time-consuming manual petty cash reconciliation processes. During fieldwork, including interviews and observations of procedures and records, FCMAT found several areas of internal control concern including:

- RFPC checks to replenish cash issued with the signer the same as the payee.
- RFPC accounts not reconciled on a routine and regular schedule.
- RFPC reimbursements not processed on a timely basis.
- RFPC process used to circumvent the standard purchasing process.
- RFPC funds and records not stored in a secure location and accessible to numerous staff and visitors.

FCMAT did not audit the RFPC accounts. However, issuing a check where the signer and payee are the same can allow inappropriate access to funds. The lack of routine reconciliation and regular reimbursement raise the potential for untimely identification of account errors and for accounts to exceed their authorized limit.

## Recommendations

*The district should:*

1. Discontinue the practice of issuing checks where the signer issues checks to self or, at minimum, require two signers other than the payee.
2. Update AR 3451 and the RFPC procedural reference document regularly to ensure they contain up-to-date information and agree.
3. Require the RFPC process to be used as intended by AR 3451, or consider discontinuing its use.
4. Ensure timely reconciliation and reimbursement of RFPC accounts.
5. Ensure strict adherence to internal controls for the RFPC accounts, including account limits and secure custody of cash and records. Consider implementing an alternative method for emergency procurement such as extending the district purchase card system to additional staff and departments.

## Purchase Cards

The district issues purchase cards only to the superintendent, deputy superintendent and a district administrative assistant. Statement review identified very little activity on these cards, which appeared mostly to be used for conference registrations and personnel postings. The use of purchase cards was not favored by the previous director of purchasing so they did not proliferate; however, LEAs have found them to be beneficial if properly managed.

A purchase card is a form of credit card issued to individual district employees. Purchase card controls have evolved and improved over the past decade to provide strict and specific restrictions

on how, when, where, and what the authorized user can purchase. Use of purchase cards has seen a dramatic rise in recent years, with many government organizations now using them to eliminate cumbersome procedures, reduce costs and lessen workload on staff. Organizations typically use purchase cards for low-value merchandise to acquire these items more efficiently and at a significantly lower transaction cost than traditional methods.

Organizations are replacing revolving fund cash and checks with purchase cards and have also started to use the cards in accounts payable to automate payments for routine expenses. This is one of the fastest-growing uses of purchase cards, which can also generate a small revenue stream back to the district.

Employees who are issued purchase cards are expected to follow the organization's policies and procedures related to their use, which includes review and approval of transactions according to a set schedule. The organization can implement a variety of controls for each purchase card, such as a single-purchase dollar limit, a monthly limit, and merchant category code restrictions. Some of the benefits of decentralizing small and urgent purchase transactions include:

- Faster purchase and receipt of goods.
- Fewer reimbursement claims.
- Allows Internet purchases and orders from vendors that do not accept purchase orders.
- Reduces the use of blanket purchase orders.
- Better utilization of technology to analyze spending and vendor activity, and improves compliance with school district policies and regulations.

As a precaution, cardholders' purchase card activity should be reviewed regularly by accounting department staff. Audit review should also be conducted by accounts payable staff when processing monthly statements for payment.

FCMAT discussed the potential use of purchase cards during interviews with school district staff. Several staff members concurred that more extensive issuance of purchase cards would enhance the purchasing tools currently offered.

## Recommendations

*The district should:*

1. Consider expanding its purchase card implementation to department and site managers to decentralize certain purchases, reduce cash and revolving fund transactions, and improve controls and activity information.
  - a. Adopt and enforce a policy of purchase card use that is fair and consistently applied and provides benefit both to the district and user.
  - b. Hold training sessions to educate all users in the proper use of purchase cards, and require cardholders to sign a contract stating that they understand and agree with the use policy.



- c. Utilize purchase card jackets and color coding or other branding on the card to differentiate it from personal credit cards and decrease the possibility of mistaken use.
- d. Implement a check and balance procedure to monitor purchase card use.

## Bidding

FCMAT examined the district bidding policy and processes and found its materials, services and supply acquisition and public works construction bidding procedures in compliance with the law.

Public Contract Code (PCC) 20111 requires school districts to publicly bid certain purchases for equipment, materials, supplies or services that are subject to a variety of bid thresholds and criteria. For non-public works projects, the PCC 20111 public bid threshold is \$83,400 as of the time of this study and is subject to an annual adjustment for inflation.

District BP 3311 relates to bids and states, “In order to ensure transparency and the prudent expenditure of public funds, the Board of Education shall award contracts in an objective manner and in accordance with law. District equipment, supplies, and services shall be purchased using competitive bidding when required by law or if the Board determines that it is in the best interest of the District to do so. When the Board has determined that it is in the best interest of the District, the District may piggyback onto the contract of another public agency or corporation to lease or purchase equipment or supplies to the extent authorized by law. (PCC 20118) Bid specifications shall be carefully designed and shall describe in detail the quality, delivery, and service required.” AR 3311 reinforces BP 3311 with further detail and direction on the requirements and process for competitive bidding.

The district’s design/bid/build construction projects are bid at or above the BP 3311 and AR 3311 requirements, which require competitive bid for contracts involving an expenditure of \$15,000 or more for public projects. However, districts that have frequent public projects can use an alternative process authorized in PCC 22000-22045, titled the California Uniform Public Construction Cost Accounting Act (CUPCCAA). CUPCCAA facilitates the execution of public works projects by speeding up the process for awarding contracts and simplifying the paperwork involved.

CUPCCAA rules allow the following:

1. Public projects of \$45,000 or less may be performed by the employees of a public agency by force account, by negotiated contract, or by purchase order (PCC 22032(a)).
2. Public projects of \$175,000 or less may be awarded by informal procedures as set forth in this legislation. If all bids received exceed \$175,000, the governing body of the public agency may, by adoption of a resolution by a four-fifths vote, award the contract at \$187,500 or less to the lowest responsible bidder, if it determines the cost estimate of the public agency was reasonable (PCC 22032(b) and 22034(f)). Public projects of more than \$175,000 shall, except as otherwise provided in this legislation, be allowed to contract by formal bidding procedures (PCC 22032(c)).
3. Agencies may disqualify contractors from the Qualified Contractors List required pursuant to PCC 22034(a).

4. Agencies may use these increased purchase amounts to purchase materials as long as they are consumed on a public contract subject to and defined by the policies and procedures manual established by the California Uniform Construction Cost Accounting Commission.
5. An agency may elect to withdraw from the act at any time by filing a resolution of this election with the State Controller's Office.

The California Uniform Construction Cost Accounting Commission reviews the informal bid limits for inflation and other factors to determine whether adjustments should be made. If an adjustment is made, the State Controller notifies the affected public agencies. The adjustment may become effective before it appears as a formal change in the Public Contract Code. Any local agency, including cities, counties, redevelopment agencies, special districts, school districts, and community college districts, can voluntarily elect to participate. Further detailed information on CUPCCAA can be found in Appendix C and at the State Controller's website at [http://www.sco.ca.gov/ard\\_cuccac.html](http://www.sco.ca.gov/ard_cuccac.html)

## Recommendations

*The district should:*

1. Continue to update the equipment, materials, supplies, and public works project bid thresholds found in AR 3311 to match the thresholds required of all other local K-12 educational agencies in California.
2. Consider adopting the California Uniform Public Construction Cost Accounting Act (PCC Section 22000) for public works construction projects.

## Transaction Testing

District policies specify that purchasing procedures shall ensure the district receives maximum value for items purchased and that goods and services shall meet needs at the lowest price consistent with standard purchasing practices. Standard purchasing practice assumes every purchase is made with a demonstrable competitive process. Furthermore, standard practice assumes a competitive process cannot be achieved where a conflict of interest exists among the vendor and the district employees authorized to initiate and/or execute a purchase order.

Based on these policies and practices, FCMAT sampled and tested purchase orders executed from July 2012 through November 2012. In that period, the total value of purchase orders issued was \$86,668,235.

Program and accounting staff members were first interviewed to gain an understanding of processes and established controls. Based on this understanding, FCMAT systematically selected a sample and designed a test to determine whether these processes and controls were effective and consistently used.

Five judgmental (criteria-based) and random methods were used in selecting a sample for the test. The first sample group was selected judgmentally from vendors whose total purchase order amounts during the test period exceeded \$1 million. This group represented \$19,921,167 of the total purchase orders issued in the test period. A second sample group was drawn judgmentally from purchase orders issued to vendors who were new to the district during the test period. A third judgmental sample group was vendors for which purchases were coded to account code objects 4310 (supplies), 4400 (noncapitalized equipment), 5110 (subagreements for services), or 5810 (professional/consulting services). A fourth judgmental sample group was drawn from purchase orders issued specifically for warehouse stock. A fifth sample group was selected randomly. The samples were evaluated to confirm they appeared to be representative of the purchase order population for the test period.

The sample warrants were subjected to the following series of tests. An affirmative response to all the tests indicated an appropriately controlled purchasing transaction. A negative response suggested a weakness in internal control. In all, FCMAT reviewed 30 purchase orders totaling \$14,255,056.

Test #	Test Question	Negative Responses	Main issues / Details
1	Is the requisitioner independent from the purchaser?	0	While no evidence was present to support an assertion the requisitioner was independent from the purchaser, no evidence was present documenting a district test of this assertion.
2	Is the vendor independent of the requisitioner and the purchaser?	0	While no evidence was present to support an assertion the purchaser was independent from the vendor, no evidence was present documenting a district test of this assertion.
3	Is there evidence of the use of a competitive process?	2	In these instances, no evidence was available to support an assertion that a competitive process was used. In all other instances, such evidence was present.
4	Does the purchase comply with district policies?	2	In these instances, no evidence was available to support an assertion that a competitive process was used as required by district policies. In all other instances, such evidence was present.
5	Does the purchase comply with procurement law?	0	None
6	Is the account coding correct?	0	None

Details of the transactions tested are provided in the appendices.

Best practice documentation includes a written rationale for the purchase selection and what competitive process was used, if any. Frequently used materials, supplies, and services should be vetted by the purchasing department and, once selected, that selection rationale should suffice for subsequent purchases. All non-standardized purchases should require supportive rationale for vendor and product selection. Where the bidding process is used, the retained bid documents will provide satisfactory evidence. Where requests for proposals or qualifications are utilized, the request document and proposals/qualifications should be maintained along with the analysis describing the selection rationale. In the case of written quotes, all quotes should be retained along with a written explanation if the lowest quoting vendor was not selected. If verbal quotes are obtained, contemporaneous notes in the purchasing file should provide the names of the vendors solicited along with the prices quoted and an explanation of the selection rationale if the lowest quoting vendor was not selected.

The focus of the test was on the purchasing process. The results revealed no evidence of violations of laws or district policies in the sampled items; however, in some cases FCMAT found a lack of documentation to support that the policies and best practices were followed. Strengthening controls will reduce the prospects for misappropriation of district funds and the potential for fraud.

## Recommendations

*The district should:*

1. Continue to follow district purchasing policy, regulations, and procedures in alignment with statute and district objectives.
2. Develop a standardized procedure to consistently require documentation of the selection rationale and/or competitive process used in each purchase.
3. Establish a procedural step to document the effort to determine whether or not conflict of interest potential exists among requisitioner, purchaser and vendor. (See Conflict of Interest section later in this report.)

# Ancillary Topics

## Technology Systems

The district has used Government e-Management Solutions (GEMS) software as its purchasing system for the last decade. The system is maintained in-house by the information technology department. During interviews, purchasing staff indicated they were not involved in the software selection and that previous software was more user-friendly. A common theme was communicated regarding lack of training and confidence in the system. Purchasing staff also indicated they are not aware of what features are offered by the current system. The study team observed examples of this in the purchasing department and with the GEMS online requisition order system. The purchasing staff are utilizing GEMS system shortcuts and reports developed in-house by the information technology department and by site and department staff. District and site staff members have become dependent on the shortcuts and do not understand how to utilize the GEMS financial system without the shortcuts. This limits the system's usefulness in reporting and the staff's access to information.

The GEMS software as it exists is not user friendly. Departments and sites have problems compiling budget reports and rely on finance staff to communicate budget balances and generate reports. FCMAT requested specialized/specific reports that should be readily attainable by a school district purchasing system but experienced difficulty and delay in getting the reports. The information technology department got involved and after an arduous effort was able to obtain the information requested. District staff are unable to use multiple account codes on a single purchase requisition. Staff also indicated that the GEMS system could not query purchase orders or inventory. FCMAT is unable to determine if these are software limitations, staff training issues, or, more likely, a combination of both.

Due to the lack of available technology and/or trained staff, the warehouse stock purchase history and petty cash journals are maintained through cumbersome manual processes. These procedures should be conducted electronically to enhance efficiency, accuracy, review and reporting capabilities.

## Recommendations

*The district should:*

1. Create a team representing accounting, purchasing, technology and end users to explore the GEMS software version in use and identify its capabilities, amenities, and shortcomings. As needed, this team could also evaluate and recommend supplemental or replacement technologies to meet district needs.
2. Develop and implement a GEMS financial training program to include a user manual and regularly scheduled/accessible training on all aspects of its capabilities regarding business procedures (purchasing, budgeting and accounting) and reporting.
3. Promote contemporary recordkeeping and data collection methods. Train staff to utilize technology and software available and minimize the manually kept paper ledger cards, journals, and ledgers.

## Conflict of Interest

Board Bylaw 9270, in compliance with Government Code 1090, requires board members and designated staff to disclose any conflict of interest and to abstain from participating in any decisions when such exists. The disclosure requirement is fulfilled through the annual submission of a Statement of Economic Interest (Form 700), which is required of the board, superintendent, deputy superintendent of administrative services and, to a lesser degree of disclosure, other district administration including the director of purchasing and administrative services. The other positions in the purchasing department are not required to complete this disclosure or provide any other disclosure of conflict of interest.

Additional steps available to help identify possible conflict of interest, opportunity for collusion, and potential fraud include vendor verification and vendor affirmation of no conflict of interest.

Vendor verification should include a front-end check of all new vendors and annual review of the district's vendor master file. This verification should ensure the vendors have been processed through the appropriate approval process, test for any relationship with district decision makers including name, address, and social security / taxpayer identification number, and if the vendor is still in business. Vendor affirmation includes having the vendor complete and sign a form similar to the Form 700 to verify their independence and lack of conflict. Requiring these steps will offer the district a substantially strengthened internal control system.

## Recommendations

*The district should:*

1. Ensure the Board Policy correctly identifies all positions by title who are required to meet the disclosure requirements. (e.g. Director of Purchasing and Communication Services v. Director of Purchasing and Administrative Services.)
2. Consider expanding the district disclosure requirement to include all positions in the purchasing department.
3. Establish and implement a vendor verification process to use on all new vendors and an annual review of the district's vendor master file.
4. Consider establishing and implementing a vendor affirmation process.

# Appendices

## **Appendix A**

Study Agreement

## **Appendix B**

Purchasing Staffing 2012

## **Appendix C**

CUPCCAA

## **Appendix D**

Purchase Control Test, Purchase Control Test points





## Appendix A



CSIS California School Information Services

---

### **FISCAL CRISIS & MANAGEMENT ASSISTANCE TEAM STUDY AGREEMENT December 17, 2012**

The FISCAL CRISIS AND MANAGEMENT ASSISTANCE TEAM (FCMAT), hereinafter referred to as the Team, and the Torrance Unified School District, hereinafter referred to as the District, mutually agree as follows:

#### **1. BASIS OF AGREEMENT**

The Team provides a variety of services to school districts and county offices of education upon request. The District has requested that the Team provide for the assignment of professionals to study specific aspects of the Torrance Unified School District operations. These professionals may include staff of the Team, County Offices of Education, the California State Department of Education, school districts, or private contractors. All work shall be performed in accordance with the terms and conditions of this Agreement.

In keeping with the provisions of AB1200, the County Superintendent will be notified of this agreement between the District and FCMAT and will receive a copy of the final report. The final report will be published on the FCMAT website.

#### **2. SCOPE OF THE WORK**

##### **A. Scope and Objectives of the Study**

The Torrance Unified School District is responsible for providing procurement services, distribution and warehousing of materials and mail services to all district sites. The district has requested FCMAT to review the purchasing process and system procedures including workflow requirements to provide recommendations for cost efficiencies.

The primary focus of this review is to provide the Purchasing Department with reasonable assurance based on the testing performed that adequate management controls are in place. Management controls include the processes for planning, organizing, directing, and controlling program operations, including systems for measuring, reporting, and monitoring performance. The purchasing process can be a high-risk audit area in which potential fraud issues such as fictitious vendors

or unauthorized misappropriation of assets may be detected. Specific review objectives will include evaluating the policies, procedures, and internal controls related to the Purchasing Department.

The FCMAT team will sample test transactions from the prior six months and will not include the testing of the complete purchasing records. Sample testing and review results are intended to provide reasonable, but not absolute assurance as to the accuracy of procurement processes, compliance with bidding requirements and other purchasing data. The objective of the report will be to provide findings regarding the efficiency and accuracy of the Purchasing Department and make recommendations for the following:

- 1) Provide reasonable assurance that purchasing transactions are entered by properly authorized personnel and that the transactions are accurately summarized for procurement purposes. The FCMAT team will obtain the data and information necessary to perform testing of various purchase orders and requisition records. This component will be to evaluate the effectiveness and efficiency of departmental purchasing processing and operations, which include new vendors, contracts, bid requirements, and system operations.
- 2) Provide reasonable assurance that access to the purchasing system is properly secured from unauthorized changes and that the proper internal control systems are in place for data transfers between the purchasing and accounts payable departments.
- 3) Evaluate the division of labor and segregation of duties between classified and management employees in the purchasing department
- 4) Review the Purchasing Department work flow and staffing;
- 5) Review the records processing procedures and file management protocol;
- 6) Evaluate desk manuals and procedures for each departmental employee;
- 7) Verify that the district is in compliance with the Education Code and Public Contract Code regarding bid limits.
- 8) Review procedures related to deductions and payments to vendors, including but not limited to purchase orders and sample contracts for professional services, construction and other purchases for services.

B. Services and Products to be Provided

1. Orientation Meeting - The team will conduct an orientation session at the district to brief district management and supervisory personnel on the procedures of the team and on the purpose and schedule of the study.
2. On-site Review - The team will conduct an on-site review at the district office and at school sites if necessary.
3. Exit Report - The team will hold an exit meeting at the conclusion of the on-site review to inform the district of significant findings and recommendations to that point.
4. Exit Letter - The team will issue an exit letter approximately 10 days after the exit meeting detailing significant findings and recommendations to date and memorializing the topics discussed in the exit meeting.
5. Draft Reports - Electronic copies of a preliminary draft report will be delivered to the district administration for review and comment.
6. Final Report - Electronic copies of the final study report will be delivered to the district administration following completion of the review. Written copies are available by contacting the FCMAT office.
7. Follow-Up Support – Six months after the completion of the study, FCMAT will return to the district, if requested, to confirm the district's progress in implementing the recommendations included in the report, at no cost. Status of the recommendations will be documented to the district in a FCMAT management letter.

3. PROJECT PERSONNEL

The study team will be supervised by Anthony L. Bridges, CFE, Deputy Executive Officer, Fiscal Crisis and Management Assistance Team, Kern County Superintendent of Schools Office. The study team may also include:

- |    |                  |  |
|----|------------------|--|
| A. | John F. Von Flue | FCMAT Fiscal Intervention Specialist, Job Leader |
| B. | To Be Determined | FCMAT Consultant                                 |
| C. | To Be Determined | FCMAT Consultant                                 |

Other equally qualified consultants will be substituted in the event one of the above noted individuals is unable to participate in the study.

#### 4. PROJECT COSTS

The cost for studies requested pursuant to E.C. 42127.8(d)(1) shall be:

- A. \$500.00 per day for each team member while on site, conducting fieldwork at other locations, preparing and presenting reports, or participating in meetings. The cost of independent consultants will be billed at the actual daily rate based on the provisions of Education Code Section 84041.
- B. All out-of-pocket expenses, including travel, meals, lodging, etc. The district will be invoiced at actual costs, with 50% of the estimated cost due following the completion of the on-site review and the remaining amount due upon acceptance of the final report by the district.

**Based on the elements noted in section 2 A, the total cost of the study is estimated at \$13,000.**

- C. Any change to the scope will affect the estimate of total cost.

Payments for FCMAT services are payable to Kern County Superintendent of Schools - Administrative Agent.

#### 5. RESPONSIBILITIES OF THE DISTRICT

- A. The district will provide office and conference room space while on-site reviews are in progress.
- B. The district will provide the following (if requested):
  - 1. A map of the local area.
  - 2. Existing policies, regulations and prior reports addressing the study request.
  - 3. Current or proposed organizational charts.
  - 4. Current and two (2) prior years' audit reports.
  - 5. Any documents requested on a supplemental listing. Documents requested on the supplemental listing should be provided to FCMAT in electronic format.
  - 6. Documents that are only available in hard copy should be scanned by the district and sent to FCMAT in electronic format.
  - 7. All documents should be provided in advance of field work and any delay in the receipt of the requested documentation may affect the start date of the project. Upon approval of the signed study agreement, access will be provided to FCMAT's SharePoint document repository and all requested documents shall be uploaded by the district.

- C. The district administration will review a preliminary draft copy of the study. Any comments regarding the accuracy of the data presented in the report or the practicability of the recommendations will be reviewed with the team prior to completion of the final report.

Pursuant to EC 45125.1(c), representatives of FCMAT will have limited contact with pupils. The district shall take appropriate steps to comply with EC 45125.1(c).

## 6. PROJECT SCHEDULE

The following schedule outlines the planned completion dates for key study milestones:

<i>Orientation:</i>	<i>January, 2013</i>
<i>Staff Interviews:</i>	<i>to be determined</i>
<i>Exit Meeting:</i>	<i>to be determined</i>
<i>Preliminary Report Submitted:</i>	<i>to be determined</i>
<i>Final Report Submitted:</i>	<i>to be determined</i>
<i>Board Presentation:</i>	<i>to be determined, if requested</i>
<i>Follow-Up Support:</i>	<i>if requested</i>

## 7. CONTACT PERSON

Name of contact person: Donald Stabler, Deputy Superintendent

Telephone: (310) 972-6061 FAX: (310) 972-6065

E-Mail: dstabler@tusd.org



George Mannon, Superintendent  
Torrance Unified School District

12/19/12

Date



Anthony L. Bridges, CFE  
Deputy Executive Officer  
Fiscal Crisis and Management Assistance Team

December 17, 2012

Date

## Appendix B

### Purchasing staffing survey 2012

District	Enrollment	#of Purchasing Dept. Staff
Del Mar Union SD	4,500	1
Temple City USD	5,700	1
Petaluma City Schools	7,300	1
Morongo USD	8,400	2
Brentwood USD	8,400	2
Sequoia Union HSD	8,600	2.5
Beaumont USD	8,900	2
East Whittier SD	9,300	1
Yucaipa-Calimesa Joint USD	9,400	2
Oak Grove USD	11,000	3
Livermore Valley JUSD	12,500	2.25
Vacaville USD	12,600	3
Pleasanton USD	14,900	3
Fullerton Joint UHSD	16,000	2
Grossmont HSD	19,000	5
Pajaro Valley USD	19,000	4
San Marcos USD	19,500	3
Hayward USD	20,800	3.5
Redlands USD	21,000	5
Hemet USD	22,400	5
Chaffey Joint UHSD	25,000	7
Visalia USD	27,000	4
Torrance USD	28,000	5
Twin Rivers USD	30,000	7
Orange USD	30,000	4
Clovis USD	40,000	5
Sacramento City USD	48,000	4
San Bernardino City USD	55,000	8



## Appendix C

## XYZ UNIFIED SCHOOL DISTRICT

## RESOLUTION NO. \_\_\_\_

**RESOLUTION OF THE BOARD OF TRUSTEES OF XYZ UNIFIED SCHOOL DISTRICT  
TO PROVIDE FOR INFORMAL BIDDING PROCEDURES UNDER THE  
UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT  
(SECTION 22000, ET SEQ. OF THE PUBLIC CONTRACT CODE)**

**WHEREAS**, the California Uniform Cost Accounting Act at Public Contract Code 22000 et seq. ("Act") permits the District to utilize "informal" bidding procedures for public works projects of the District which fall within the purview of the Act.

**WHEREAS**, By Resolution duly adopted by the Board on January 13, 2013 the District has elected to become subject to the Act.

**WHEREAS**, to engage in the informal bidding procedures permitted under the Act, the District must adopt procedures governing the District's selection of contractors for public works projects subject to the Act.

**NOW THEREFORE**, the following Resolutions are adopted:

**RESOLVED, Informal Bid Procedures.** Public projects, as defined by the Act, of one hundred seventy five thousand dollars (\$175,000) or less may be let to contract by informal bidding procedures as set forth in Section 22032, et seq., of the Public Contract Code.

**RESOLVED, Contractors List.** A list of contractors shall be developed and maintained in accordance with the provisions of Section 22034 of the Public Contract Code and criteria promulgated from time to time by the California Uniform Construction Cost Accounting Commission.

**RESOLVED, Notice of Inviting Informal Bids.** Where a public project to be performed is subject to the provisions of this Resolution, a notice inviting informal bids shall be mailed to all contractors for the category of work to be bid, as shown on the list developed in accordance with this Resolution and /or to all construction trade journal as specified by the California Uniform Construction Cost Accounting Commission in accordance with Section 22036 of the Public Contract Code. Additional contractors and/or construction trade journal may be notified at the discretion of the District's Assistant Superintendent, Administrative Services or designee; provide however:

- a. If there is no list of qualified contractors maintained by the District for the particular category of work to be performed, the notice inviting bids shall be sent only to the construction trade journals specified by the Commission.
- b. If the product or service is proprietary in nature such that it can be obtained only from a certain contractors the notice inviting informal bids may be sent exclusively to such contractors.

**RESOLVED, Award to Contracts.** The District's Assistant Superintendent, Administrative Services and/or designee are each authorized to award informal contracts pursuant to this Resolution.

**RESOLVED, Effective Date.** This Resolution shall take effect immediately.

\_\_\_\_\_  
President  
XYZ Unified School District  
Board of Trustees

\_\_\_\_\_  
Clerk  
XYZ Unified School District  
Board of Trustees

SAMPLE LETTER TO STATE CONTROLLER  
(Only need to submit the first time District elects to participate in CUPCCAA)

January 14, 2013

Office of State Controller  
Division of LGFA  
Bureau of Accounting & Budgeting Procedures  
PO Box 942850  
Sacramento, CA 94250-5876

Attn: State Controller

Re: Uniform Construction Cost Accounting Act

The Governing Board of XYZ Unified School District has elected by resolution to become subject to the Uniform Construction Cost Accounting Act procedures regulated by the Controller pursuant to Public Contract Code Section 22019. The enclosed resolution shall take effect upon adoption, dated January 14, 2013.

Sincerely,

Insert Name  
Director of Purchasing

cc: \_\_\_\_\_ COE (Business Official)

## Sample Advertisement Request

November 17, 2012

TO: Builders Exchange

**Please submit the following advertisement in your November Publications. It is my understanding there is no cost to the District. Please send proof of publication to my attention. Thank you.**

ANNUAL INVITATION FOR CONSTRUCTION BID LIST

Notice is hereby given that XYZ Unified School District invites all contractors to be included on the District's construction bid list by submitting the following information:

- 1) contractor name and address to where bid notices should be mailed
- 2) telephone number where contractor may be contacted
- 3) facsimile number where contractor may be contacted
- 4) type of work that contractor is interested and currently licensed to do
- 5) class of contractor's license(s) held
- 6) contractor's license number(s) for each type of work
- 7) email address

Submit all required information in writing prior to December 31, 2012 to:

XYZ Unified School District  
Purchasing Department  
Construction Bid List  
1234 Main Street  
XYZ, CA 00000

Or fax to: XXX-123-4568  
Purchasing Department  
Construction Bid List

## Appendix D

Vendor	PO #	Is the requisitioner independent from the purchaser?	Is the vendor independent of the requisitioner and purchaser?	Is there evidence of the use of a competitive process?	Does the purchase comply with district policies?	Does the purchase comply with procurement law?	Is the account coding correct?	Requisitioner	Competitive Process
GARLAND COMPANY, INC.	P110598	Y	Y	Y	Y	Y	Y	P. Fielding	CMAS
GARLAND COMPANY, INC.	P111706	Y	Y	Y	Y	Y	Y	P. Fielding	CMAS
GARLAND COMPANY, INC.	P121796	Y	Y	?	?	Y	Y	P. Fielding	Not indicated
GARLAND COMPANY, INC.	P121797	Y	Y	?	?	Y	Y	P. Fielding	Not indicated
GOLDEN STAR TECHNOLOGY-GST E-SYSTEMS	P113564	?	Y	?	Y	Y	Y	Not indicated	Not indicated
GOLDEN STAR TECHNOLOGY-GST E-SYSTEMS	P121944	Y	Y	?	Y	Y	Y	O. David	Not indicated
KOURY ENGINEERING & TESTING, INC.	P110680	Y	Y	?	?	Y	Y	P. Fielding	Not indicated
KOURY ENGINEERING & TESTING, INC.	P110681	Y	Y	?	?	Y	Y	P. Fielding	Not indicated
KOURY ENGINEERING & TESTING, INC.	P120796	Y	Y	?	?	Y	Y	P. Fielding	Not indicated
KOURY ENGINEERING & TESTING, INC.	P121988	Y	Y	?	?	Y	Y	P. Fielding	Not indicated
PETRO-DIAMOND INCORPORATED	P110013	Y	Y	?	?	Y	Y	C. Russell	Not indicated
PETRO-DIAMOND INCORPORATED	P120074	Y	Y	?	?	Y	Y	C. Russell	Not indicated
J.W. MARKETING, INC.	P110514	Y	Y	?	Y	Y	Y	D. Obert	Quote
J.W. MARKETING, INC.	P110643	Y	Y	?	Y	Y	Y	H. Anderson	Quote
BELTMANN GROUP, INC.	P110595	Y	Y	?	?	Y	Y	D. Donski	Not indicated
BELTMANN GROUP, INC.	P120762	Y	Y	?	?	Y	Y	D. Donski	Not indicated
BELTMANN GROUP, INC.	P120763	Y	Y	?	?	Y	Y	D. Donski	Not indicated
DISCOUNT AUDIO, INC	P110922	Y	Y	N/A	Y	Y	Y	Peterson	De minimis
CRISP ENTERPRISES dba C2 REPROGRAPHICS	P111992	Y	Y	N/A	Y	Y	Y	D. Meyer	De minimis
JOHNSON, DONALD SR.DBA:IN-LINE COMMUNICATIONS	P112344	Y	Y	N/A	Y	Y	Y	M. Tabaldo	De minimis
INDEPENDENT STATIONERS INC.DBA IS.GROUP	P112551	?	Y	N/A	Y	?	?	Not indicated	De minimis
HARRIS STATIONERS,INC DBA HARRIS OFFICE	P113230	Y	Y	N/A	Y	Y	Y	K. Brotter	De minimis
STEPHEN CONTI	P113569	Y	Y	N/A	Y	Y	Y	A. Kwong	De minimis
PBS VIDEO	P121165	Y	Y	N/A	Y	Y	Y	Hagiya	De minimis
VIRCO MFG CORP.	P121458	Y	Y	?	Y	Y	Y	R. Harman	Quote
R.M. SYSTEMS, INC.	P121040	?	?	?	?	?	?	Not indicated	Not indicated
TRENDEX INC	P120602	?	Y	?	Y	?	?	Not indicated	Quote
CAROLEE KOEHN HURTADO	P120512	Y	Y	N/A	Y	Y	Y	T. Lanphere	De minimis
HARRIS STATIONERS,INC DBA HARRIS OFFICE	S120063	Y	Y	?	Y	N/A	N/A	Warehouse	Quote
UNISOURCE MAINT SUPPLY SYSTEMS	S120029	Y	Y	Y	Y	N/A	N/A	Warehouse	Quote

PO #	Vendor	Point
P121796	GARLAND COMPANY, INC.	Previous Garland POs indicated CMAS pricing. PO amount is \$2,436,156.35 for modernization roofing materials. Was a competitive process used for this PO?
P121797	GARLAND COMPANY, INC.	Previous Garland POs indicated CMAS pricing. PO amount is \$467,574.16 for modernization roofing materials. Was a competitive process used for this PO?
P113564	GOLDEN STAR TECHNOLOGY-GST E-SYSTEMS	Who is the requisitioner? Is he/she independent from the buyer?
		PO amount is \$30,013.19 for laptops. It is under the bid limit but was a competitive process used?
P121944	GOLDEN STAR TECHNOLOGY-GST E-SYSTEMS	PO amount is \$33,371.39 for computers. It is under the bid limit but was a competitive process used?
P110680	KOURY ENGINEERING & TESTING, INC.	PO amount was increased three times from \$66,051 to \$86,051 (30%) for modernization construction & materials testing at Bert Lynn. Why? Was a competitive process used?
P110681	KOURY ENGINEERING & TESTING, INC.	PO amount was increased three times from \$53,499 to \$83,499 (56%) for modernization construction & materials testing at Seaside. Why? Was a competitive process used?
P120796	KOURY ENGINEERING & TESTING, INC.	PO amount was increased from \$25,000 to \$87,647 (251%) for modernization construction & materials testing at Seaside (see P110681). Why? Was a competitive process used?
P121988	KOURY ENGINEERING & TESTING, INC.	PO amount is \$207,723 for modernization construction & materials testing at North. Was a competitive process used?
P110014	PETRO-DIAMOND INCORPORATED	PO amount was increased four times from \$50,000 to \$271,000 (442%) for gasoline & diesel for district vehicles (see P110681). Why? Was a competitive process used?
P120074	PETRO-DIAMOND INCORPORATED	PO amount was increased four times from \$10,000 to \$230,000 (2200%) for gasoline & diesel for district vehicles (see P110681). Why? Was a competitive process used?
P110514	J.W. MARKETING, INC.	Quote is shown but were any other quotes sought?
P110643	J.W. MARKETING, INC.	Quote is shown but were any other quotes sought?

P110595	BELTMANN GROUP, INC.	PO amount is \$150,000 for modernization furniture moving at South. Was a competitive process used?
P120762	BELTMANN GROUP, INC.	PO amount is \$223,360.50 for modernization furniture moving at Hickory. Was a competitive process used?
P120763	BELTMANN GROUP, INC.	PO amount is \$180,000 for modernization furniture moving at Madrona. Was a competitive process used?
P112551	INDEPENDENT STATIONERS INC.DBA IS.GROUP	Who is the requisitioner? Is he/she independent from the buyer?
		Account code is not indicated.
P121458	VIRCO MFG CORP.	Quote is shown but were any other quotes sought?
P121040	R.M. SYSTEMS, INC.	Who is the requisitioner? Is he/she independent from the buyer?
		Is R.M. Systems, Inc. independent of the buyer?
		Was a competitive process used to select this vendor?
		Account code is not indicated.
P120602	TRENDEX INC	Account code is not indicated.
		Reference to a quote is provided but were any other quotes sought?
S120063	HARRIS STATIONERS,INC DBA HARRIS OFFICE	Reference to a quote request is provided but were any other quotes sought?