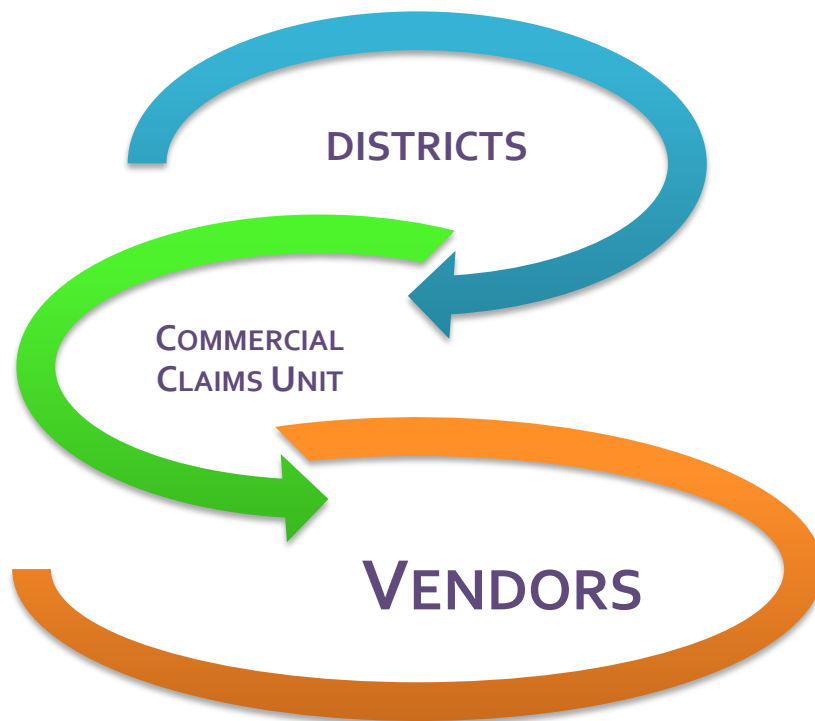




**Los Angeles County
Office of Education**

Serving Students ▪ Supporting Communities
Leading Educators



School Financial Services

Commercial Claims Documentation
And Checklist Guide

MISSION STATEMENT

Commercial Claims Unit on behalf of the county superintendent provides excellent services in examining expenditures by local educational agencies under its jurisdiction to ensure authority and legality as mandated by California Education Code 42636/8523.

COMMERCIAL CLAIMS UNIT CONTACT INFORMATION

ADDRESS

Commercial Claims Unit
School Financial Services (SFS) Division
Los Angeles County Office of Education
9300 Imperial Hwy
Downey Ca 90242

PHONE

(562) 922 6633

EMAIL

sfscommercialclaims@lacoed.edu

WEBSITE

[www.lacoed.edu/BusinessServices/
SchoolFinancialServices/CommercialClaims.aspx](http://www.lacoed.edu/BusinessServices/SchoolFinancialServices/CommercialClaims.aspx)

**REFER TO COMMERCIAL CLAIMS WEBSITE
FOR YOUR DISTRICT CONTACT STAFF**

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INTRODUCTION

OVERVIEW

The county superintendent of schools is required by California Education Code 42636/85235 to examine expenditures of local educational agencies under its jurisdiction to ensure authority and legality of expenditures. The Commercial Claims Unit (CCU), School Financial Services (SFS), Los Angeles County Office of Education (LACOE), carries out this function. CCU reviews and approves district commercial payments.

The County Office uses the PeopleSoft Financial System (PSFS) for the review and approval of these expenditures. It is the source of all information concerning the status of vouchers and commercial payments. Please contact PSFS security team at sfssecurity@lacoedu if you need access to PSFS.

PURPOSE OF THIS MANUAL

This manual is to assist the district staff in proper disbursement of vendor payments and support compliance with education, government and public contract codes and other regulations governing public fund contracting and expenditures.

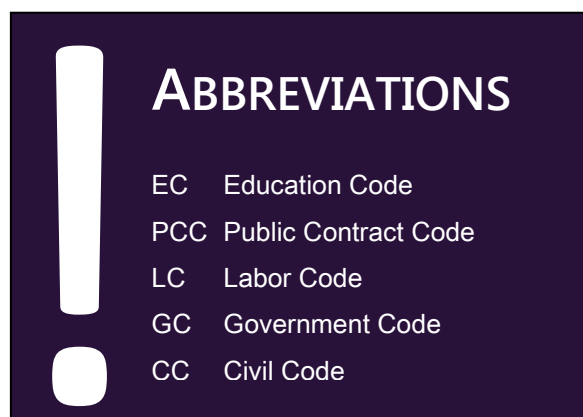
The district is required to refer to this document when sending supporting documentation to CCU. It is recommended that a copy be distributed to Purchasing, Facilities and Accounts Payable staff.

The ultimate responsibility to the taxpayer in ensuring that funds are properly safeguarded and expended lies with the district. It is important the district has an effective system of internal control. The county's review function should not be substituted for the district's own system of checks and balances.

Please review the manual carefully. Your suggestions for additions or improvements are welcome and should be submitted to SFSSystemsandDistrictSupport@lacoedu. LACOE encourages changes which save time, eliminate unnecessary work or duplication of work and/or improve processing procedures, as long as such recommended changes meet all legal requirements.

Codes are listed by name and number for reference and are not quoted in full. For a comprehensive understanding, please refer to a particular code's complete text which can be found at <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

FOR QUESTIONS REGARDING THE PROCESSING OF VENDOR PAYMENTS, CONTACT YOUR CCU REPRESENTATIVE. REFER TO OUR WEBSITE FOR THE CONTACT LIST.



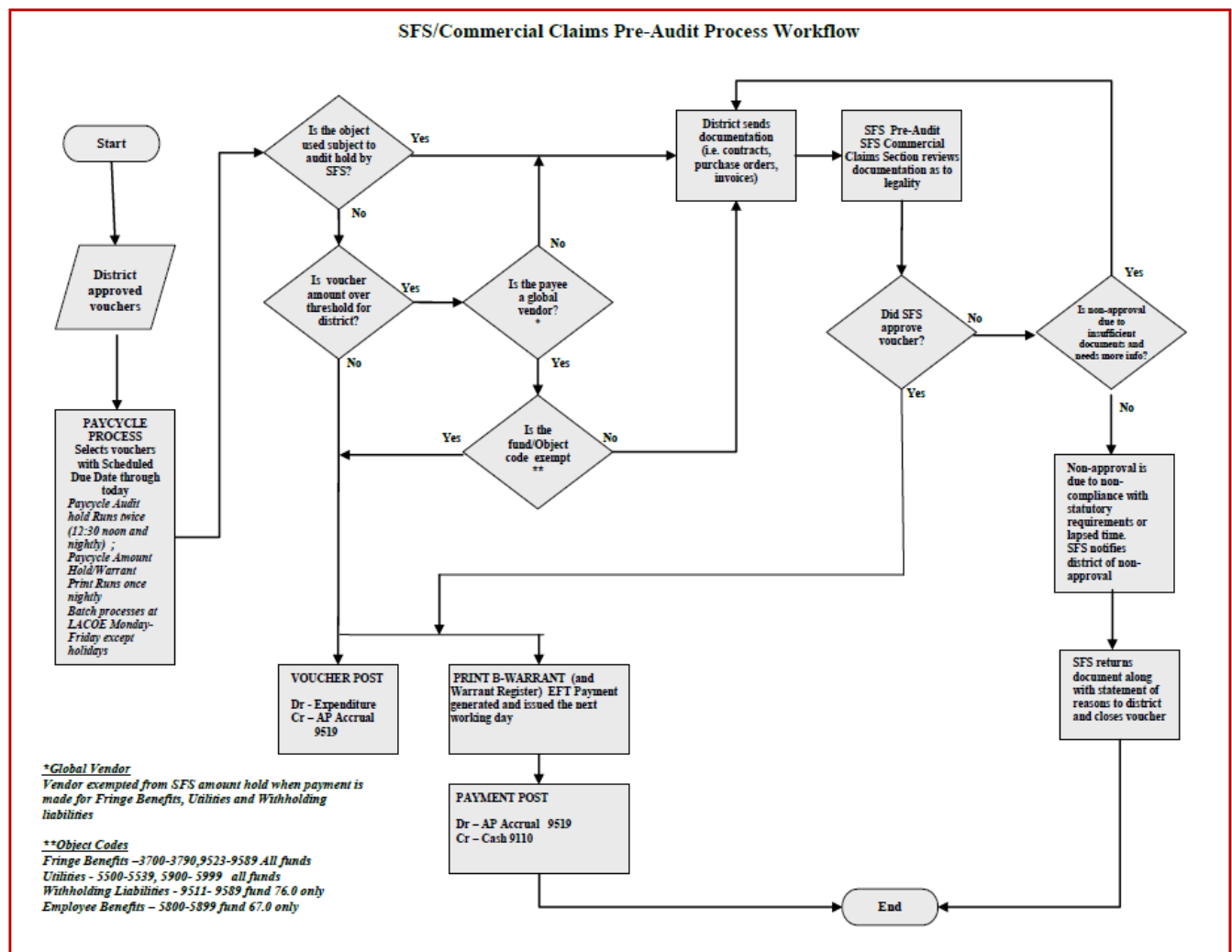
ABBREVIATIONS	
EC	Education Code
PCC	Public Contract Code
LC	Labor Code
GC	Government Code
CC	Civil Code

VOUCHER REVIEW PROCESS

DISTRICT ROLE IN APPROVAL PROCESS

District enters and approves vouchers in PSFS based on a district's particular policies and procedures. Interface districts use their own financial system to enter and approve vouchers. Vouchers are interfaced to PSFS for approval. District approvers are required to review required backup documentations and ensure they are complete before approving vouchers in PSFS. This will expedite the approval of the voucher when routed to CCU.

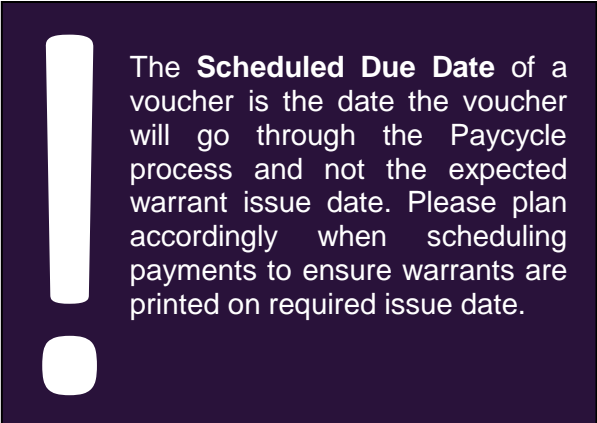
PRE-AUDIT VOUCHER PROCESS FLOW



PAYCYCLE PROCESS

All vouchers approved at the district level do not automatically generate a warrant or become subject to review by the County Office.

When the Paycycle process runs, items that meet the Audit Criteria; Audit or Amount Hold are flagged and warrants are generated for the rest of the approved vouchers in PSFS. If one of the audit criteria is met, the vouchers will be in suspense until supporting documentation is reviewed and approved by CCU. Each district is assigned a CCU Representative to review vouchers in suspense.



The **Scheduled Due Date** of a voucher is the date the voucher will go through the Paycycle process and not the expected warrant issue date. Please plan accordingly when scheduling payments to ensure warrants are printed on required issue date.

The Paycycle runs nightly. In addition to the nightly batch process, the Audit Hold process also runs at 12:30 pm daily. Vouchers entered before 12:30 pm which are subject to Audit Hold will be routed to SFS for review after this process runs. These vouchers are visible in the approval panel for CCU review.

For more information on Paycycle, please refer to the [LACOE Accounts Payable Manual](#).

AUDIT CRITERIA

AUDIT HOLD (AUD) – This occurs when a specific expenditure is held because of the type of expenditure identified by the Object Code. Payments for contracts that cannot be completed in one year or are subject for verification of compliance with applicable codes are generally auditable regardless of amount. The following expenses are subject to audit:

- Leases and Rentals
- Construction
- Consultants
- Legal
- Accrued Expenses
- Settlement Agreements
- Payroll related accounts

Exhibit 1 & 2 shows the general audit code profile for K-12 and Community College districts.

AMOUNT HOLD (AMT) – These are vouchers held because the total amount payable to the same vendor exceeds the district dollar threshold. The purpose of the amount hold is to review items to ensure that projects are not split into several vouchers in order to circumvent competitive bidding and bond requirements.

GLOBAL VENDOR EXEMPT FROM AUDIT HOLD OR AMOUNT HOLD – Certain types of payments such as utility bills to Edison, The Gas Company etc., payroll withholdings and fringe benefits expenditures have been streamlined to allow efficient payment. The district can request these vendors to be classified as Global Vendors to exempt the vouchers from being held for Audit or Amount Hold.

Exemption is based on the combination of Fund and Object Code used in the voucher for Global Vendors. If a multiple line item voucher contains a line item with a Fund/Object combination not allowable for global vendors, the whole voucher will be placed on audit or amount hold.

Designation of a vendor as global/exempt is limited to payments of the following Fund/Object combinations:

Description	Fund Types	Object Codes
Fringe Benefits	All Funds	3400-3499/3700-3799
Fringe Benefits Offsetting Accounts	All Funds	9525-9589
Utilities	All Funds	5500-5539/5550-5599/ 5900-5999
Employee Benefits (Self Insurance Funds)	67x	5800-5899
Associated Student Trust Fund	71x	5800-5899
Financial Aid	74.0	7530/7531/7550
Withhold/Payroll Liabilities	76.0	9511-9518

Procedures and other information regarding Global Vendor set up can be found in LACOE Bulletin [4291](#) issued on January 28, 2016. Additional information regarding Global Vendor set up can also be found in the [LACOE Accounts Payable Manual](#).

SUSPENSE REGISTER

The Suspense Register is a daily report generated from PSFS to show the:

- Voucher status and reason why warrant was not printed
- Vouchers held for audit or amount hold
- Vouchers approved at the district level, but warrants were not printed

The Suspense Register Report, LACSUREG can be downloaded from Reports and Data (RAD). Contact sfssecurity@laoe.edu if you require access to RAD. See sample below.

PAYEE	VOUCHER ID	REF NO	PO NUMBER	FUND	RBS	PRJ GOAL	FUNCT OBJ SCH/LOC AC	AMOUNT BY ACCOUNT	AMOUNT BY VOUCHER	SCHED DUE DT	STATUS
ADP CONSTRUCTION INSPB	XP16313A		16-1319	35.0	77100.0	0-00000-85000-6260-0000000	CC	9,590.00	7,590.00	03/10/16	AUD
INSTITUTE FOR THE TOTAL CARE	XP16123C		16-112322	01.0	65000.0	0-57500-11800-5847-0000625	FB	2,127.23	2,127.23	03/17/16	AUD
	XP16123D		16-112345	01.0	65000.0	0-57500-11800-5847-0000625	FB	2,241.94	2,241.94	03/17/16	AUD
	XP16123E		16-112311	01.0	65000.0	0-57500-11800-5847-0000625	FB	2,082.94	2,082.94	03/17/16	AUD
	XP16123F		16-112320	01.0	65000.0	0-57500-11800-5847-0000625	FB	1,853.52	1,853.52	03/17/16	AUD
JJ Printing, INC.	XP160869		16-086977	01.0	40350.0	0-00000-21400-5850-0000624	IC	2,234.91	2,234.91	03/17/16	AUD
TOTAL VOUCHERS IN AUDIT CODE HOLD :			6	TOTAL AMOUNT IN AUDIT CODE HOLD :				20,130.54			
TOTAL VOUCHERS IN AMOUNT HOLD :			0	TOTAL IN AMOUNT HOLD :				0.00			
				TOTAL AMOUNT IN SUSPENSE :				20,130.54			

AD - Approved at the District Level
 DD - Denied at the District Level, Needs to be deleted by the District
 PD - Pending District Level Approval
 OH - Payment Manually Placed on Hold
 PS - System Error, Contact LACOE
 AMT - On hold due to Amount
 AUD - On hold due to Audit Code
 DEN - Denied by SFS, Needs to be deleted by SFS
 APRV - Approved by SFS, a warrant will be issued in the next pay cycle
 *** Excluded from this report are vouchers with a "Denied" status and a Scheduled Due Date that is six months or more past the current date of this report ***

SUSPENSE REGISTER STATUS DESCRIPTION

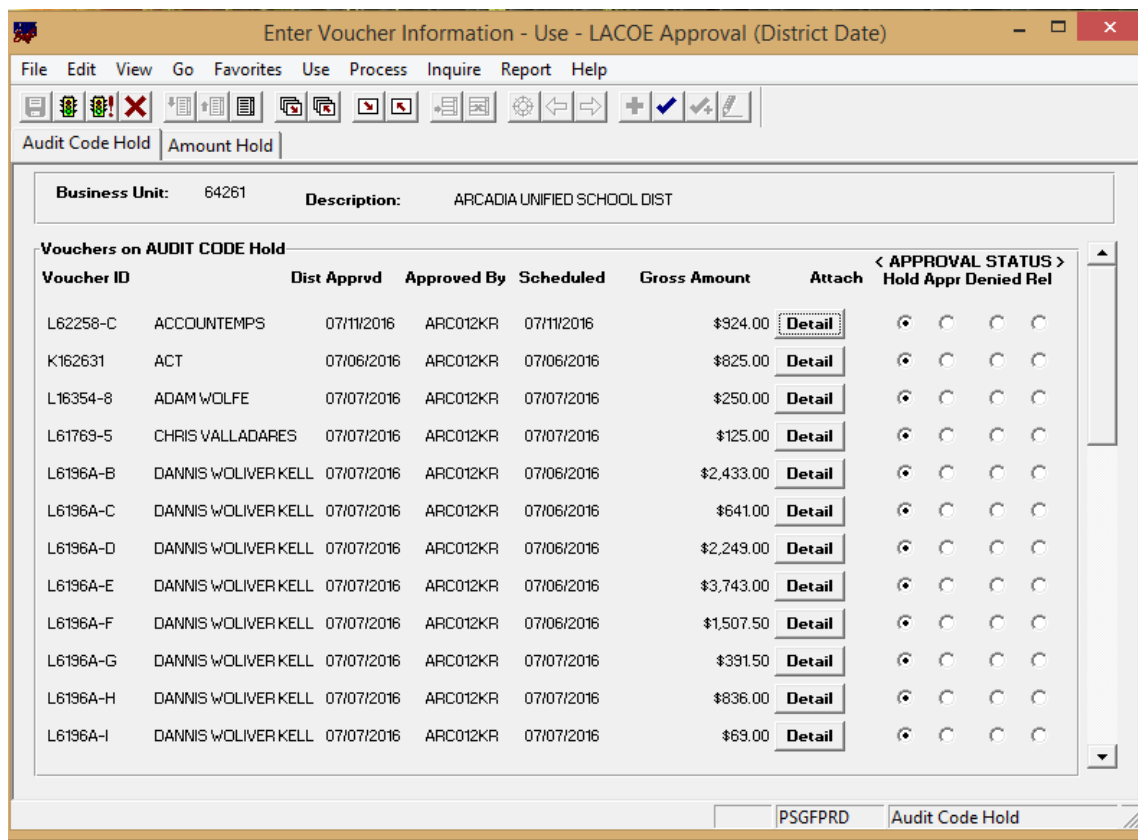
Description	Description
AD Approved at district level.	AUD On hold due to audit code. District to send *required documentation to their Commercial Claims Representative at SFS.
DD Denied at district level. The district needs to delete this voucher.	AMT On hold due to amount. District to send *required documentation to their Commercial Claims Representative at SFS.
PD Pending district level approval. District needs to approve voucher	DEN Denied by SFS. Voucher will be deleted by the SFS Commercial Claims Section.
OH Payment manually placed on hold. The system will not issue the warrant till the hold has been removed.	APRV Approved by SFS. A warrant will be issued in the next Paycycle run.
PS The system has detected an error and advises the user to call SFS Accounts Payable	

*Refer to the type of expense or object code in this manual for the checklist of required documentation.

LACOE VOUCHER APPROVAL STATUS/VOUCHER SUMMARY

In lieu of the Suspense Register, you can view in real time the list of pending vouchers on the LACOE Voucher Approval Status panel. The navigation is:

- **Go** → Administer Procurement → Enter Voucher Information
- **Inquire** → LACOE Approval (District Date) → Audit Code or Amount Hold



The screenshot shows a software window titled "Enter Voucher Information - Use - LACOE Approval (District Date)". The window has a menu bar (File, Edit, View, Go, Favorites, Use, Process, Inquire, Report, Help) and a toolbar with various icons. Below the toolbar, there are tabs for "Audit Code Hold" and "Amount Hold". The main area displays the following information:

Business Unit: 64261 **Description:** ARCADIA UNIFIED SCHOOL DIST

Vouchers on AUDIT CODE Hold

Voucher ID	Dist Apprvd	Approved By	Scheduled	Gross Amount	Attach	< APPROVAL STATUS >			
						Hold	Appr	Denied	Rel
L62258-C	ACCONTEMP	07/11/2016	ARC012KR	07/11/2016	\$924.00	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
K162631	ACT	07/06/2016	ARC012KR	07/06/2016	\$825.00	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
L16354-8	ADAM WOLFE	07/07/2016	ARC012KR	07/07/2016	\$250.00	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
L61763-5	CHRIS VALLADARES	07/07/2016	ARC012KR	07/07/2016	\$125.00	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
L6196A-B	DANNIS WOLIVER KELL	07/07/2016	ARC012KR	07/06/2016	\$2,433.00	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
L6196A-C	DANNIS WOLIVER KELL	07/07/2016	ARC012KR	07/06/2016	\$641.00	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
L6196A-D	DANNIS WOLIVER KELL	07/07/2016	ARC012KR	07/06/2016	\$2,249.00	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
L6196A-E	DANNIS WOLIVER KELL	07/07/2016	ARC012KR	07/06/2016	\$3,743.00	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
L6196A-F	DANNIS WOLIVER KELL	07/07/2016	ARC012KR	07/06/2016	\$1,507.50	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
L6196A-G	DANNIS WOLIVER KELL	07/07/2016	ARC012KR	07/07/2016	\$391.50	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
L6196A-H	DANNIS WOLIVER KELL	07/07/2016	ARC012KR	07/07/2016	\$836.00	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>
L6196A-I	DANNIS WOLIVER KELL	07/07/2016	ARC012KR	07/07/2016	\$69.00	Detail	<input checked="" type="radio"/>	<input type="radio"/>	<input type="radio"/>

At the bottom right of the window, there are buttons for "PSGFPRD" and "Audit Code Hold".

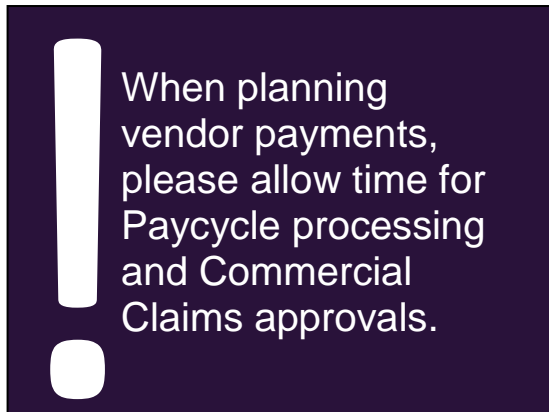
You can verify the status of your voucher in PSFS by going to the Voucher Summary panel shown below.

- **Go** → Administer Procurement → Voucher Information
- **Use** → Voucher → Voucher Summary

VOUCHER PROCESSING TIME

Vouchers are processed in the order approved by the district in PSFS and complete required documentation received. Please ensure to submit all required backup documents in a timely manner to expedite the processing of vouchers. Include your contact information on the documents submitted. If there are missing documents, CCU will contact you.

Please anticipate your needs by allowing time for Paycycle processing and processing time for your voucher to be approved.



BACKUP DOCUMENTATION REQUIREMENTS

[EC 42635/85235]

FORMAT FOR BACKUP DOCUMENTATION

For vouchers held for audit or amount hold, district is required to email backup documents or attach documents in PeopleSoft. If sending documents by email, complete the Electronic Voucher Request Claim (EVRC) form and send with the required backup documents. This is the naming convention for backup documents: **BU #_Voucher #_Vendor Name_PO/Contract #**. You can download the form from our website by clicking [Electronic Voucher Request Form](#) or contact CCU. If using the document attachment feature in PSFS, ensure the contact information is entered in the comments so CCU can contact you for questions. You can refer to Bulletin [4268](#) issued on January 11, 2016 on our website on how to use the Electronic Voucher Request Claim form or Bulletin [4192](#) issued on September 18, 2015 for PeopleSoft voucher attachment.

AUTHORIZED SIGNATURES

[EC 42632/85232,42633/85233]

Expenditure must be authorized by a person that was approved by the governing board as shown on the Certification of Signatures required to be filed annually by the district. District on-line approvers of voucher requests should be on the current Certification of Signatures on file at the County office.

When changes in signature authorizations occur before the expiration of the annual Resolution, the district must submit a new Resolution. The new Resolution will rescind all previous signature Resolutions. The Resolution signed by the Clerk of the Board, accompanied by Board minutes will suffice.

Delegation of Power

[EC17604] Wherever in this code the power to contract is invested in the governing board of the school district or any member thereof, the power may by a majority vote of the board be delegated to its district superintendent, or to any persons that he or she may designate, or if there be no district superintendent then to any other officer or employee of the district that the board may designate. The delegation of power may be limited as to time, money or subject matter or may be a blanket authorization in advance of its exercise, all as the governing board may direct. However, no contract made pursuant to the delegation and authorization shall be valid or constitute an enforceable obligation against the district unless and until the same shall have been approved or ratified by the governing board, the approval or ratification to be evidenced by a motion of the board duly passed and adopted.

When the change in signature authorization occur, the approving rights given to the exiting personnel should be deactivated. A PeopleSoft Operator Security form (which can be obtained from our website) should be completed and submitted to the PeopleSoft Security Unit to request deactivation of the approving rights. Please submit form to PeopleSoft Security Unit at SFSSecurity@laco.edu.

A signature on an expired Certification of Signatures Resolution will not be honored for purposes of approving voucher requests. If the resolution expires before the scheduled organizational meeting, submit a letter requesting an extension to honor the signatures until a new Resolution is approved within thirty (30) days after the expiration date. Refer to Bulletin [4491](#) issued on November 9, 2016 on Annual Certification of Signature Resolution.

BOARD APPROVAL OR BOARD ACTION

Education Code EC35163 states that “Every official action taken by the governing board of every school district shall be affirmed by a formal vote of the members of the board, and the governing board of every school district shall keep minutes of its meetings, and shall maintain a journal of its proceedings in which shall be recorded every official act taken.”

When Board Approval is requested, proof that the meeting took place and the action was affirmed by a formal vote is required. This can be in the form of a copy of the minutes showing the vote or an actual Board Approval form signed by the secretary of the board. The governing board may also adopt a rule delegating to any officer or employee of the district the authority to purchase supplies, materials, equipment or services. This should be specifically indicated on the Certification of signatures on file for that district.

All transactions entered into by delegation shall be reviewed and ratified by the governing board every 60 days. [EC17605, EC35250, EC35024 and EC17604]

GENERAL INFORMATION ABOUT INVOICES

[EC 42634] states that each order for products and services shall be accompanied by an itemized invoice showing the separate items and the price of each.

Where it is impractical to secure an itemized invoice, a summarized billing is acceptable. Invoices must be legible and at minimum include the following:

- Name and address of company or person submitting invoice
- Name of district
- Date of invoice
- Purchase Order number (if applicable)
- Special terms, such as discounts
- Description of each item
- Quantity
- Unit price, extended price for each item
- Hours and rates for labor charges
- Freight charges (if applicable)
- Subtotals of amounts subject to sales tax
- Amount of sales tax (if applicable)

- Total amount of invoice

To assist district in taking advantage of cash discounts, district needs to indicate this on the EVRC form submitted so the processing of the voucher can be expedited.

CONSTRUCTION/PUBLIC WORKS PROCESS

The following contracts are subject to competitive bidding:

- Purchase of equipment, materials, or supplies to be furnished, sold or leased to the district that are over the current bid threshold set by the State Superintendent of Public Instruction (SSPI) annually
- Services/Construction/public projects
- Repairs over bid threshold. Please see PCC section 20115, and definition of maintenance projects in PCC section 22002(c)

Construction includes: new construction, demolition, reconstruction, site improvement and building improvements.

Site improvements include: parking lot additions, ramp additions, drainage, sewerage and other utilities, walks and drives, landscaping and fencing.

Building improvements include: structural changes, installation and upgrade of heating and cooling system, window or door frames, wall or ceiling coverings, or communication equipment, and conversion of a room to a classroom space.

Please refer to PCC Section 22002 for public project definition and PCC Section 20115 for maintenance definition. The table below summarizes the differences. Knowing the difference will help you know what section to refer to for the backup documents required when you have a construction project expense.

PUBLIC WORKS	MAINTENANCE
<ul style="list-style-type: none"> • Construction • Re-construction • Improvement • Demolition • Repair • Renovation • Painting 	<ul style="list-style-type: none"> • Routine • Re-occurring/Scheduled • Preventative • Re-surfacing less than 1-inch • Landscape Maintenance (moving, watering, trimming, planting, service irrigation) • Minor Painting

FORMAL BID DOCUMENTATION REQUIREMENTS

Formal bidding is required for expenditures of more than \$15,000 for public projects and construction services, or more than the bid threshold adjusted every year for materials, equipment, or supplies as well as repairs and maintenance. [PCC 20111]/[PCC 20651]

The legal requirements of obtaining bids must also be observed for the purchase of materials such as diesel fuel, propane, oil or gasoline.

Submit the following documents to the Commercial Claims Unit when formal bidding is required.

DOCUMENTS REQUIRED INCLUDE:

1. Proof of Advertisement for Bid
2. Board action awarding bid
3. Pre-qualification of bidders (For districts with ADA of more than 2,500 with estimated expenditures of \$1 million or more and project is state funded)
4. Contract/agreement signed by both parties
5. Bid bond or security
6. Designation of sub-contractors
7. Payment bond (if over \$25,000)
8. Performance bond (when contractually called for and usually 100% of the contract amount)
9. General insurance as contractually specified
10. Workers compensation insurance as required by code
11. Escrow Agreement (if retention is deposited to an escrow account)
12. Progress Payment invoice or AIA Application for Payment with appropriate approvals to pay invoice (i.e., district, architect, inspector, and contractor with retention being withheld)
13. Board Acceptance of Completion
14. Recorded Notice of Completion
15. Stop Payment Notice and Release of Stop Payment Notice
16. Change order with board approval as needed

PROOF OF ADVERTISEMENT FOR BID

Notice Calling for Bids

There should be an advertisement calling for bids at least once a week for two weeks in some newspaper of general circulation published in the district, or if there is no such paper then in some newspaper of general circulation, circulated in the county, and may post on the district's Web site or through an electronic portal.

[PCC20112] For the purpose of securing bids the governing board of a school district shall publish at least once a week for two weeks in some newspaper of general circulation published in the district, or if there is no such paper then in some newspaper of general circulation, circulated in the county, and may post on the district's Web site or through an electronic portal, a notice calling for bids, stating the work to be done or materials or supplies to be furnished and the time when and the place and the Web site where bids will be opened. Whether or not bids are opened exactly at the time fixed in the public notice for opening bids, a bid shall not be received after that time. The governing board of the district may accept a bid that was submitted either electronically or on paper.

BOARD ACTION AWARDING THE BID

Board action awarding bid to the lowest responsive bidder needs to be obtained.

PREQUALIFICATION OF BIDDERS

On September 30, 2013, the Governor signed Assembly Bill (AB) 1565, adding Section 20111.6 to the Public Contract Code. Beginning with contracts awarded on or after January 1, 2014, a school district with ADA over 2,500 is required to prequalify bidders for construction if:

1. The contract value is \$1,000,000 or more, and
2. The project is funded, in whole or in part, with State bond funds.

Public Contract Code section 20651.5 contains a similar authorization for **community college districts** but the **mandatory requirement** does not apply.

School boards must also adopt and apply a uniform system of rating bidders on the basis of the completed questionnaires and financial statements. The questionnaires, financial statements and rating system must cover, at a minimum, all of the issues included in the standardized questionnaire and model guidelines for rating bidders developed by the Department of Industrial Relations (DIR).

[PCC20651.5] (a) The governing board of any community college district may require each prospective bidder for a contract, as described under Section 20651, to complete and submit to the district a standardized questionnaire and financial statement in a form specified by the district, including a complete statement of the prospective bidder's financial ability and experience in performing public works.

If a public project covered by AB 1565 includes electrical, mechanical or plumbing components that will be performed by electrical, mechanical or plumbing contractors, the governing board must prepare a list of its prequalified general contractors and electrical, mechanical and plumbing subcontractors. The list must be available to all bidders at least five business days before the date fixed for public opening of sealed bids.

Governing boards may establish a process for prequalifying prospective bidders subject to AB 1565 on a **quarterly** or **annual** basis. **A prequalification is valid for one calendar year.**



Additionally, AB 1565 contains a “sunset” provision under which it ceases to be effective as of January 1, 2019, unless further legislative action is taken to extend the law.

On September 18, 2014, AB 1581 amended Education Code sections 17406 and 17407 (the lease leaseback statutes) to expressly provide that the **mandatory prequalification** requirements apply to the **lease-leaseback delivery projects**.

The Board must approve prequalification questionnaires, evaluation forms and scoring. EDC35161 states that a Board “may delegate to an officer or employee of the district any of [its] powers or duties.” If used for prequalification duties, the delegation should be specific.

When required, submit the following documents to the Commercial Claims Unit:

- Board adoption of the pre-qualification process
- Listing of prequalified general and MEP subcontractors

NOTE: A FORM TO ACKNOWLEDGE NON-USE OF STATE FUNDS (EXHIBIT 3) CAN BE SUBMITTED TO WAIVE THE REQUIREMENT FOR PRE-QUALIFICATION OF BIDDERS.

CONTRACT/AGREEMENT

A signed agreement from the vendor for the project should be obtained by the district.

Contracts are not legal obligation unless approved or ratified by the governing board.

This applies to **all** contracts, regardless of the dollar amount or time [EDC 17604].

CONTRACT TIME LIMITS

Work/Services/Equipment –
5 YEARS

Materials/Supplies –
3 YEARS

A CONTRACT MUST CONTAIN:

1. The date the contract was entered into.
2. The names of the parties to the contract.
3. The description of the work to be done or the services to be provided or materials, supplies and/or equipment to be supplied.
4. The duration of the contract and/or provision for termination or renewal.
5. The total amount obligated by the agreement with due date of obligation or payment.
6. A payment schedule with amounts for multiple payments.
7. The signatures of the authorizing parties.
8. Any other terms and conditions that the parties may require.
9. Where and how the contract is to be completed, if applicable.

Length of Contracts

[EC17596] Continuing contracts for work to be done, services to be performed or for apparatus or equipment to be furnished, sold, built, installed or repaired for the district, or for materials or supplies to be furnished or sold to the district may be made with an accepted vendor as follows: For work or services, or apparatus or equipment, not to exceed five years; for materials or supplies, not to exceed three years.

BID BOND OR SECURITY

A bid bond/security is issued as part of a bidding process by the surety to the project owner. It assures and guarantees that should the bidder be successful, the bidder will execute the contract and provide the required surety bonds. A bidder's bond made payable to the district shall accompany all bids for construction work under sealed cover. Other forms of bidder's security such as cash, a cashier's or certified check are acceptable. The security shall be in an amount equal to at least 10% of the amount of the bid. [\[PCC 20413\]](#)

DESIGNATION OF SUBCONTRACTORS

Provide list of subcontractors hired by the general contractor (or prime contractor, or main contractor) to perform a specific task as part of the overall project. **If there are no subcontractors, indicate "NONE" on the List of Sub-Contractors form. (Exhibit 4)**

PAYMENT BOND

The payment bond guarantees payment to subcontractors by the surety if the contractor defaults on payment; it is required on public works over \$25,000.00. The call for bids should state that a payment bond is required. The bond is required to be in place before any payment is made to the contractor and shall be 100% of the total contract amount. [\[CIV 9550\]](#), [\[CIV 9552\]](#)

A change in the contract amount will require an increase in the payment bond amount.

PERFORMANCE BOND

A performance bond is not required by code, but highly recommended by the School Legal Services. The recommendation is for a bond covering 100% of the contract amount.

GENERAL INSURANCE

Vendor should provide general liability insurance as contractually specified. This protects the district against claims for injury or other damages as a result of the contractor's work.

WORKER'S COMPENSATION INSURANCE

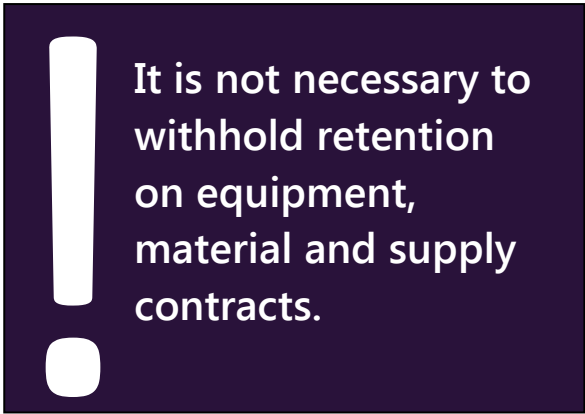
Vendor should provide workers compensation insurance, as required by code. This protects the vendor's employees while performing the work on the project.

PROGRESS PAYMENT INVOICE OR AMERICAN INSTITUTE OF ARCHITECT (AIA) APPLICATION FOR PAYMENT

A vendor should submit a Progress Payment Invoice or AIA Application for Payment with appropriate approvals to pay an invoice (i.e., district, architect, inspector, and contractor) with retention being withheld or payment made to escrow account.

The contractor can use any form to apply for payment as long as it shows the contract amount, change orders, retention, balance to completion, payments to date and schedule of values.

The signatures of Architect, Inspector, Contractor, and District Representative on Application and Certificate for Payment or Pay Application accompanying each progress payment requests are required on works that must comply with the Field Act, EDC 17280 – 17317, and 17295. Refer to Bulletin [4424](#) for Inspection of Work/Inspector and Architect Requirements on Works of Design, Construction, Alterations, or Additions to any School Buildings per the Field Act Education Codes (EDC) 17280 – 17317 issued on August 16, 2016.



It is not necessary to withhold retention on equipment, material and supply contracts.

Retention

[PCC9203] A payment on any contract with a local agency for the creation, construction, alteration, repair, or improvement of any public structure, building, road, or other improvement, of any kind which will exceed \$5,000, shall not be made in excess of 95% of the work completed and/or the materials delivered and/or stored.

ESCROW AGREEMENT FOR SECURITY DEPOSITS IN LIEU OF RETENTION

[PCC 22300]

Whenever contract documents require a retention to be withheld from progress payments, at the request and expense of the contractor, the funds withheld may be deposited to an escrow agent. An Escrow Agreement for Security Deposits in Lieu of Retention signed by the bank and the contractor could be executed and submitted. A statement of balance should accompany each payment request to ensure balance in the escrow is not less than the required retention balance.

DOCUMENTATION FOR ESCROW PAYMENTS INCLUDE:

- Escrow agreement signed by the contractor, district and escrow officer.
- If a vendor is paying into the escrow account, a letter from the escrow officer indicating the fund balance.

Exhibit 5: Escrow Form

RETENTION

RETENTION of not less than 5% is required on all progress payment over \$5,000 until final completion and acceptance of the project. However, at any time after 50% of the work has been completed, if the public agency finds that satisfactory progress is being made, it may make any of the remaining progress payments in full for actual work completed. **The release of the retention money requires board acceptance of the project as complete and a recorded Notice of Completion.**

Retention

[PCC9203] A payment on any contract with a local agency for the creation, construction, alteration, repair, or improvement of any public structure, building, road, or other improvement, of any kind which will exceed \$5,000, shall not be made in excess of 95% of the work completed and/or the materials delivered and/or stored.

[PCC22300] In addition, provision shall be included in the invitation for bid and in the contract document to permit the substitution of securities for any moneys withheld by a public agency. At the request and expense of the contractor, securities equivalent to the amount withheld shall be deposited with the public agency, or with a state or federally chartered bank in this state as the escrow agent, who shall then pay those moneys to the contractor. Upon satisfactory completion of the contract, the securities shall be returned to the contractor. The contractor deposits the funds with the escrow agent. The district shall deposit the retention directly to the escrow account.

Within **60 days** after the date of completion of the work of improvement, the retention withheld by the public entity shall be released unless there is a dispute between the public entity and the original contractor, the public entity may withhold from the final payment an amount not to exceed 150% of the disputed amount.

In addition, final payment (retention) requires a copy of the Notice of Completion recorded by the County Recorder. CCU will release Retention after 30 days from the County Recorder's date of completion.

PLEASE READ [\[PCC 7107\]](#) CAREFULLY BEFORE THE RELEASE OF RETENTION PAYMENTS.

BOARD ACCEPTANCE OF COMPLETION AND RECORDED NOTICE OF COMPLETION

COMPLETION means **any** of the following:

- (1) The occupation, beneficial use, and enjoyment of a work improvement, excluding any operation only for testing startup, or commissioning, by the public agency, or its agent, accompanied by cessation of labor on the work of improvement;
- (2) Acceptance by the public agency, or its agent, of the work of improvement;
- (3) A cessation of labor on the work of improvement for a continuous period of 100 days or more due to factors beyond the control of the contractor;
- (4) A cessation of labor on the work of improvement for a continuous period of 30 days or more, if the public agency files for record a notice of cessation or a **notice of completion**.

A NOTICE OF COMPLETION is a written notice verified and signed by the owner or his or her agent. It contains the date of completion, the name and address of the owner, the street address of the site (or school name), work done, and the name of the contractor. It notifies concerned parties that all work on the project has been completed. It also sets the period within which concerned parties may exercise their lien rights against one another. The Notice of Completion (Civic Code 9204) shall be -

1. Recorded on or within 15 days after the date of completion of a work of improvement
2. Shall be signed and verified by the public agency or its agent

3. Shall comply with the requirements of Chapter 2 (commencing with Section 8100) of Title 1; and
4. Shall also include the date of completion. An erroneous statement of the date of completion does not affect the effectiveness of the notice if the true date of completion is 15 days or less before the date of recordation of the notice.

When a Notice of Completion is recorded, the deadline for subcontractors and supplies to record a mechanics lien or file a stop payment notice is 30 days after the recordation. If no Notice of Completion is recorded, a contractor, subcontractor, or supplier will have from 90 to 150 days to record a mechanics lien or file a stop payment notice to secure payment for their services on the project.

THE IMPORTANCE OF A NOTICE OF COMPLETION: Although the recording of a Notice of Completion is not absolutely required on any given project, it is very important on a construction project. Where a valid Notice of Completion is recorded as stated above, a contractor, subcontractor or supplier under most circumstances must record a mechanics lien or file a stop payment notice within only thirty days thereafter, they don't have a longer period to do this which is this case where there is no valid Notice of Completion recorded. Under the same circumstances, a prime contractor has only sixty days after the recording of a valid Notice of Completion to record a mechanics' lien. Failure to meet these deadlines often results in loss of the right to a mechanics lien or stop payment notice.

Through the proper use of a valid "Notice of Completion" districts can protect themselves by accelerating the date for filing of mechanics liens and stop payment notices.

STOP PAYMENT NOTICE AND RELEASE OF STOP PAYMENT NOTICE

STOP PAYMENT NOTICE is a notice to withhold funds, sent to the agency that is providing the construction funds for a project. The purpose of the Stop Payment Notice is to provide the financier of the construction project notice that there is money owed to a contractor, subcontractor or supplier so that an inquiry can be made as to why that money is not being paid. Once the agency receives the Stop Payment Notice, that agency has notice that it should withhold sufficient money to satisfy the stop payment notice claim. The funds to be withheld from the progress payment to a contractor shall be equivalent to the amount of the Stop Payment Notice plus 25% or 50% in the case of wages.

RELEASE OF STOP PAYMENT NOTICE. In order to release the funds withheld due to Stop Payment Notice received,

- the claimant contractor issues a Release of Stop Payment Notice; or
- Contractor posts a surety bond executed by an admitted surety insurer, (separate from the Payment Bond) equivalent to the amount required to be withheld (125% of the claim stated or 150% if claim is for unpaid wages)

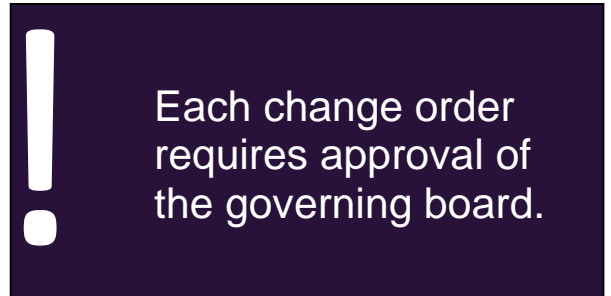
- Contractor files an affidavit for summary release and the claimant fails to file a counter-affidavit within the time specified by the entity.
- Court process.

CHANGE ORDERS

[PCC 20118.4, PCC 20659]

CHANGE ORDER is a deductive or additive change in the original scope of work on a contract. Each change order must have:

1. **Board action** approving the change order with the change order number or identification number clearly in the board's action.
2. Change orders must be in writing and must be signed by all parties to the original contract.
3. **Amounts of the change orders are cumulative and must not exceed ten percent [10%] or of the original contract amount or amount specified in PCC 20111 or 20114**
 - (For school districts having an average daily attendance of 400,000 or more, must not exceed 25% of the original contract amount)
4. The change order will have to be competitively bid if the amount exceeds the higher of the applicable bid limit or 10% or 25% of the original contract amount.



EXPENDITURES EXCEEDING BID LIMITS

For expenditures exceeding bid limits, refer to the formal bidding requirement section for an explanation of the required documents listed below.

Documents required are as follows:

INITIAL PAYMENT:

1. Proof of prequalification of bidders for projects over \$1M
2. Advertisement for bid
3. Board action awarding bid
4. Designation of sub-contractors
5. Duly signed contract
6. Payment bond (if over \$25,000)
7. Certification of liability insurance

8. Escrow agreement (if applicable)
9. Application and Certificate for payment with the approval of the contractor, architect, inspector, district authorized representative

PROGRESS PAYMENTS:

1. Invoice matching items or work
2. Application and Certificate for payment with the approval of the contractor, architect, inspector, district authorized representative
3. Escrow/bank statement showing balance in escrow account (balance should be sufficient to cover required retention)
4. Change orders, if any, with board approval
5. Stop payment notice(s)(if any)

FINAL PAYMENT:

1. Invoice matching items or work
2. Application and Certificate for payment with the approval of the contractor, architect, inspector, district authorized representative
3. Release of stop payment notice (if any)
4. Board acceptance of completed project
5. Recorded notice of completion

CALIFORNIA UNIFORM PUBLIC CONSTRUCTION COST ACCOUNTING ACT (CUPCAA) [PCC 22030 – 22045]

A Public Entity may elect to adopt the Uniform Public Construction Cost Accounting Act and use “**Informal Bidding Procedures**” to Award Contracts Between \$45,000 and \$175,000. The Act raises the **formal bid** thresholds for public entities to \$175,000 and sets forth specific informal and formal bidding procedures. The Act is applicable to any district or county office whose board has elected by resolution to become subject to the procedures set forth in CUPCAA.

CUPCAA does not apply to purchases.
Membership only increases a bid limit – all bonding requirements still apply.

The Act’s “**informal bidding procedures**” require a public entity to notify specific trade journals each year in November and generate a list of interested contractors from contractor responses received by the public entity to the trade journal notifications. After this a “Master List” is created, the public entity must provide all contractors on the Master List with notice for each contract

exceeding \$45,000 to be bid at least ten (10) calendar days before bids are due. Additionally, the Act requires public agencies to notify these construction trade journals when formally bidding contracts in excess of \$175,000, as a part of the Act's formal bid procedures.

Bid limits for public projects are raised as follows:

- \$45,000 or less may be performed by negotiated contract or by purchase order
- \$175,000 or less may be let to contract by the informal procedures set forth in the Act
- More than \$175,000 shall be let to contract by formal bidding procedures.

The Act is a good tool for public entities who want to raise their bid limits and have sufficient resources and staff time. A Master List must be generated each year, with notice provided to all contractors contained within and the construction trade journals each time the public entity bids a construction contract between \$45,000 and \$175,000.

For more details on how to elect to become subject to CUPCCAA click the link below http://www.sco.ca.gov/ard_cuccac.html

With the exception of items 3 & 4 below that relate to bidding, **all other documents listed above (5-17) are required** from CUPCCA districts for expenditures more than \$15,000 for public projects and construction services, or more than the bid threshold adjusted every year for materials, equipment, or supplies as well as repairs and maintenance.

Minimum documentation includes:

Proof of election to CUPCCAA

The State Controller's office publishes a list of participating agencies. Commercial claims staff will verify that a requesting district is on this list. If a district is not listed, Commercial Claims will require:

1. Board Resolution electing to become subject to CUPCCAA and;
2. Notification of such election to the State Controller

Proof of competitive bidding (on applicable limits above \$175,000)

3. Advertisement to bid. If informal bidding (above \$45000 but less than \$175000), then a notice provided to contractors on the Master List is sufficient.

4. If formal bidding, board action awarding the bid

Initial Payment:

In addition to the proof of election to CUPCCAA and proof of bidding for projects over \$175,000, the following documents will be required:

5. Designation of sub-contractors or statement of “none”
6. Duly signed contract
7. Payment bond (if over \$25,000)
8. Certification of insurance
9. Escrow agreement (if retention is deposited to an escrow agent)
10. Application and Certificate for Payment with the approval of the contractor, architect, inspector, district authorized representative

For Progress Payments:

11. Application and Certificate for payment with the approval of the contractor, architect, inspector, district authorized representative
12. Escrow/bank statement showing balance in escrow account if the retention is held in escrow (balance should be sufficient to cover required retention)
13. Change orders with board approval (Note: Each change order more than 10% of the original contract amount is subject to formal bidding)
14. Stop payment notice(s), if any

For Final Payment:

15. Application and Certificate for payment with the approval of the contractor, architect, inspector, district authorized representative
16. Release of stop payment notice, if any
17. Board acceptance of completed project
18. Recorded notice of completion (Please refer to Notice of Completion section)

[EC39802] In order to procure the service at the lowest possible figure consistent with proper and satisfactory service, the governing board shall, whenever an expenditure of more than ten thousand dollars (\$10,000) is involved, secure bids pursuant to Sections 20111 and 20112 of the Public Contract Code whenever it is contemplated that a contract may be made with a person or corporation other than a common carrier or a municipally owned transit system or a parent or guardian of the pupils to be transported. The governing board may let the contract for the service to other than the lowest bidder.

TRANSPORTATION SERVICES

Documentation required for payment:

1. Advertisement to bid
2. Board action awarding the bid
3. Contract
4. Invoice

Required if the contract is above \$10,000 and the vendor is not a common carrier or a municipally owned transit system or a parent or guardian of the pupils to be transported.

[EC39803]

(a) If a continuing contract for the furnishing of transportation of pupils in school districts to and from school is made it shall be made for a term not to exceed five years. A contract is renewable at the option of the school district and the party contracting to provide transportation services, jointly, at the end of the term of the contract. The contract as renewed shall include all of the terms and conditions of the previous contract, including any provisions increasing rates based on increased costs.

(b) A continuing contract may be made for the lease or rental of school buses, not to exceed five years, except that if a lease or rental contract provides that the district may exercise an option either to purchase the buses or to cancel the lease at the end of each annual period during the period of the contract, the contract may be made for a term not to exceed 10 years.

(c) Notwithstanding any other provisions of law to the contrary, a continuing contract executed under the provisions of this section may be negotiated annually within the contract period when economic factors indicate negotiation is necessary to maintain an equitable pricing structure. Renegotiation is subject to the approval of both contracting parties.

(d) Any rental, lease, or lease-purchase of a school bus shall comply with all applicable provisions of Article 3 (commencing with Section 17450) of Chapter 4 of Part 10.5.

In addition to the requirements outlined by [EC 39803] on the previous page, please note:

- **The type of contract:** should specify the type of transportation service being performed and the vehicle being used to provide the transportation, e.g., “bus transportation for athletic events”
- **The term of contract:** generally tied to a particular school year, although multiple year contracts are authorized by [EC 17596, 39803] and limits terms of continuing agreements or services to five years. [EC 39803] authorizes 10-year contracts under certain circumstances
- **The payment provisions:** often based on an amount per mile of transportation for use of the equipment, as well as an amount for the driver.

OTHER BIDDING ALTERNATIVES

COOPERATIVE CONTRACTS

CALIFORNIA MULTIPLE AWARDS SCHEDULE (CMAS)

CMAS allows public agencies to take advantage of contracts negotiated by the state. School districts are authorized to utilize CMAS contracts established by the state for the “acquisition of information technology, goods and services” without separately bidding those services. CMAS contract must be current and in good standing (unexpired) at the time of purchase.

WESTERN STATES CONTRACTING ALLIANCE (WSCA)

WSCA is a cooperative between the purchasing directors of fifteen western states, including California, and operates like CMAS. State and local agencies may enter into contracts with vendors contracting with California, and other participating states without further competitive bidding [PCC 10298(a)]. WSCA contract must be current and in good standing (unexpired) at the time of purchase.

Documents required for CMAS, WSCA, and other Cooperative Contracts:

Initial Payment

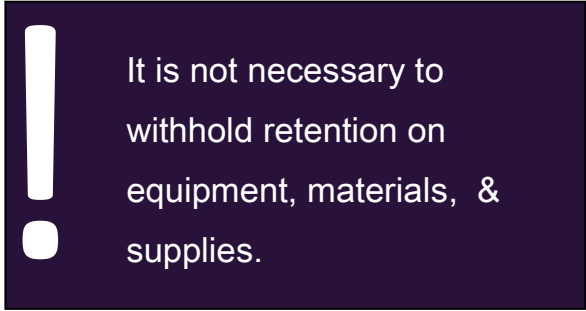
1. Board Approval to use Cooperative Contracts in lieu of competitive bidding
2. Board approval of contract or PO
3. Payment bond if contract involves a public works expenditure in excess of \$25,000
4. The contract number must be indicated on the purchase order and invoice (California Department of General Services (DGS) requires that purchase orders and contractor invoices show the Contract Number)
5. Invoice
6. Acknowledgement of receipt of goods/services

Progress Payments

1. Purchase order and invoice with the contract number referenced
2. Certification that products and price of item listed on the invoice were verified with the contract product and price
3. Acknowledgement of receipt of goods/services

Final Payments

1. If 5% retention was withheld on progress payments, district acceptance of completion is required to release retention on final payment.
2. If the contract had a payment bond, recorded notice of completion is required.
3. If there were stop payment notices, include release of stop payment notices.



It is not necessary to withhold retention on equipment, materials, & supplies.

PIGGYBACK CONTRACTS

[PCC 20118/20652]

To piggyback is to use another public entity's contract. This should be used only for purchase of equipment, materials, and/or supplies. Labor and services are not piggybackable.

[PCC 20118]

Minimum Document Required

1. Board approval to piggyback
2. Piggyback contract with piggyback clause
3. Signed contract, lease, requisition or purchase order
4. Proof of receipt
5. Proof of bidding, if installation or labor of over \$15,000 was included in the purchase
6. Payment Bond equivalent to 100% of the contract amount if installation or labor is over \$25,000
7. District acceptance of completion for release of retention upon final payment
8. A recorded Notice of Completion if payment bond was provided

EXPENDITURES EXEMPT FROM BIDDING

EMERGENCY REPAIRS

Districts may award contracts without competitive bidding in specific emergency situations after the district has obtained an approved emergency request from the County Superintendent of Schools. **An emergency resolution only exempts a district from going out to bid, all other legal requirements must be complied with.**

If cost of purchase includes installation and labor costs, a payment bond equivalent to the total contract amount will be required.

Required Documentation

1. Emergency Resolution (Ref Bulletin [3458](#) for sample) approved by the Board
2. Approval of County Superintendent of Schools
3. Invoice
4. Signed Contractor Agreement
5. Payment Bond(if over \$25,000)
6. Designation of Subcontractors
7. Certificate of Insurance
8. Progress Payment Invoice or Certification and Application for Payment with the approval of the contractor, architect, inspector, and district representative
9. 5% retention on progress payments
10. Stop Payment Notices (if any)
11. Release of Stop Payment of Notices (if any)
12. Board Acceptance of completed project
13. Recorded Notice of Completion
14. Change Orders, if any, will require Board Approval (Note: Change order more than 10% of the original contract amount is subject to formal bidding)

[LACOE Bulletin 3458, dated 11/09/2012] Emergency Work must fit the definition of an emergency – sudden, unexpected occurrence, poses a clear and imminent danger, require immediate action to prevent or mitigate the loss or impairment of life, health, property or essential public services. Board must approve a resolution to declare an emergency and must submit a resolution to LACOE for approval.

Exemption from bidding does not eliminate the need for any bonds or security otherwise required by law.

SOLE SOURCE

[PCC 3400]

A sole source arises when only one person or company can provide the contractual services needed because of the uniqueness of the product or service. Any attempt to go out to bid will result in that person or company being the only one to respond and as such no need to bid out such contracts. A justification is required for sole source; the following are guiding factors for the justification:

- The item requested is a one-of-a-kind item.
- The purchase cannot be made from another vendor.
- The item is a replacement part for a specific brand of existing equipment and not compatible with other products.
- An item with unique features is required to successfully perform the service and these features are not available in other brand or product.
- Other comparable models have been examined and they can't fit the requirement.
- It's authorized or required by law, e.g., socio-economic programs, national security and the public interest.
- Only vendor or company that can meet the time constraints.

Required Documentation

Prior to Contracting

1. Board Resolution declaring a Sole Source Procurement Method in lieu of competitive bidding

Before Start of Work

2. Signed contract
3. Board approval of Contract or Purchase Order
4. Payment bond if contract involves a public works expenditure in excess of \$25,000

Progress Payment

5. Invoice approved for payment by authorized signatory
6. 5% Retention of amount due if contract involves a public works expenditure in excess of \$5,000
7. Acknowledgement of receipt of goods/services

Final Payments

8. Invoice approved for payment by authorized signatory

9. Acknowledgement of receipt of goods/services
10. If 5% retention was withheld on progress payments, district acceptance of completion is required to release retention on final payment
11. If the contract had a payment bond, recorded Notice of Completion

LEASE AND LEASEBACK

[EC17406/81336]

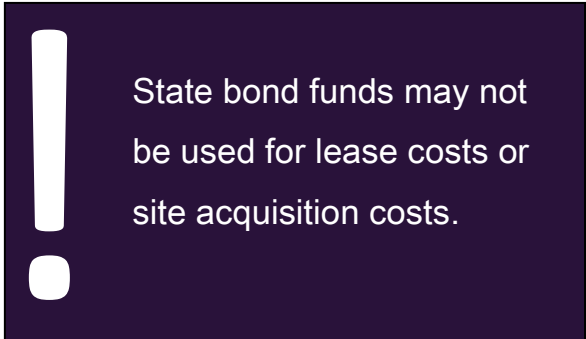
Education Code [EC 17406/81336] allows districts to award a contract for public works without competitive bids. Before using Lease Lease-back, districts need to establish proof of ownership of the site where the project will be constructed at the time the apportionment is approved by the State Allocation Board (SAB). The Lease Lease-Back method has been challenged in various sectors because of the seemingly questionable assurance that the awarding of contracts does not contain favoritism, it is fair, free of fraud, and that public funds are being used in an efficient and cost-effective manner. **Districts are advised to take precautionary measures when entering into these agreements. Please seek legal counsel before using Lease Lease-Back.**

[See LACOE Bulletin # 3711](#) for more details.

Required Documentation

Initial Payment

1. Proof of site ownership
2. Division of State Architects (DSA) Approval of Plans and Soils Investigation Report Summary
3. Board Resolution Approving and Awarding Contracts/Agreements
4. Signed Contracts/Agreements:
 - a) Site Lease
 - b) Facilities Lease with the Construction Services Agreement to include, among others, provisions on:
 - i) Labor code requirements, i.e., prevailing wages, work hours, and apprenticeship issues
 - ii) Guarantee obligations
 - iii) Termination of contract
 - iv) Resolution of non-performance
 - v) Guaranteed Maximum Price



5. Performance and Payment Bond
6. General Insurance and Workers' Compensation Insurance
7. Certification of Application for payment with approval of the contractor, architect, inspector, and district authorized representative

Progress Payments

8. Certification and Application for payment with the approval of the contractor, architect, inspector and district authorized representative
9. Change Orders with Board Approval (**should be within the context of the Contingency Fund provision**)
10. Stop Payment Notice(s), if any

Final Payment

11. Application and Certificate for payment with the approval of the contractor, architect, inspector, district authorized representative
12. Release of Stop Payment Notice (if any)
13. Board Acceptance of Completed Project
14. Recorded Notice of Completion

PURCHASE OF SURPLUS PROPERTY FROM THE FEDERAL GOVERNMENT

A local agency may acquire from the federal government or any agency thereof any surplus property, as defined in the Surplus Property Act of 1944, in any amount needed for its operation without competitive bidding. [EC 17602] [GC 54142]

Required Documentation

1. Proof of exemption from bidding, i.e., letter or notice of surplus property from the Federal Government
2. Board Approval or Purchase Order with proof of ratification
3. Invoice
4. Proof of receipt

PROFESSIONAL SERVICES

[GC53060]

Districts may contract with and employ any persons for the special services and advice in financial, economic, accounting, engineering, legal or administrative matters if such persons are specially trained, experienced and competent to perform the special services required.

Required Documentation

1. Invoice
2. Signed Contract or Purchase Order with proof of ratification by the board
3. Log-in sheet or proof of service received, i.e., signed timesheets

INFORMATION SYSTEMS

[PCC 20118.2] [EC 81651]

School districts may procure, by a detailed request for proposal (RFP) and competitive negotiation process computers, software, telecommunications equipment, microwave equipment and other related electronic equipment and apparatus provided that the contracts are not for construction or for the procurement of any product that is available in substantial quantities to the general public. Published notice is required and the RFP must identify all significant evaluation factors, including price and their relative importance. Procedures for technical evaluation of proposals must be in place. If award is not to the lowest priced bidder, the district “shall make a finding, setting forth the basis for the award.”

Required Documentation for expenditures over bid limit

Prior to Contracting

1. Board Resolution purchase under [PCC 20118.2]
2. Publication of Notice of Request for Proposals

Before Start of Work

3. Signed Contract and/or Purchase Order
4. Board Approval of Contract and/or Purchase Order
5. Payment bond if contract involves a public works expenditure in excess of \$25,000

Progress Payment

6. Invoice approved for payment by authorized signatory
7. Retention of 5% of amount due if contract involves a public works expenditure in excess of \$5,000
8. Acknowledgement of receipt of goods/services

Final Payment

9. Invoice
10. Acknowledgement of receipt of goods/services
11. If 5% retention was withheld on progress payments, districts acceptance of completion is required to release retention on final payment

12. Release of Stop Notice if any
13. If the contract had a payment bond, recorded notice of completion

ENERGY CONSERVATION

[GC 4217.10 – 4217.16]

Public agencies may develop energy conservation, cogeneration, and alternate energy supply sources at their facilities. Prior to awarding or entering into an agreement or lease, the public agency may request proposals from qualified persons. After evaluating the proposals, the public agency may award the contract on the basis of the experience of the contractor, the type of technology employed by the contractor, the cost to the local agency and any other relevant considerations. The public agency may utilize the pool of qualified energy service companies established pursuant to Section 388 of the Public Utilities Code and the procedures contained in that section in awarding the contract.

Required Documentation for expenditures over bid limit

Prior to Contracting

1. Board Resolution purchase under PCC 20118.2
2. Publication of Notice of Request for Proposals

Before Start of Work

3. Contract with Board Approval or Purchase Order with proof of Board ratification
4. Payment bond if contract involves a public works expenditure in excess of \$25,000

Progress Payment

5. Invoice approved for payment by authorized signatory
6. Retention of 5% of amount due if contract involves a public works expenditure in excess of \$5,000
7. Acknowledgement of receipt of goods/services

Final Payment

8. Invoice approved for payment by authorized signatory
9. Acknowledgement of receipt of goods/services
10. If 5% retention was withheld on progress payments, districts acceptance of completion is required to release retention on final payment
11. Release of Stop Notice, if any
12. If the contract had a payment bond, recorded notice of completion

SALE AND LEASEBACK

[EC17456/17597]

The sale or lease of any real property belonging to the school district for a term not exceeding 99 years shall not be subject to competitive bidding if all of the following conditions are met:

- A. The property is sold or leased to another local government agency, or to a non-profit corporation that is organized for the purpose of assisting one or more local governmental agencies in obtaining financing.
- B. (1) In the case of the sale of school district property, the school district, as part of that same sale transaction, simultaneously repurchases the same property that is the subject of the transaction.

(2) In the case of the lease of school district property, the school district, as part of that same lease transaction, simultaneously leases back, for a term that is not substantially less than the term of that lease, the same property that is the subject of the transaction.
 - a) The financing proceeds obtained by the school district are expended solely for capital outlay purposes, including the acquisition of real property for intended use as a school site and the construction, reconstruction and renovation of school facilities.

In addition, any school district may sell to a purchaser any electronic data processing equipment, other major items of equipment, or any relocatable building owned by, or to be owned by, the school district, if the purchaser agrees to lease the equipment or building back to the school district for use by the school district following the sale.

Required Documentation

Prior to Contracting

1. Board Resolution purchase under [PCC 20118.2]
2. Publication of Notice of Request for Proposals

Before Start of Work

3. Signed Contract and/or Purchase Order
4. Board Approval of Contract and/or Purchase Order

5. Payment bond if contract involves a public works expenditure in excess of \$25,000

Progress Payment

6. Invoice approved for payment by authorized signatory
7. Retention of 5% of amount due if contract involves a public works expenditure in excess of \$5,000
8. Acknowledgement of receipt of goods/services

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12. Release of Stop Notice, if any
13. If the contract had a payment bond, recorded notice of completion

DEPARTMENT OF GENERAL SERVICES (DGS) CONTRACTS

[PCC10299(b)]

School districts may, without competitive bidding, utilize contracts, master agreements, multiple award schedules, cooperative agreements or other types of agreements established by the Department for the acquisition of information technology, goods and services.

Required Documentation

1. Board Approval or Purchase Order with proof of ratification
2. Invoice
3. Proof of receipt

FOOD

[EC 38083]

Perishable foodstuffs and seasonal commodities needed in the operation of cafeterias are not subject to competitive bidding.



Required Documentation

1. Invoice
2. Board Approval or Purchase Order with proof of ratification
3. Proof of receipt

If amount exceeds bid limit, refer to the formal bidding documentation requirement section.

EXPENDITURES – GENERAL



Changes in all PO's or Contracts in term and amount require a change order with proof of board approval. Refer to Change Order section on page 25.

BOOKS AND INSTRUCTIONAL MATERIALS

(Object code 4100-4200)

“The governing board of any school district may purchase supplementary textbooks, library books, educational films, audiovisual materials, test materials, workbooks, instructional computer software packages, or periodicals in any amount needed for the operation of the schools of the district without taking estimates or advertising for bids.” [EC 81651/PCC 20118.3]



Required Documentation

1. Invoice
2. Contract with Board approval or Purchase Order with proof of ratification
3. Proof of receipt

MATERIALS AND SUPPLIES- (NON-CAPITALIZED EQUIPMENT)

(Object Code 4100-4400)

Required Documentation

1. Invoice
2. Board approval or Purchase Order with proof of ratification
3. Proof of Receipt

PROFESSIONAL/CONSULTING SERVICES

(Object Code 5810-5899)

INSTRUCTIONAL SERVICES/NON-INSTRUCTIONAL CONSULTANTS

Expenditures for personal services rendered by personnel who are not on the payroll of the district; includes services performed by outside agencies.

Required Documentation

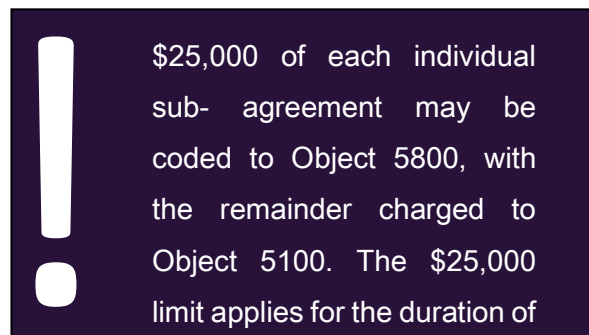
1. Invoice
2. Board approval or Purchase Order with proof of ratification
3. Proof of event, (i.e. signed log-in sheet, flyer, signed timesheet)

SUB-AGREEMENTS FOR SERVICES

These are contracts with third party to provide services required by a grant, such as emergency services required by an Emergency Response Safety Grant, contracts with nonpublic schools for services to the district's special education students, and contracts between a charter school and management company to provide instruction to charter school students.

Required Documentation

1. Invoice
2. Board approval or Purchase Order with proof of ratification
3. Proof of service or event signed by the Department Head or Program Manager.
4. For initial payment, copy of signed contract.



APPRAISALS

(Object Code 5810-5819)

Required Documentation

1. Invoice
2. Board approved contract or Purchase Order with proof of ratification

SPECIAL ASSESSMENTS

(Object Code 5820-5829)

Required Documentation

1. Invoice
2. Board approved contract or Purchase Order with proof of ratification

LEGAL SERVICES

(Object Code 5820-5829)

Required Documentation

1. Invoice
2. Board approved contract or Purchase Order with proof of ratification
3. Duly Signed Contract

SETTLEMENT AGREEMENTS

(Object Code 5820-5829)

Districts are advised to pay Employee Settlement Agreements through payroll; refer to LACOE Bulletin [3695](#). Employee Settlements are treated as wages per IRS ruling 2004-109 and 2004-110. It must be paid through the payroll system to ensure compliance to IRS retirement reporting regulations. Where a district pays an employee settlement agreement using a voucher, the following documents are required.

1. Settlement agreement signed by both parties and the legal counsels for both parties; or Court Order
2. Board approval in open session per the Brown Act or, if approved in a closed session, report of the final action taken on the case number referenced in the closed session board minutes
3. If taxes are not taken from the settlement, a letter from an authorized district personnel acknowledging the district can be held liable for failure to properly issue a 1099 and for failure to withhold required taxes if determined settlement is taxable.

TRAVEL AND CONFERENCES

[EC35044, 44032, 72423]

(Object Code 5200-5299)

Required Documentation

1. Invoices and/or receipts
2. Travel Claims
3. Board approved contract or Purchase Order with proof of ratification of travel/conference
4. Board Travel and Mileage Policies may be required (if not on file)

DUES AND MEMBERSHIPS

[EC 35172]

(Object Code 5300-5399)

Required Documentation

1. Invoice
2. Authorized List of Membership Organizations with Specific Board Approval or Purchase Order with proof of ratification

INSURANCE (ALL FORMS OF INSURANCE OTHER THAN EMPLOYEE BENEFITS)

(Object Code 5400-5499)

Required Documentation

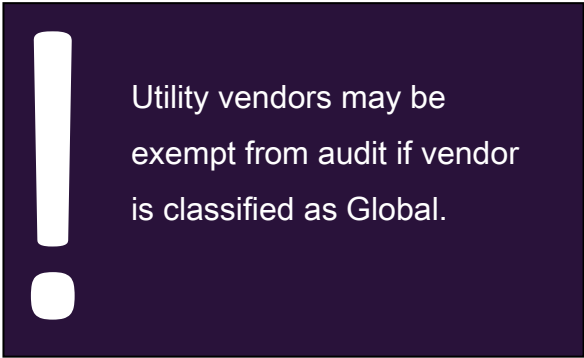
1. Invoice
2. Insurance Policy
3. Board Approval or Purchase Order with proof of ratification

OPERATIONS AND HOUSEKEEPING SERVICES

(Object Code 5500-5599)

Required Documentation

1. Invoice
2. Contract with Board approval or Purchase Order with proof of ratification



Utility vendors may be exempt from audit if vendor is classified as Global.

RENTALS AND LEASES

(Object Code 5610-5629)

These are expenditures for rentals and leases without option to purchase, and repairs or maintenance (including maintenance agreements) of sites, buildings, and equipment by outside vendors. Includes materials and supplies in the cost or repairs, and site or building improvements that do not meet the district's threshold for capitalization. Capital leases should be recorded according to the procedures in **CSAM Procedure 710**.

Required Documentation

1. Invoice
2. Contract with Board Approval (recurring lease or long term lease)
3. Purchase Order with Board Approval (one-time lease only) if assigned, need assignment contract

4. Payment Schedule if not contained in contract

REPAIRS, AND NON- CAPITALIZED IMPROVEMENTS

(Object Code 5610-5629)

Required Documentation

1. Invoice
2. Duly Signed Contract or Purchase Order
3. For payments of more than 95% of the contract price of \$5,000 or more, district's acceptance of completion of the project [PCC 9203]
4. Payment bond if work to be done is over \$25,000 [CC 9552]

ADVERTISING

(Object Code 5830-5839)

Required Documentation

1. Invoice
2. Duly Signed Purchase Order or Board Approval
3. Copy of advertisement

TUITION

(Object Code 7110-7199)

Required Documentation

1. Invoice
2. Approval for payment by Authorized Signatory

PRIVATE SCHOOL TUITION

(Object Code 5870)

Required Documentation

1. Master and/or Individual Contract
2. Board Approval

OTHER OPERATING EXPENSES

(Object Code 5890-5899)

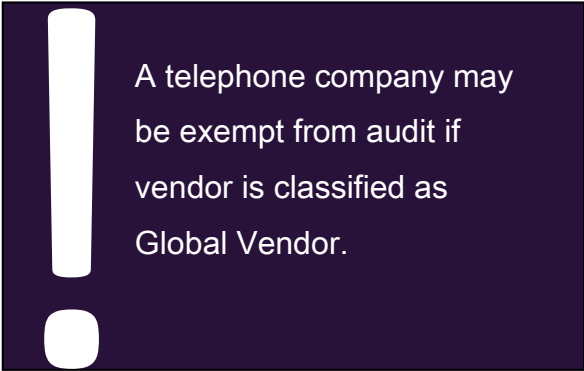
Required Documentation

1. Invoice
2. Duly Signed Purchase Order, Contract, or Board Approval

COMMUNICATIONS

(OBJECT CODE 5900-5998)

Expenditures for periodic servicing of all methods of communication, including pagers, cell phones, beepers and telephone service systems. Also includes fax lines, TV cable lines and Internet service and lines. Communication equipment below the capitalization threshold should be coded to Object 4400. If the cost of a unit of equipment exceeds the capitalization threshold, use Object 6400.



A telephone company may be exempt from audit if vendor is classified as Global Vendor.

[EC42800] The governing board of a school district may, with the consent of the county superintendent of schools, establish a revolving cash fund for the use of the chief accounting officer of the school district, by adopting a resolution setting forth the necessity for the revolving cash fund, the officer for whom and the purposes for which the revolving cash fund shall be available, and the amount of the fund. The maximum amount allowed for revolving cash funds shall be the lesser of:

- (1) Two percent of the school district's estimated expenditures for the current fiscal year, or*
- (2) A dollar amount set by code*

[EC42801] In addition to establishing or maintaining a revolving cash fund the governing board of any school district may, by resolution, establish revolving cash funds for use by school principals and other administrative officials. The resolution shall state the necessity of the funds and the purposes for which the funds may be used and the amount of the funds. The total amount of the fund shall not exceed three percent of the current year's instructional supply budget.

Required Documentation

1. Invoice
2. Board approval or Purchase Order with proof of ratification
3. Signed Contract and/or Purchase Order
4. Board Approval of Contract and/or Purchase Order

REIMBURSABLE/REPLENISHMENT OF PETTY CASH

If type of transaction is **auditable** regardless of amount i.e. construction, contracts, travel, - other documentation to prove compliance to applicable codes will apply (i.e. board approval, proof of bidding, payment bond). Please refer to the transaction description for complete audit documentation requirements.

Minimum Documentation Requirements

PAYROLL ADVANCE

Should be made through HRS system or approval from payroll unit to process through commercial warrant.

VENDOR PAYMENTS

Invoice or statement approved for payment by authorized signatory certifying that charges were authorized, verified, and are actual charges for the district

TRAVEL ADVANCES AND REIMBURSABLE

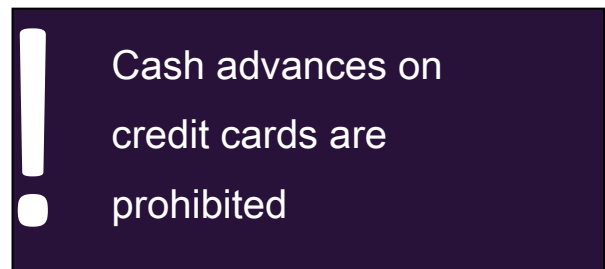
1. Copy of brochure, pre-registration form, or agenda
2. Travel request or travel advance form with authorized signatures
3. Receipts

CREDIT CARDS

Credit cards may be obtained in the name of the school district for use by authorized district employees and officials. Districts should establish policies for the use of credit cards. Individuals are to charge only those items which are legal expenditures and reimbursable from district funds.

Credit cards would normally be used for the following expenditures:

- Gasoline
- Telephone
- Travel expenses
- Miscellaneous school supplies



Minimum Documentation required

1. Credit card statement.
2. Receipts or a certification by individual responsible for district credit card expenses that charges were reviewed. See example in Exhibit 6.
3. Purchase order with proof of board ratification or excerpt from governing Board minutes approving the credit card purchases.

OTHER TRANSFERS OUT

(Object Code 7210-7299)

These are transfers of resources to other districts and non-districts, i.e., transfers to Charter Schools, JPAs.

Required Documentation

1. Invoice
2. Approval for payment by an Authorized Signatory

DEBT SERVICE

(Object Code 7639)

Required Documentation

1. Invoice
2. Approval for payment by Authorized Signatory
3. Certification of Participation Trust Agreement with the schedule of payment

OTHER FINANCING USES

(Object Code 7630-7699)

Required Documentation

1. Inter-fund transfer authorization
2. Board Approval

ABATEMENT OF INCOME

(Object Code 8000)

These are reductions in income or tax revenues recorded in Object 8xxx.

Required Documentation

1. Invoice
2. Board Approval

WITHHOLDINGS – PAYROLL

(Object Code 9511-9518)

1. Authorization from Payroll department to issue commercial warrant
2. Invoice

Benefits paid by commercial warrant may be exempt from audit if vendor/plan administrator is classified as Global.
(See LACOE Bulletin# [4291](#))

CAPITAL EXPENDITURE

These are expenditures for land, buildings, equipment, capitalized complements of books for new libraries, and other intangible capital assets, such as computer software, including items acquired through leases with option to purchase.

PROPERTY/SITE OR LAND PURCHASE

(Object Code 6100-6170)

The following backup documentation for building or Site or Land Purchase will be requested:

1. Letter of Intent to Purchase with Board Approval; this allows the district to make a deposit, and should indicate the deposit and sale price.
2. Excerpt from the minutes of the governing Board describing and approving the property to be purchased, amount to be paid and authorization for execution of escrow instructions
3. Escrow instructions approved by legal counsel

Required Documentation

1. Invoice
2. Signed Contract with Board Approval
3. Escrow Agreement (if acquiring land)

BUILDING /SITE IMPROVEMENTS OR BUILDING IMPROVEMENTS

(Object Code 6200-6299)

These include cost of construction or purchase of new buildings (including relocatable buildings, such as portable classrooms, additions and replacements of obsolete buildings including all costs incidental to the purchase or improvement.

Also applicable to additions to/improvements of sites and adjacent ways. Include incidental expenditures in connection with acquisition of sites, site improvements and special assessments on leased property.

If building or site improvement is over bid limit, refer to Formal Bidding Requirement section.

Required Documentation

1. Invoice
2. Signed Contract with Board Approval
3. For payments of more than 95% on a contract amount of \$5,000 or more, district's acceptance of completion of the project [PCC 9203]
4. Payment bond if work to be done is over \$25,000 [CC 9552]

If over bid limit, refer to **Formal Bidding Requirement section**.

NOTE: Consultant services for construction projects such as architect fees, design fees and building security will only require items 1 and 2 above.

BOOKS AND MEDIA FOR SCHOOL LIBRARIES OR MAJOR EXPANSION OF SCHOOL LIBRARIES

(Object Code 6300-6399)

Required Documentation

1. Invoice
2. Duly Signed Purchase Order or Contract
3. Proof of receipt

If over bid limit, refer to **Formal Bidding Requirement section**.

EQUIPMENT/EQUIPMENT REPLACEMENT

(Object 6400-6599)

Required Documentation

1. Invoice
2. Duly Signed Purchase Order or Contract
3. Proof of receipt
4. For payments of more than 95% on a contract above \$5,000, district's acceptance of completion of work [PCC 9203]
5. Payment bond if installation cost is over \$25,000 [CC 9552]

***NOTE:** Items 4 and 5 are required regardless of whether contract is subject to competitive or exempt from competitive bidding.

If over bid limit, refer to **Formal Bidding Requirement section**.

GLOSSARY

BID SPLITTING

The Public Contract Code prohibits the splitting of a contract, project or service into smaller work orders for the purpose of avoiding competitive bidding.

Neither work nor labor associated with a purchase of equipment or materials to be installed to improve an existing building should be separated out from the equipment purchase for the purpose of avoiding the requirement for competitive bidding.

For projects or jobs to be considered separate for purposes of the competitive bidding statutes, it must be separately conceived and independently decided upon by the governing board. [PCC 20116/20657]

CHANGE ORDER

This is work that is added to or deleted from the original scope of work of a contract, which alters the original contract amount and/or completion date.

COMPETITIVE BIDDING

A procurement method in which bids from competing contractors, suppliers, or vendors are invited by openly advertising the scope, specifications, and terms and conditions of the proposed contract as well as the criteria by which the bids will be evaluated.

NOTICE OF COMPLETION

A written notice issued by the owner of a project (or his or her agent) to notify concerned parties that all work on the project has been completed. This notice also sets the period within which concerned parties may exercise their lien rights against one another.

PAYMENT BOND

A payment bond is a surety bond (a promise to pay one party (the obligee) a certain amount if a second party fails to meet an obligation), posted by a contractor to guarantee that subcontractors and material suppliers on the project will be paid.

PAYMENT SCHEDULE

An arrangement for payments to the contractor, typically based on amounts of work completed.

PERFORMANCE BOND

A surety bond issued by an insurance company or a bank to guarantee satisfactory completion of a project by a contractor.

PIGGYBACK

Piggyback is a method that allows one party to take advantage of a contract between two other parties.

RETENTION

This provides owners with knowledge that the project a contractor has signed must be completed if the contractor is to be paid for his or her work in its entirety. A retention plan often calls for the withholding of 5% to 10% of payment until the work is finished as promised.

SOLE SOURCE

This means that there is only one person or company that can provide the contractual services needed, so any attempt to obtain bids would only result in that person or company bidding on it.

STOP PAYMENT NOTICE

It is a notice to withhold funds, sent to the agency that is providing the construction funds for a project. The purpose of the Stop Notice is to provide the financier of the construction project notice that there is money owed to a contractor, subcontractor or supplier so that an inquiry can be made as to why that money is not being paid. Once the agency receives the Stop Notice, that agency has notice that it should withhold sufficient money to satisfy the stop notice claim.

SUB AGREEMENT

Agreements with a third party by a district to provide instructional or support activities.

EXHIBITS

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Exhibit 2 - Audit Profile Community Colleges	2
Exhibit 3 - Acknowledgement of Funding Source	3
Exhibit 4 - Designation of Subcontractors	4
Exhibit 5 - Escrow Agreement for Security Deposit in Lieu of Retention ...	5
Exhibit 6 - Certification of Credit Card Charges	6

Appendices

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Commercial Claims Quick Reference Guide.....	A04
CUPCCAA FAQs and Information	A05
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Procurement Code Guide	A09
Sample Bid Ad.....	A10
Sample Certificate and Application for Payment	A11
Sample Conditional Waiver & Release on Final Payment	A12
Sample Conditional Waiver & Release on Progress Payment.....	A13
Sample Piggyback Clause.....	A14
Sample Recorded Notice of Completion	A15
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Related Bulletins

<https://www.lacoe.edu/Bulletins.aspx>

Bulletin #128 Contract Payment Retention	B01
Bulletin #270 Piggybacks and Modulars	B02
Bulletin #3695 Settlement Agreements	B03
Bulletin #3710 Voucher Attachment for PO Order & Requisitions	B04
Bulletin #3711 Overview of Lease/Leasebacks.....	B05
Bulletin #3742 AB1565	B06
Bulletin #3950 Voucher Approval Panel	B07
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ABBREVIATIONS OF LEGAL REFERENCES

BPC	Business and Professions Code
CC	Civil Code
CCP	Code of Civil Procedure
CFR	Code of Federal Regulations
EC	Education Code
GC	Government Code
LC	Labor Code
PCC	Public Contract Code
PRC	Public Resources Code
RTC	Revenue and Taxation Code
5CCR	Title 5, California Code of Regulations – Education

California Codes may be accessed via the following websites:

California Law at: www.leginfo.ca.gov/calaw.html

California Code of Regulations at: www.dir.ca.gov/dlse/cr.htm