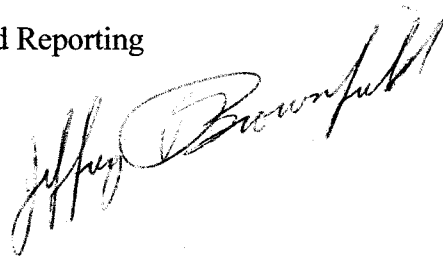


# Memorandum

**To:** Michael Havey, Chief  
Division of Accounting and Reporting

**Date:** May 24, 2011

**From:** State Controller's Office  
Jeffrey Brownfield, Chief  
Division of Audits



**Subject:** CALIFORNIA UNIFORM CONSTRUCTION COST ACCOUNTING  
COMMISSION (CUCCAC) REVIEW – GROVELAND COMMUNITY SERVICES  
DISTRICT, LIFT STATION IMPROVEMENT PROJECT-PHASE 2

Based on a request from your office, the Division of Audits reviewed the records of the Groveland Community Services District's (GCS D) Lift Station Improvement Project-Phase 2 pursuant to Public Contracts Code (PCC) Section 22042(b).

The objective of our review was to 1) determine if the request for the account review was received within the required time limit, and 2) determine if the GCS D improperly rejected all bids presented and declared that the project could be more economically performed by employees of the agency. If number 1 was completed correctly, then proceed to number 2. If the district improperly rejected all bids, then determine whether or not the public agency exceeded the statutory force account limits (\$30,000) in completing the project. As detailed in the Cost Accounting Policies and Procedure Manual of the CUCCAC, the account review entails examining all of the information that was provided to the State Controller's Office from the interested party, interviewing the public agency involved, and submitting as part of the findings a complete statement of the public agency's position with respect to the review being conducted.

Our review determined that the request for the account review was not filed within the statutory time limit set under PCC section 22043(b). Consequently, the CUCCAC does not have standing to challenge the propriety of the GCS D's rejection of the bids presented for the Project. This lack of standing renders moot the question of whether or not the GCS D failed to comply with the requirements of PCC 22042(a). Additionally, because the work performed by GCS D was originally put out to bid, the force account limit pursuant to PCC 22032(a) was not applicable to the Project. Our conclusion does not mean that we believe GCS D complied with the terms of the Public Contract Code or the Cost Accounting Policies and Procedure Manual of the CUCCAC; it simply reflects that the account review request was not made within the statutory time limit.

The Lift Station Improvement Project-Phase 2 consisted of a single project to upgrade the GCS D wastewater system at lift stations 1, 2, 3, 4, 9, 10, 11, 12, 14, 15, and 16, and was originally bid in January 2007.

Michael Havey, Chief  
May 24, 2011  
Page 2

On February 7, 2007, Mitchell Engineering submitted its bid for the project. On February 26, 2007, the board of directors of the GCSD voted 5-0 to reject all bids, including the lowest bid by Mitchell Engineering, and declared that the project could be executed more economically by its own employees. On March 20, 2007, GCSD notified Mitchell Engineering of its decision to reject the bid. The CUCCAC received the request to perform an account review of the Project on March 21, 2011. The request asked for the review pursuant to both PCC 22042(a) and PCC 22042(b).

PCC 22043(a) states that "In those circumstances set forth in subdivision (a) of Section 22042, a request for commission review shall be in writing, sent by certified or registered mail received by the commission postmarked not later than eight business days from the date the public agency has rejected all bids." Because the request for the account review was not received within this required time limit, the request fails for lack of standing. PCC 22038(a)(2) states that the rejection of bids pursuant to PCC 22038(a) allows the agency to "...have the project done by force account without further complying with this article," so GCSD was not obligated to adhere to the \$30,000 force account limit of PCC 22032(a).

On May 20, 2011, we contacted the GCSD and informed it that the request for the account review was not filed within the statutory time limit set under PCC section 22043(b). Therefore, the question of whether or not the GCSD failed to comply with the requirements of PCC 22042(a) was not applicable. Additionally, because the work performed by GCSD was originally put out to bid, the force account limit pursuant to PCC 22032(a) was not applicable to the Project.

Our working papers supporting our findings are complete and available for review by your staff, if needed. Please contact Steven Mar, Chief, Local Government Audits Bureau, at (916) 324-7226 to make arrangements as warranted.

JVB/sk

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Attachments:

Groveland Community Services District's Response to SCO Review