



District Response to Proposition O Performance Audit

Fiscal Year Ended June 30, 2016

Internal Updates as of 6/19/2017.

March 17, 2017

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

Following is a schedule of the audit observations and management’s responses for the performance audit completed for the fiscal year ended June 30, 2016 and the quarterly follow up progress.

No.	Category	Issue	Auditor’s Recommendation	Management Response	Planned Resolution Date	Audit Follow Up Quarter 1 Progress (January – March 2017)	Audit Follow Up Quarter 2 Progress (April – June 2017)
Objective 1	Compliance with Ballot Language	1A. Non-compliant expenditures funded by Fund 35, were recorded in the Proposition O’s accounting fund.	The District should only record allowable expenditures within Proposition O’s expenditure fund. Non-compliant expenditures should be removed from Proposition O’s accounting fund and expenditure population.	This practice is no longer used for new projects (Bond Sale 2). The District’s Accounting System does not allow a purchase order to be funded by more than one accounting fund. As a result, the District’s historic accounting practice has been to transfer all funding sources for Bond Projects into the Bond accounting fund (i.e. as offsetting revenues) and track all project expenditures within that fund.	In practice since March 2016.	Complete. No follow up needed.	Complete.
		1B. District Labor Charges.	The District should continue the processes and controls needed to provide supporting documentation to validate that the applicability and accuracy of labor charged to Proposition O for a whole fiscal year. Specifically, the time tracking system should ensure that all costs incurred are identifiable and have a beneficial relationship to the Bond Program and cost objectives.	During FY 2015-16, the District implemented a new time certification process for all staff funded by Proposition O. “Time Certification Reports” were used to validate the applicability and accuracy of labor charged to Proposition O. Fiscal Year 2016-2017, will be the first full year with the implementation of this process.	In practice for Management staff since October 2015. In practice for represented staff since entering into a side letter in February 2016.	Complete. No follow up needed.	Complete.

Sweetwater Union High School District
Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
Managements Responses

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		2A. No documented procedures for vendor invoice authorization in case of absent personnel.	The District should update vendor invoice authorization procedures to incorporate sign off procedures in case of absent personnel and/or authorized threshold amounts by employee type.	The Program Management Plan (PMP) will be updated to include procedures for signatures when the Director is absent.	June 2017.	Complete. District Architect has revised the PMP. See <i>Approvals</i> under <i>Financial Controls</i> , under PMP Section 3. <i>Project Controls (Page 7 of redline version)</i> .	Complete.
Objective 2	District and Professional Services Staffing Plan for the Bond Program	There is no staffing plan that assesses staffing requirements against Bond Program project needs.	The Staffing Plan should be updated to correlate Bond Program projects to Bond Program staffing needs.	The staffing plan will be completed by the end of the current fiscal year.	June 2017.	Director of Planning and Construction will complete by September 2017 and will include a cover memo. First draft due internally on May 1 st .	Update 6/19: An internal working group is reviewing draft template and narrative of Staffing Plan. Fiscal Services Division will assist with historic data tables.
Objective 3	Design and Construction Schedules Cash Flow Analysis	The Cash Flow report prepared by the District had not been provided to the Board or to the CBOC through December 31, 2016.	As a best practice, District cash flow reporting should include revenues, cash, and expenditures by timeframe to document that sufficient funding is available to meet financial requirements for Proposition O, Bond Sale No. 2. This information should reconcile to the newly developed Capital Projects Monthly Status Report (see Objective No. 4 for further details) and be provided to the CBOC on a monthly basis.	At this time, this report is not necessary to add value to the bond program given that there is no significant recurring revenue. Staff will explore the available reports under the Account-Ability system to develop cash flow report.	Ongoing.	Capital Projects Financing and Reporting Manager will schedule internal meeting with Planning Project Managers to provide training on how to age project budgets in the Account-Ability system. The Budget Aging function in Accountability will allow staff to generate updated Cash Flow reports when requested.	Update 6/19: All Project Managers have received training for aging budgets in Account-Ability. All projects were aged by 5/31/2017. The first Cash Flow Report has been generated and will be provided to the Board on 6/26/2017. Complete.

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

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Objective 4	Design and Construction Costs and Budgets	Inconsistent construction project change order reporting and no details were available for contingency usage amount.	Deviations from the original budget by key construction component should be clearly documented and explained for easy end user reference. Consistent change order impact and assigned responsibility details are needed within monthly Project Financial Reports to ensure that change order information is sufficiently reported to District Management, the BOT, and the CBOC. Change order and contingency change documentation should be reported in a consistent manner as defined by the District and include information such as change amount, percentages, descriptions, change responsibility, date of BOT approval, subtotals, and totals for easy end user reference. Change order and contingency documentation should be available at both the project level and at the program level with both detailed and summary level information.	Staff has documented the procedures followed when completing the Active Project Monthly Status Report. The written procedures will be incorporated into the Program Management Plan (PMP). Additionally, staff will explore template reporting of contingency and change order(s) in the Accountability system.	June 2017.	Capital Projects Financing and Reporting Manager will revise the PMP and will send revisions to the <i>working group</i> for internal review.	Update 6/19: Active Monthly Status Report has been revised to list Construction Contract Change Orders separate from Other Contract Changes (See Appendix J in PMP for Instructions for completing the active projects monthly status report). On-going compliance monitoring. Complete.

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

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Objective 5	Bidding and Procurement Procedures	A. Quote or Proposal requirements for a contract were not met.	We recommend that the Planning and Construction Department ensure that complete bid and procurement files are maintained to support all bids, awards, and awarded contract values. Controls should be implemented to prevent contract award selection differing from requirements per District procedures. The District should add procurement oversight controls and/or training to staff personnel to ensure compliance with policy.	The Planning and Construction Department will continue to adhere to Quote or Proposal requirements. This was a single instance of noncompliance with district practices.	April 2017.	Complete. On-going compliance monitoring.	Complete. On-going compliance monitoring.

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

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		B. A non-pre-qualified consultant was selected	<p>The Planning and Construction and Procurement Departments should comply with procedures and clarify whether consulting contracts should only be executed if they are on the pre-qualified consulting list. The District should review and update the controls surrounding contract execution, purchase order issuances, disbursements, and procurement reporting to prevent noncompliance with procedures. A checklist or equivalent mechanism, with appropriate sign-offs on procurement requirements, can serve as a good tool to for all relevant parties (Accounting as well as Planning and Construction and Procurement) to validate compliance with policy and procedure requirements. Additionally, given the last Board approval date was August, 19 2013 for the pre-qualified consultant list, the District should consider including specialized consultants' scopes of work, as specified by the District's procedures, in specific trade journals (see Observation 5d for further information) to generate an updated list of interested consultants.</p>	<p>The pre-qualified consultant list was created for the purposes of ratifying consultant contracts. The current practice is to approve contracts rather than ratify. The Program Management Plan will be updated to change "should" to "may" to reflect the option to use the pre-qualified consultant list.</p>	June 2017.	<p>Complete. District Architect has revised the PMP to reflect that the use of pre-approved consultants is optional. See <i>Selecting the Appropriate Consultants</i> under PMP Section 4 <i>Programming and Planning</i> (Page 20 of redline version).</p>	Complete.

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

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		C. The School's Construction procedures surrounding specialized consultant selection lack clear guidance and documentation requirements	The District should implement controls to confirm that Planning and Construction is obtaining at least three proposals for each consultant needed in order to ensure best value for services considering both total cost and hourly rates, or provide and document justification for not requiring this procedure. The District should review and update the controls surrounding consultant contract execution, purchase order issuances, disbursements, and procurement reporting to prevent noncompliance with policy and procedures. A checklist or equivalent mechanism, with appropriate sign-offs on procurement requirements, can serve as a good tool to for all relevant parties (Accounting as well as Planning and Construction and Procurement) to validate compliance with policy and procedure requirements.	Management will revise the Program Management Plan (PMP) to implement controls as appropriate.	June 2017.	District Architect has revised the PMP to reflect that the use of pre-approved consultants is only required in cases of ratification. See <i>Consultant Contracts and Selecting the Appropriate Consultants</i> under PMP Section 4 <i>Programming and Planning (Page 20 of redline version)</i> .	Update 6/19: Contracts Manager has extracted checklist for consultant contracts, within PMP, and sent to Planning and Construction staff for use. Complete.

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

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		D. The prequalification list for required contractors and subcontractors is not updated on a yearly basis.	As a best practice, the District should evaluate the current pre-qualification process and threshold amount to ensure that the list of pre-qualified bidders is complete and accurate and promotes competitive pricing for vendor selections on the Bond Program. The District should additionally consider implementing a solicitation requirement to ensure that the list is complete with interested and qualified contractors and subcontractors.	There is no statutory requirement to update the prequalification list annually. However, the district continually accepts prequalification applications from new general contractors and mechanical, electrical, and plumbing subcontractors. Furthermore, the district annually renews existing prequalified entities.	Completed.	Complete. On-going.	Complete. On-going.

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

Objective 6	Bond Program Master Planning and Reporting	6a. The District has taken steps to address the master plan of the Bond Program recommendation provided in the prior year’s report (Moss Adams 2015 Objective No. 17); however, the Long Range Facilities Master Plan presented to the Board on March 14, 2016 did not clearly identify the priorities and associated budget allocations for the remaining issuances of Proposition O funds.	As a best practice, a BOT-approved Long Range Facilities Master Plan should include detailed documentation surrounding the prioritization of projects, project budget amounts, project scope objectives and timelines, and project change orders. The District needs to develop an LRFMP and an annual maintenance plan with clear goals, procedures, and expectations to validate need-based decision making and a data-driven priority project list to ensure fair and equitable distribution of resources. The District needs to complete a comprehensive facilities condition assessment, as well as educational suitability and technology readiness assessment at every campus within its jurisdiction that incorporates infrastructure and Title IX needs. As provided in the Jacobs engineering report, current detailed and accurate information on facilities needs to be maintained and compared to District standards to determine facilities deficiencies and education adequacy costs on a regular basis. Program goals and criteria applied to determine project prioritization need to be clearly defined and communicated to staff and stakeholders to ensure transparent decisions and convey realistic project timelines and expectations. The Long Range Facilities Master Plan should be	The selection process for projects will incorporate community input, staff recommendations, and board approval. The district utilized the Jacobs Report to a limited degree and supplemented that information with staff knowledge and expertise. Moving forward, there will continue to be efforts to complete master plans for every district campus.	Ongoing.	1) Project Manager (PM) will complete a schedule for when the district plans to complete all Site Master Plans. (Incorporate a 60-day assumption for focus groups) 2) District Architect will setup meetings with focus groups (all meetings will include IT and Maintenance): a. General Ed b. Athletics/PE c. Special Education d. CTE/Maker Spaces e. VAPA f. Admin/support g. Science	Update 6/19: Preliminary District Wide Master Plan Schedule by Site is complete. Template for all Master Plans was completed on 5/8. Internal meetings are being held to determine the following components: i. Protocol Checklist/Standards. ii. Demographics iii. Identification of Priorities – Guiding Philosophy/Goals. Site Master Plan Process Flow Chart has been completed. Facilities Subcommittee meeting will be scheduled in August 2017, to sunshine items listed above.
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Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

No.	Category	Issue	Auditor's Recommendation	Management Response	Planned Resolution Date	Audit Follow Up Quarter 1 Progress (January – March 2017)	Audit Follow Up Quarter 2 Progress (April – June 2017)
			reconciled to the available Bond funds and updated on an ongoing basis. This information is necessary in order to provide adequate information to sufficiently oversee and conclude on Bond Program progress on behalf of the taxpayers. Once this information is approved and available, monthly reports should include construction status updates compared against the Master Plan to provide transparency on the Bond Program's total progress in relation to the voter-approved objectives.				
		6b. The District has did not provided a standalone financial reporting of the Bond Program to the CBOC.	As a best practice, the District should provide stakeholders standalone financial reporting in addition to the total program reporting so that there is a common understanding of expenditures and funding availability for Proposition O on a standalone basis.	A standalone expenditure report is available and can be provided upon request.	Completed.	Report is complete and will provide on quarterly basis. Beginning with June 30 th 2017 financials, reported August 2017.	Report is complete and will provide on quarterly basis. Beginning with June 30 th 2017 financials, reported August 2017.

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

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Objective 7	Claim Avoidance Procedures		As a best practice, written procedures for claims avoidance should be prepared and utilized. Procedures taken to avoid claims should be documented and available for review to validate compliancy with the implemented claims avoidance policy. The Construction and Planning Department should utilize monthly accounting report narrative sections to address potential differences with the Contractor such as responsibility for performing particular specific work will be addressed in detail. Particular care should be taken to record and preserve all possible data and/or evidence with respect to any matter which may become a basis for a contractor claim. As there may be many root causes for claims, the claims avoidance policy should include a detailed process that the District follows to identify the areas of exposure that may lead to a claim and steps to be taken to prevent claims such as document control requirements, identification of appropriate communication channels, and proactive cost, schedule, and quality control procedures to avoid claims where possible.	The Planning and Construction Department will develop written procedures for claims avoidance by the end of the current fiscal year.	June 2017.	Director of PAC to develop procedures. Due June 1 st .	Complete. (See Pages 50-51 of redline version of PMP).

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

Objective 8			<p>The District should finalize the comprehensive manuals which detail material types, standard equipment, and systems, manufacturer specification numbers, and minimum standards for new construction and modernization mandated by the District for projects undertaken. These minimum standards mandated by the District should consider facility safety, longevity, and educational requirements. Additionally, as a best practice, a defined policy should be implemented for updates to the Sweetwater Modernization Standards and Technical Specifications documents. This policy should ensure that documentation exists including the requestor and date of request, description of change, cost-benefit relationship for the change, approver, and date of approval, and a time-stamped updated specifications document. The cost-benefit analysis for significant specification changes should be prepared internally at the District and approved by the District’s Management. Additionally, the Standard Specifications document should avoid including narrowly scoped requirements to prevent non-competitive pricing or overbillings to the District. Absent this policy and documentation, when and why changes are made to the standards</p>	<p>The District Standards are nearing completion. The Standards will be a living document and after approval by the Board of Trustees, there will be periodic updates. Staff is collaborating with the San Diego County Office of Education for development of roofing specifications. This is anticipated to be completed by the end of April 2017.</p>	April 2017	<p>Will be completed by the District Architect by end of June 2017.</p>	<p>Update 6/19: Roof Standards have now been incorporated into the District Standards. The District Standard will be taken to the Board on 6/26/2017, for a second reading and adoption.</p> <p>Complete.</p>
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 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

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			and specifications documents are unclear.				

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

Objective 9	Cost Benefit and Value Engineering Analyses	There was no formal written procedure or documentation available to support that the District has implemented a process for conducting cost benefit analyses on its projects.	<p>As a best practice, the District should have defined processes for cost benefit analysis and value engineering for its projects, including when to utilize these tools, who is responsible for each activity, and procedures for final approval. The District’s current methodology is to utilize these tools on projects that are over the estimated budget; however, value engineering and cost benefit analyses can be utilized as a tool on any project. SAVE International specifies that the following six phases be conducted to analyze cost and value:</p> <ol style="list-style-type: none"> 1. Information Phase: Review and define the current conditions of the project and identify the goal of the value engineering study and cost benefit analysis. 2. Function Analysis Phase: Review and analyze the project to determine what needs improvement, elimination, or creation to meet the project’s goals. 3. Creative Phase: Generate ideas on all the possible ways to accomplish the requirements, with an emphasis on cost and functional needs. 4. Evaluation Phase: Develop and execute an evaluation to select those ideas that offer the potential for value improvement 	The Planning and Construction Department will develop processes for cost benefit analysis and value engineering for its projects by the end of the current fiscal year.	June 2017.	<p>Project Manager to outline a process for design review after each design phase. Cost Benefit and Value Engineering Analyses will be included as a component. Constructability review to be considered.</p> <p>Due June 1st.</p>	<p>Update 6/19: Draft procedures and templates for Project Design Review are complete and will be included in the PMP. Cost Benefit and Value Engineering Analyses are included as components of the Design Review process. The Planning and Construction Department will perform a test implementation of these procedures starting in the third quarter of 2017. The results of the test implementation will be reviewed and the procedures and templates will be revised as necessary.</p>
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Sweetwater Union High School District
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 Managements Responses

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			<p>while delivering the project's function(s) and considering performance requirements and resource limits.</p> <p>5. Development Phase: Develop the selected ideas into alternatives with sufficient documentation to allow decision makers to determine if the alternative should be implemented.</p> <p>6. Presentation Phase: Present a presentation and/or report to key stakeholders that convey the adequacy of the alternative(s) and the associated value improvement.</p>				

Sweetwater Union High School District
 Proposition O Performance Audit Report – Fiscal Year Ended June 30, 2016
 Managements Responses

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Objective 10	Maintenance of District Assets Funded with Proposition O and Warranty Conditions Compliance	The District does not maintain an Owner asset list for all assets incorporated into school site construction and is therefore unable to provide complete and accurate information regarding warrantied items.	As a best practice, the District should ensure compliance with all warranty conditions to sustain a level of protection against breach of warranty and proper maintenance of District facilities in accordance with warranty conditions. A consolidated summary project close-out report with warranty and preventive maintenance log details, which includes major assets, applicable warrantied items, dates of installation, required periodic maintenance, and actual maintenance conducted should be maintained for all school sites and reported to stakeholders on a regular basis. Warranty information is required as part of the construction close-out process; therefore, it is recommended that the Owner warranty log is created by the Planning and Construction Department and be provided to the maintenance team for proper follow-up.	The Planning and Construction Department will work with the Maintenance Department to define processes whereby periodic maintenance as required to keep warranties in effect is performed on a timely basis. These processes will be revised during the 2017-18 Fiscal Year.	June 2018.	None.	Update 6/19: Maintenance met with SDCOE and discussed a possible piggyback contract for School Dude software. An internal meeting has been scheduled with the district's IT Department, to review the School Dude software. In addition, an internal meeting with the CFO has been scheduled to discuss integration with the district's Financial System (TrueCourse).