



MOSSADAMS

FINAL REPORT

FOR

**SWEETWATER UNION HIGH  
SCHOOL DISTRICT**

**Proposition O Bond Fund Performance Audit  
Report for the Fiscal Year Ended June 30, 2017**

**December 4, 2017**

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**December 4, 2017**

Board of Trustees  
Sweetwater Union High School District  
1130 Fifth Avenue  
Chula Vista, CA 91911

Subject: 2006 Proposition O Construction Bond Performance Audit Report for Fiscal Year Ended June 30, 2017

Dear Board Members:

This report presents the results of our performance audit of the Sweetwater Union High School District's ("SUHSD" or "the District") 2006 Proposition O Construction Bond (Bond Program) as required by District objectives and California Proposition 39, the "Smaller Classes, Safer Schools and Financial Accountability Act" (Proposition 39), California Constitution (State Constitution) Article XIII A, and California Education Code (Education Code) Section 15272. These California State (State) requirements specify that the proceeds from the sale of school facilities bonds are expended only on the specific projects listed in the proposition authorizing the sale of bonds (Listed Projects).

Both the State Constitution and Education Code require an annual independent performance audit to verify Bond proceeds are used on Listed Projects. Finally, Senate Bill 1473, "School facilities bond proceeds: performance audits" (SB 1473), approved by the Governor on September 23, 2010, amended California Education Code to add Section 15286, which requires that the annual performance audit is conducted in accordance with the Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States.

### **Executive Summary**

We conducted this Construction Bond Program performance audit in accordance with GAGAS. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The performance audit objectives, scope, methodology, conclusions, and a summary of the views of responsible District Officials are included in the report body.

Based on the performance audit procedures performed and the results obtained, we have met our audit objective. We conclude that, for the fiscal year (FY) ended June 30, 2017, Bond proceeds were used only for Listed Projects under the 2006 Proposition O, which authorized the sale of the bond; however, we concluded that the ballot language addresses projects at both the District and school site levels, and it is unclear which language should take precedence when determining compliance. Specifically, the ballot language identifies School Facilities Projects that represent the types of projects that may be performed, but also identifies site-specific projects for which Bond funds may be expended. Additionally, we noted

improvement recommendations, reported below, regarding Expenditure Management and Controls, Program Management and Reporting, Procurement Controls and Contract Administration, Cost Benefit and Value Engineering Analyses, and Maintenance of District Asset Funded and Warranty Conditions Compliance.

Based on our assessment, we identified a number of good management practices as described below:

- **Cash Flow Reporting:** The District continued to utilize the Account-Ability software system, including providing training to District Project Managers on the system's use, functionality, and reporting capabilities. The Cash Flow Report prepared by the District included information regarding revenues, cash, and expenditures and has been updated to reflect cash flow for Bond Sale No. 2 in the aggregate (see Objective 4).
- **Budgetary Management and Reporting:** The District improved budget and reporting practices by 1) standardizing the reporting of project change orders to consistently represent and itemize change order and contingency usage amounts applicable for projects including separation of change order amounts from original contract amounts (see Objective 5).
- **Bond Program Master Planning:** The District's Program Management Plan (PMP) adopted by the Board of Trustees (Board) on June 26, 2017 included policies and procedures for developing a Long Range Facilities Master Plan including consideration of (1) funding, (2) selecting architects/consultants, (3) proposed conceptual master plan, (4) stakeholder engagement, (5) project priority by site, and (6) Board approval. School site master plan processes and criteria were presented to the Board and Citizens' Bond Oversight Committee (CBOC) for the purposes of transparency and collaborative feedback (see Objective 7).
- **Material Specifications:** The District Architect received approval from the Board on June 26, 2017 for design standards, including educational specifications, technical specification, and roof replacement product selection and specifications, to be utilized District-wide. The design standards also include procedures and approval requirements for deviations from the specifications if necessary or cost beneficial to the District (see Objective 9).
- **Program Management Plan Controls:** The Program Management Plan, utilized as policies and procedures for Bond Program activities, was updated to include additional controls surrounding approvals, reporting requirements, and procedural improvements. Updates to the PMP included:
  - Delegation of vendor invoice authorization in the absence of the Director of Planning and Construction (see status update for Moss Adams 2016 Objective 1).
  - Procedures for completing the Active Project Monthly Status Report (the Report). The Report has also been updated to list construction contract change orders separate from other contract changes (see status update for Moss Adams 2016 Objective 4).
  - A claim avoidance procedure to escalate and resolve change orders and requests for information in a timely manner to limit the number of claims filed against the District (see Objective 8).
  - The inclusion of constructability reviews as part of cost benefit and value engineering activities (see Objective 10).

- **Communication and Bond Program Transparency:** Approved CBOC meeting minutes were posted on the CBOC website.

The Proposition O Bond Program website was updated periodically by Planning and Construction to provide key project information, including budget information, variance analyses, and project photos, as well as CBOC agendas and meeting minutes.

Additionally, we evaluated the effectiveness and efficiency of internal controls to provide an analysis of the School Construction Program so that those charged with District governance and oversight can use the information to improve program performance and operations. We identified the following internal control deficiencies related to compliance with Bond Program requirements, effectiveness, and efficiency of operations:

- **Expenditure Management and Controls:** Ballot language utilized to support Proposition O projects was unclear. Ballot language that addresses projects at both a District-wide and site-specific level was approved; however, it is unclear which language takes precedence. Expenditures for four projects were noted that may apply to the overall School Facilities Projects identified for the District, but were not included as site-specific projects (see Objective 2).

Payroll allocations for District employees responsible for Bond Program activities were incorrectly allocated, in select instances, due to data entry errors within time cards. A net \$1,623 overcharge to the Bond Program was identified based on our sample, as time cards reflected inaccurate percentage allocations of time between the Bond Program and other District funds and activities (see Objective 2).

- **Program Management and Reporting:** The District has taken steps to address the recommendations for developing a comprehensive master plan identified within the prior year's report; 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. The Plan did not establish prioritization objectives using specific criteria, such as facility safety, longevity, and educational requirements for scope items listed within the ballot language. The District is in the process of compiling site master plans into a comprehensive District-wide master plan. However, it is unclear how the projects will be prioritized on a District-wide basis to ensure that needs are met at facilities throughout the District (see Objective 7).

The District provided stand-alone financial reporting for projects and the overall Bond Program during FY 2017. However, the stand-alone report provided to the CBOC only included construction-related budget amounts from Bond Sale No. 2 and omitted project management (\$4.8 million), Bond Sale No. 3 project design (\$1 million), and project contingencies (\$1.85 million) line items. This method of reporting could potentially lead to incorrect conclusions regarding the overall program financial status (see Objective 7).

The District and Professional Services Staffing Plan (Staffing Plan) for the Bond Program was compared to the number of Bond Program projects to assess the approach to in-house and consultant staffing for Bond Program projects, including planning, design, and construction project needs. The Staffing Plan considers internal staffing and current Bond Program and non-Bond Program activities

for Planning and Construction personnel, but it does not specifically address the type of construction project (new construction or modernization/renovation), project dollar value, or consultant staffing to meet the needs of the Bond Program (see Objective 3).

- **Procurement Controls and Contract Administration:** District procurement practices were evaluated against District procedures, California State School Requirements, and California’s Public Contracting Code. Procedural control deficiencies were identified for sole source justifications for consultant selection. The PMP requires justification to be provided by the Project Manager if only one consultant is recommended based on prior work or expertise. However, the PMP does not elaborate on who is required to review and approve these justifications and in what form (i.e., verbal or written) they are to be communicated (see Objective 6).
- **Cost Benefit and Value Engineering Analyses:** As of June 26, 2017, the District has updated the PMP to include constructability reviews for projects estimated to exceed \$1 million. However, through June 30, 2017, there was no documentation available to support implementation of this policy. The District also has not identified guidelines for when cost benefit analysis and value engineering may be utilized aside from projects exceeding \$1 million, who is responsible for each activity, and procedures for final approval (see Objective 9).
- **Maintenance of District Assets Funded and Warranty Conditions Compliance:** During FY 2017, the District did not maintain a consolidated warranty and preventative maintenance log for all assets incorporated into school site construction and was unable to provide complete and accurate reporting for items under warranty (see Objective 11).

Management remains responsible for the proper implementation and operation of an adequate internal control system. Due to the inherent limitations of any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.

This report is intended solely for the use of the District’s Board of Trustees, District Administration, and the Citizens’ Bond Oversight Committee. This report is not intended to be, and should not be, used by anyone other than these specified parties.

We would like to express our appreciation to you and all members of your staff for your cooperation throughout this performance audit.

Sincerely,

Moss Adams LLP

**Moss Adams LLP**



# Table of Contents

<b>I. Background Information</b>	<b>1</b>
Sweetwater Union High School District-Approved Bond Funds	1
California State Requirements	1
<b>II. Previous Audit Recommendations Follow-Up</b>	<b>3</b>
<b>III. Objective, Scope, and Methodology</b>	<b>4</b>
<b>IV. Audit Results</b>	<b>7</b>
Objective No. 1 – Conduct a Performance Audit	7
Objective No. 2 – Compliance with Ballot Language	7
Objective No. 3 – District and Professional Services Staffing Plan for the Bond Program	9
Objective No. 4 – Design and Construction Schedules Cash Flow Analysis	9
Objective No. 5 – Design and Construction Costs Budget Management	10
Objective No. 6 – Bidding and Procurement Procedures	10
Objective No. 7 – Bond Program Master Planning and Reporting	11
Objective No. 8 – Claim Avoidance Procedures	18
Objective No. 9 – Materials Specifications	18
Objective No. 10 – Cost Benefit and Value Engineering Analyses	19
Objective No. 11 – Maintenance of District Assets Funded with Proposition O and Warranty Conditions Compliance	20
<b>V. Reporting Views of Responsible Officials</b>	<b>22</b>
<b>Appendix A – Audit Resolution Log</b>	<b>24</b>
<b>Appendix B – List of Interviewees</b>	<b>29</b>
<b>Appendix C – Value Engineering</b>	<b>30</b>



# I. BACKGROUND INFORMATION

## SWEETWATER UNION HIGH SCHOOL DISTRICT-APPROVED BOND FUNDS

In 2006, San Diego County voters approved the Proposition O School Construction Bond for \$644 million to provide improvements to SUHSD facilities. The Proposition O School Construction Bond funds were to be used for school repairs, rehabilitation, technology upgrades, health and safety needs, and asbestos and lead paint removal at the District's local schools. The Bond Program is in its tenth year of implementation.

Bond Program accounting records for the fiscal year ending June 30, 2017 showed \$23,801,252 in Proposition O Bond Program expenditures in the current year.

## CALIFORNIA STATE REQUIREMENTS

A Construction Bond Program performance audit is required for SUHSD 2006 Proposition O Construction Bonds by Proposition 39, State Constitution Article XIII A, and Education Code Section 15272. These State requirements specify that the proceeds from the sale of school facilities bonds are expended only on Listed Projects. Both the State Constitution and Education Code require an annual independent performance audit to verify Bond proceeds are used on Listed Projects. Finally, SB 1473, approved by the Governor on September 23, 2010, amended the California Education Code to add Section 15286, which requires that an annual performance audit is conducted in accordance with the GAGAS issued by the Comptroller General of the United States.

Proposition 39, the "Smaller Classes, Safer Schools and Financial Accountability Act" (Proposition 39) was passed by the California voters on November 7, 2000. Proposition 39 amended provisions to the California Constitution and to the California Education Code. The purpose and intent of the initiative was "to implement class size reduction, to ensure that our children learn in a secure and safe environment, and to ensure that school districts are accountable for prudent and responsible spending for school facilities." It provided for the following amendments to the California Constitution and California Education Code:

1. "To provide an exception to the limitation on ad valorem property taxes and the two-third vote requirements to allow school districts, community college districts, and county offices of education to equip our schools for the 21st Century, to provide our children with smaller classes, and to ensure our children's safety by repairing, building, furnishing and equipping school facilities;
2. "To require school district boards, community college boards, and county offices of education to evaluate safety, class size reduction, and information technology needs in developing a list of specific projects to present to the voters;
3. "To ensure that before they vote, voters will be given a list of specific projects their bond money will be used for;
4. "To require an annual, independent financial audit of the proceeds from the sale of the school facilities bonds until all of the proceeds have been expended for the specified school facilities projects; and



5. “To ensure that the proceeds from the sale of school facilities bonds are used for specified school facilities projects only, and not for teacher and administrator salaries and other school operating expenses, by requiring an annual independent performance audit to ensure that the funds have been expended on specific projects only.”



## II. PREVIOUS AUDIT RECOMMENDATIONS FOLLOW-UP

We interviewed District and Bond Program personnel to determine the status of improvement recommendations identified in the prior audit period. Through inquiry and document review, we confirmed that 10 of the 16 recommendations from the 2016 audit report have been resolved. Steps have been taken to address the remaining six recommendations, which still remain open as they continue to be implemented fully by the District. Please see Appendix A for further details.



### III. OBJECTIVE, SCOPE, AND METHODOLOGY

The objectives of the performance audit included verification of SUHSD compliance with Proposition 39, which required that Bond proceeds only be used for school facilities projects that were listed with the Bond. The District created the 2006 Proposition O Bond funds under Proposition 39 and, as such, has been required to expend these fund proceeds only on Listed Projects, and not for school operating expenses, for the District FY ending June 30, 2017. The Proposition O Bond Program expended \$23,801,252 in FY 2017.

We conducted this Construction Bond Program performance audit in accordance with GAGAS. As required by GAGAS, we planned and performed the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. The evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives. Because GAGAS performance audit procedures require reasonable assurance, and these audit procedures did not require detailed examination of all transactions and activities, there is a risk that compliance errors, fraud, or illegal acts may exist that were not detected by us. Based on the performance audit procedures performed and the results obtained, we have met our audit objective.

Management remains responsible for the proper implementation and operation of an adequate internal control system. Due to the inherent limitations of any internal control structure, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods are subject to the risk that the internal control structure may become inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate.

This performance audit did not constitute an audit of financial statements in accordance with “Government Auditing Standards.” Moss Adams was not engaged to, and did not render an opinion on the District’s internal controls.

The performance audit objectives (as specified by the District and agreed upon for this performance audit) and methodology applied included the following:

1. **Conduct a Performance Audit:** We conducted the audit in accordance with GAGAS for Performance Audits as codified by the Government Auditing Standards, December 2011 Revision issued by the Comptroller General of the United States.
2. **Compliance with Ballot Language:** We reviewed the Bond Program’s financial records and expenditures to verify that funds were used for approved Bond Program purposes as set forth in the ballot language, Bond documents, Board-approved listed projects and Proposition 39 requirements. We reviewed the Bond Program’s financial records and expenditures by obtaining the Comprehensive Annual Financial Report and comparing the balances to the District’s detailed accounting records. We analyzed control processes, tested the Program expenditure cycle, and sampled supporting documentation to validate internal controls. Testing procedures included the use of Audit Command Language (ACL) to select a statistical, monetary unit sample to provide a 90 percent level of confidence that expenditure transactions from the Bond Program were compliant with Bond Program and legal requirements. We tested 65 expenditures totaling \$21,691,938. These transactions included payments to contractors and vendors, and journal entries of inter-fund transfers. Our testing procedures were performed to verify:
  - Expenditures were for Listed Projects.
  - Approval of payment applications and invoices.



- Expenditure compliance with approved contract, purchase order, or other procurement documentation.
- Expenditures were recorded in the proper period, accurately, and in a complete manner in the District's books and records.
- Expenditure allocability and allowability for allowance and contingency usage per sampled job contract language.

We interviewed District and Bond Program personnel and analyzed key documentation to assess the design of controls over Bond Program expenditures, including review, authorization, and oversight of the District's listed projects, contracts executed, accounting for Bond proceeds issued, and payments made and recorded for FY 2017. The documents we analyzed to assess Bond Program risk and controls design included:

- Proposition 39 Bond language and Project Lists.
- The District's construction planning documentation.
- Board meeting agendas and meeting minutes.
- Applicable Construction Program contract documentation.
- Accounting for Bond Program proceeds and supporting documentation for expenditures taken from the District's books and records.
- Review of project expenditures (2016/2017) and voter-approved ballot language.

We analyzed the associated sampled expenditure contracts for a more in-depth review of the project expenditures. Supporting documentation for District labor charged was analyzed for complete identification of staff activities incurred and accurate allocation of cost between the Bond Program and other District activities.

3. **District and Professional Services Staffing Plan for the Bond Program:** We reviewed the District's staffing plan for an approach to in-house staffing and consultant staffing that includes key metrics, such as positions staffed, number of personnel, number of planned projects, and dollar value of planned projects utilized by the District to help determine organizational structure alignment with the Bond Program needs as segregated by modernization versus new project staffing needs.
4. **Design and Construction Schedules Cash Flow Analysis:** We reviewed the methods used to track the schedule of available revenues and expenditures for all projects and to plan each building project in accordance with the availability of funds. We compared the District's revenues and expenditures cash flow analysis and reporting to GFOA guidance on cash flow reporting and management. We determined whether the District confirms the availability and appropriateness of revenue and cash sources for Bond Program financial management. We assessed whether the District measures the adequacy of cash flow in relation to project requirements by timeframe for Proposition O.
5. **Design and Construction Costs Budget Management:** We compared design and construction budget management practices to GFOA standards to measure the effectiveness of controls surrounding Bond-funded projects. We reviewed the reporting of adopted budget, budget-to-actual, and budget-to-projected expenditures, revenue, and means to clarify Bond Program progress and financial standing (e.g., narratives, graphs, charts, etc.). We analyzed the design of budgetary management controls for documentation and explanation of deviations from the original budget by key construction component for user reference.



6. **Bidding and Procurement Procedures:** We validated that support for the use of sole source procurement was documented. For competitive bids, we verified compliance with California school construction state requirements, the Public Contract Code, and state and other relevant laws and regulations. We evaluated procurement controls for the application of competitive and compliant contracting practices. We reviewed increases to competitively bid projects for compliance with District procedures and Public Contract Code.
7. **A. Master Planning:** We reviewed that the design and implementation of a master plan identifies construction program scope priorities for the use of Proposition O funds. We assessed whether the plan established prioritization objectives using criteria such as facility safety, longevity, and educational requirements. We assessed the support for estimates used for establishing master plan budgets and that the master plan priorities were used to determine the use of Bond Program funds. We assessed the basis for approval of Form 3500 requests, verified applications for required approvals, and ascertained the prioritization of those approvals.  
**B. Bond Program Reporting:** We reviewed Bond Program reporting for separate and distinct financial and budgetary reporting for Proposition O. We assessed whether a stand-alone Proposition O report is provided to the Board and public to summarize progress against Bond Program plans with actual and forecasted cost comparison to budgets for planned projects. We reviewed construction change order information reporting to required end users per District Policy to identify total change order impact for each project with cause and responsibilities for the change identified. Additionally, we verified the application of Public Contract Code section 20118.4 for supporting documentation of cost and cause analysis applicable to change order approval decisions prior to change orders being submitted to the District's Board.
8. **Claim Avoidance Procedures:** We reviewed the implementation of procedures designed to prevent claims filed against the District related to construction projects for the period.
9. **Materials Specifications:** We determined whether the District has and uses a standardized items list and educational specifications for Bond Program materials procurement to identify facilities material requirements. We assessed whether District materials requirements are available to project architects and designers and verified whether materials specifications are used in procurements and provided to all bidders during the procurement process. We reviewed how the cost benefit analysis was used to set materials standards and for District Management approvals required for significant materials specification changes.
10. **Cost Benefit and Value Engineering Analysis:** We reviewed the cost benefit and value engineering analyses procedures and documentation of practices applied. We verified whether analyses were conducted to determine if the requirements (i.e., materials, assets, systems) of the project or equipment purchase could be obtained at a lower price or for a better value, specifically when weighing cost, time, and function. We assessed whether value is determined by objective criteria that may include, but need not be limited to, price, features, functions, lifecycle costs and other criteria deemed appropriate by the District. We compared District practices to guidelines recommended by SAVE International®.
11. **Maintenance of District Assets Funded with Proposition O and Warranty Conditions Compliance:** We reviewed District practices for maintenance of a list for all assets incorporated into school site construction and complete and accurate information regarding items under warranty. We verified the District implementation of controls surrounding the required maintenance of its assets in accordance with warranty terms, application of a formal system of logging this information for inventory purposes, and use of warranties where possible.

We interviewed key personnel responsible for administering the Bond Program, including senior management and staff from the District and Bond Program Management Team responsible for overseeing the work associated with the Bond Program. We also interviewed members of the Citizens' Bond Oversight Committee. The individuals interviewed are listed in Appendix B of this report.



## IV. AUDIT RESULTS

### OBJECTIVE NO. 1 – CONDUCT A PERFORMANCE AUDIT

**Observation:** We conducted the performance audit in accordance with GAGAS for Performance Audits as codified by the Government Auditing Standards, which resulted in observations and improvement recommendations as identified within the objectives below.

**Improvement Recommendation:** See recommendations provided for each of the objectives specified.

### OBJECTIVE NO. 2 – COMPLIANCE WITH BALLOT LANGUAGE

**Observation A:** We concluded that the ballot language addresses projects at the District and school site levels; however, it is unclear which language should take precedence when determining compliance. Specifically, the ballot language identifies School Facilities Projects that represent the types of projects that may be performed under Proposition O (refer to the top portion of Attachment “1” of Resolution 3542 Exhibit “B”). The ballot language also identifies site-specific projects for which Bond Program funds may be expended. The projects summarized below may apply to the overall School Facilities Projects identified within the ballot language, but they are not included as site-specific projects:

1. Sweetwater High School – Expenditures for Title IX softball field modifications were billed within FY 2017. Per the site-specific project ballot language, repair to the stadium is the only allowable sports field project.
2. Southwest Middle School – Expenditures for skylights were allocated to the Bond Program in FY 2017. Per the site-specific project ballot language, only repairs to school support offices and auditorium were allowable and the language did not specify lighting improvements or skylights as an allowable cost. As the scope is a modernization and not a repair to the existing facility, the ballot language may not support these types of costs.
3. Southwest Middle School – Expenditures were supported by invoices stating that “various improvements” were completed in FY 2017 for work completed at Southwest Middle School. The description of various improvements does not provide enough detail to confirm that the improvements that were done were allowable under the ballot language.
4. Mar Vista High School – Expenditures for a pool replacement were allocated to the Bond Program for FY 2017. Per the site-specific project ballot language, upgrades to physical education facilities were allowable. However, a pool was not specifically identified within the ballot language.

**Improvement Recommendation:** Ballot language for future bonds should clarify whether site-specific project lists are intended to define all allowable projects or if they are representative of the types of projects that are possible under Proposition O and according to master plan guidelines. Additionally, future invoices should include sufficient detail to identify the nature of projects performed. The description of “various improvements” does not allow for determination of compliance with ballot language.



**Observation B:** Payroll allocations for District employees responsible for Bond Program activities were allocated incorrectly, in select instances, due to data entry errors within time cards. Salary allocations were reconciled on a quarterly basis to compare actual Bond Program charges to those projected. As part of this comparison time cards were utilized to determine the correct actual allocation of time to the Bond Program compared to the general or other funds. In the instances identified below there were errors in the data entry for time card allocation percentages, which led to incorrect cost allocations to the Bond Program. A total of \$169,065 of payroll expenditures were reviewed with a net \$1,623 overcharge to the Bond Program for the samples reviewed. This is representative of 0.96 percent (\$1,623/\$169,065) of the sampled payroll allocations. The District has noted that any amounts incorrectly allocated to the Bond Program as a result of data entry errors will be reimbursed by the General Fund.

Employee <sup>1</sup>	Period	Total Quarterly Salary	Projected Quarterly Salary Allocation	Projected Quarterly Salary Allocation Percentage	Actual Quarterly Bond Program Charges	Quarterly Allocation Based on Actual Charges	Actual Quarterly Allocation Based on Time Card Support	Percentage Variance	Cost Variance
A	B	(C)	D	E = D / C	F	G = F / C	H	I = G - H	J = C x I
Employee 1	Q3	\$26,515.02	\$11,859.60	44.73%	\$9,545.46	36.00%	34.62%	1.38%	\$365.91
Employee 2	Q4	\$29,431.70	\$3,826.11	13.00%	\$3,826.14	13.00%	25.48%	-12.48%	\$(3,673.08)
Employee 3	Q2	\$19,688.74	\$6,891.09	35.00%	\$1,968.87	10.00%	1.06%	8.94%	\$1,760.17
Employee 4	Q2	\$41,181.89	\$18,530.25	45.00%	\$11,530.86	28.00%	23.44%	4.55%	\$1,873.78
Employee 5	Q3	\$34,732.88	\$5,619.24	16.18%	\$15,629.76	45.00%	43.09%	1.91%	\$663.40
Employee 6	Q4	\$27,058.46	\$4,599.96	17.00%	\$5,952.87	22.00%	19.66%	2.34%	\$633.17
<b>Total</b>									<b>\$1,623.35</b>

<sup>1</sup> Employee names have been omitted from this report as it is not necessary detail to be provided to a wide audience. The District is aware of the exceptions per employee name.

**Improvement Recommendation:** The net \$1,623 overcharge to the Bond Program due to incorrect payroll allocations should be reimbursed by the General Fund. The District should ensure that controls surrounding time entry, approval, and quarterly projected-to-actual labor reconciliations are performed accurately. The time certification process implemented in FY 2016 should be consistently applied by all District personnel responsible for Bond Program activities with spot-check audits performed by time card approval authorities to validate that data entry, percentage of time card allocation, and associated cost allocations are properly calculated.



## OBJECTIVE NO. 3 – DISTRICT AND PROFESSIONAL SERVICES STAFFING PLAN FOR THE BOND PROGRAM

**Observation:** The Staffing Plan for the SUHSD Planning and Construction Department (Staffing Plan) was analyzed in order to compare the number and magnitude of Bond Program projects and to determine in-house and consultant staffing for Bond Program projects. **The District has taken steps to address the Staffing Plan recommendation provided in the prior year’s report (Moss Adams 2016 Report Objective No. 2).** However, there was no approved Staffing Plan for the Bond Program in FY 2017. The District worked to put together a Staffing Plan for FY 2017-2018 which, as of September 2017, remained in draft. The draft Staffing Plan states that a Project Manager and a Planning Specialist are assigned to each active project and that the volume of Proposition O Bond Sale 1/Bond Sale 2 projects are decreasing. District Planning and Construction Department employees have offset their active Bond Program management tasks with activities related to the Long Range Facilities Master Plan, identification of Community Facilities Districts funded project, and construction administration for deferred maintenance projects.

The District has made improvements since last year’s performance audit as there was no documented Staffing Plan presented for review at that time. The current draft of the Staffing Plan has provided a correlation between the number of personnel and the number of planned projects. However, the Staffing Plan does not consider project type (modernization compared to new construction) and project size (dollar value) when determining whether projects are adequately staffed. While the District has identified a way to track their time to determine trends in activity related to Bond Program and other projects, it does not consider if or when consultant staff would be necessary. Additionally, the Staffing Plan does not clearly identify the responsibilities of the current staff by position, specifically related to master planning initiatives, to determine if the staffing is appropriate to meet the current and future needs of the District throughout the planning process.

**Improvement Recommendation:** Prior to finalization of the Staffing Plan, updates should be made to include the responsibilities of current staff by position. As the current Bond Program projects are limited, future periods may require additional staffing beyond a Project Manager and Planning Specialist to meet program needs, which is why the Staffing Plan should include language regarding consultant/contracted staffing needs and project type and dollar value. It is recommended that the Staffing Plan also include a requirement for an annual assessment of the Staffing Plan to determine if the needs for the upcoming fiscal year are being met.

## OBJECTIVE NO. 4 – DESIGN AND CONSTRUCTION SCHEDULES CASH FLOW ANALYSIS

The District’s revenues and expenditures cash flow analysis and reporting was compared against GFOA and the National Advisory Council on state and local cash flow reporting practices. **The District has taken steps to address the cash flow analysis recommendation provided in the prior year’s report (Moss Adams 2016 Report Objective No. 3).** The District continued to utilize the Account-Ability software system in FY 2017 to manage projected revenues and expenditures for Bond Sale No. 2 projects. In the FY 2016 audit report, it was noted that the cash flow reported project budgets and expenditures on a stand-alone basis for Bond Sale No. 2 and not on a Bond Program level. This



information was also not made available to the Board and the CBOC during FY 2016. Improvements have been implemented by the District during FY 2017 as cash flow was reported per project and for Bond Sale No. 2 in the aggregate. An initial cash flow report was provided to the Board on June 26, 2017 and future cash flow reports are anticipated to be provided on a semi-annual basis. There has not been significant cash flow activity and, therefore, more frequent cash flow reporting has been unnecessary. The District is committed to generating and disbursing the cash flow report on a more frequent basis if cash in-flows increase. **No exception taken.**

## OBJECTIVE NO. 5 – DESIGN AND CONSTRUCTION COSTS BUDGET MANAGEMENT

**Observation:** The design and construction budget management practices were compared to GFOA standards to measure the effectiveness of controls surrounding Bond-funded projects. **The District has taken steps to address the design and construction budget recommendation provided in the prior year’s report (Moss Adams 2016 Report Objective No. 4).** The District design and construction budget management practices implemented in FY 2016 through the use of the Account-Ability software system were continued and expanded upon in FY 2017. The District improved its practices by standardizing the reporting of project change orders to consistently represent and itemize change order and contingency usage amounts applicable for projects, separating change order amounts from original contract amounts. The District’s Capital Projects Financing and Reporting Manager and the Director of Planning and Construction have collaborated to track project costs, including individual project expenditures, change orders, cash flow, forecasts, etc., and held monthly meetings with District Project Managers to ensure that projects are tracking correctly against the budget. **No exception taken.**

## OBJECTIVE NO. 6 – BIDDING AND PROCUREMENT PROCEDURES

**Observation:** District bidding and procurement practices were compared to the California State School Requirements and the Public Contract Code. We assessed the bidding and procurement practices for sampled vendors that utilized Bond Program funds. **Issues related to obtaining a sufficient number of bids or quotes during FY 2016 (Moss Adams 2016 Report Objective No. 5) were not present within the sampled bidding and procurement documents for FY 2017.** However, in FY 2017, there were procedural control deficiencies noted regarding sole source justifications for consultant selection. Per the District Planning and Construction Department Program Management Plan (PMP) section entitled “Selecting the Appropriate Consultants,” when selecting consultants, the “Project Manager (is) to provide justification if only one consultant is recommended based on prior work or expertise.” The PMP does not specify whether this information is to be presented solely to the Director of Planning and Construction or if it should be presented to the Board as well when contracts are approved or ratified, as necessary. Reasonable justifications were provided to Moss Adams upon request. However, as a best practice, it is recommended that the PMP be updated to specify who is provided these justifications. Disclosure of the justification to the Board would allow for greater transparency when work is sole-sourced to a consultant, similar to how deviations from the standard bidding and procurement policy are documented for contractor bids. The following two projects were awarded to consultants on a sole source basis and were not identified as such within the analysis section of the applicable Board Item within Board meeting minutes:



PROJECT	SELECTED CONSULTANT	JUSTIFICATION PROVIDED
Mar Vista HS – Master Plan 2017	Harley Ellis Devereaux	Staff obtained a proposal from a prequalified vendor for these services. The proposal was under the directed not-to-exceed amount.
Southwest MS – DSA Closeout of SOM Phase 1	Roesling-Nakamura Architects	The consultant had historical knowledge of SOM, eliminating re-work, and had the CADD drawings, which helped reduce cost.

**Improvement Recommendation:** The PMP section entitled “Selecting the Appropriate Consultants” should be updated to reflect who receives sole source justifications for consultant selection and the approval required to ensure maximum transparency of contracting practices.

## OBJECTIVE NO. 7 – BOND PROGRAM MASTER PLANNING AND REPORTING

**Observation: The District has taken steps to address the master plan and reporting of the Bond Program recommendations provided in the prior year’s report (Moss Adams 2016 Report Objective 6a and 6b).** See specific items noted for master planning and Bond Program reporting identified below:

### A. BOND PROGRAM MASTER PLANNING

The Planning and Construction Department’s PMP was adopted by the Board on June 26, 2017 and included policies and procedures surrounding the Long Range Facility Master Plan (“LRFMP” or “the Plan”). The site master plan process was also presented during this meeting and included a flowchart of master plan development phases such as (1) funding, (2) selecting architects/consultants, (3) proposed conceptual master plan, (4) stakeholder engagement, (5) project priority by site, and (6) Board approval. Further, on October 18, 2017, the Planning and Construction Department provided additional detail on the site master plan process and presented the future SUHSD master plan to both the Board and the CBOC. Presentation topics included the site master plan template, estimates, project priority matrix, phasing recommendations, prices, collaboration, timeline, and moving forward. The purpose of the SUHSD master plan is to develop a versatile tool and support a productive and consistent vision. The guiding principles of the master plan include teaching and learning, equity, parent engagement, and systems of operational excellence with priorities including infrastructure and modernization/new construction (e.g., core classrooms, specialty spaces, physical education, and miscellaneous). The priority matrix by site will be originally compiled by both the Planning and Construction and Maintenance Departments. The presentation and supporting schedules did not provide details regarding system-wide prioritization guidance, but instead provided only site-specific prioritization guidance. Through October 2017, project prioritization details by site were not yet available to review as the SUHSD master plan was between the proposed conceptual master plan and stakeholder engagement phases. The final master plan is expected to be presented to the Board in March 2018.

However, the LRFMP through June 30, 2017 did not clearly identify the priorities and associated budget allocations for the remaining issuances of Proposition O funds. The Plan did not establish prioritization of objectives using criteria, such as facility safety, longevity, and educational requirements for scope items



listed within the ballot language. The most recent LRFMP was approved in 2006. Bond Sale 2 budget allocations identified project scopes and cost estimates based on District calculations and criteria. Without an updated Board-approved LRFMP, it is unclear how projects and expenditures were prioritized through June 30, 2017.

The next four sections provide analysis of the process to evaluate the estimates used for establishing master plan budgets and master plan priorities through June 30, 2017.

**Background:** Jacobs Engineering Inc. issued the Sweetwater Union High School District Facility Master Plan - State of School Facilities Report in May 2015. The facility condition assessment performed by Jacobs identified \$383.8 million in current needs – \$60.3 million was related to educational adequacy and \$323.5 was related to facility deficiency costs. Refer to the Jacobs Report Facility Deficiency by Building in the table provided below.

### FACILITY DEFICIENCY BY BUILDING SYSTEM

Facility deficiencies are divided into 12 industry-standard building systems with multiple subsystems and subsystem types. The 12 systems include:

- Site • Interior • Fire and Life Safety
- Roofing • HVAC • Technology
- Exterior • Plumbing • Conveyances
- Structural • Electrical • Specialties

Table 6 shows building system type and their associations, in dollars, by priority. These amounts include both educational adequacy, as well as facility condition-related deficiencies. The table indicates that the majority of the deficiencies are related to the electrical system or roofing. The majority of the electrical deficiencies are Priority 4, whereas the majority of the roofing deficiencies are Priority 1, indicating a significant investment in the roofing systems across the district may be needed in the near future.

Table 6: SUHSD Building System Deficiencies by Priority Level

Building System	Priority 1	Priority 2	Priority 3	Priority 4	Priority 5	Total
Site	\$ 602,418	\$ 979,032	\$ 7,533,375	\$ 12,221,712	\$ 4,533,092	\$ 25,869,630
Roofing	\$ 33,318,578	\$ 1,493,978	\$ 6,250,162	\$ 124,763	\$ 2,013	\$ 41,189,495
Structural	\$ -	\$ -	\$ -	\$ 5,179,496	\$ -	\$ 5,179,496
Exterior	\$ -	\$ 6,420,790	\$ 3,047,701	\$ 4,274,308	\$ 1,936,984	\$ 15,679,783
Interior	\$ -	\$ 293,061	\$ 10,823,478	\$ 1,834,063	\$ 3,563,377	\$ 16,513,980
Mechanical	\$ -	\$ 20,695,451	\$ 1,762,887	\$ 2,281,688	\$ 20,363	\$ 24,760,390
Electrical	\$ -	\$ 7,201,874	\$ 12,466,313	\$ 32,464,548	\$ 795,008	\$ 52,927,743
Plumbing	\$ 1,159,445	\$ 184,547	\$ 10,333,600	\$ 4,977,172	\$ 16,473	\$ 16,671,236
Fire and Life Safety	\$ 24,249	\$ 14,563,457	\$ -	\$ -	\$ -	\$ 14,587,707
Technology	\$ -	\$ -	\$ 4,045	\$ 7,697,390	\$ -	\$ 7,701,435
Conveyances	\$ -	\$ -	\$ 89,553	\$ -	\$ -	\$ 89,553
Specialties	\$ 126,635	\$ 1,767,290	\$ 13,686	\$ 1,572,545	\$ 2,833,055	\$ 6,313,210
Educational Adequacy	\$ -	\$ -	\$ 60,342,884	\$ -	\$ -	\$ 60,342,884
District Requirements	\$ -	\$ -	\$ 95,932,986	\$ -	\$ -	\$ 95,932,986
<b>Total</b>	<b>\$ 35,231,325</b>	<b>\$ 53,599,481</b>	<b>\$ 208,800,669</b>	<b>\$ 72,627,685</b>	<b>\$ 13,700,368</b>	<b>\$ 383,759,526</b>

Additionally, students, parents, employees, and community members of SUHSD provided their opinions regarding District facilities through a series of evening meetings and an online survey. There were several issues that were common among many of the participants, including the following as provided within the Jacobs report:



- Lack of equity in the condition of the facilities. Participants were concerned that while some schools had facilities in great condition, fully equipped with AC, other schools had facilities that were in poor condition (some deemed them “unsafe”) and many spaces had no air conditioning.
- Lack of equity in the availability of some basic facilities. There were concerns about the lack of seating and/or covered spaces for meals. The lack of restrooms was also a concern.
- Lack of equity in the availability of some specialty facilities. Participants were concerned that some schools lacked what they deemed “basic” facilities, such as special education spaces, performing arts, art rooms, and science labs.
- Safety and security. Although most schools had adequate fencing, there were many concerns regarding traffic patterns, drop-off areas, and security at the entrances. Safety was also a concern for athletic facilities. The poor condition of fields and tracks were an issue.

Staff in the Planning and Construction and Maintenance Department reviewed the facility condition maps prepared by Jacobs Engineering and created the “Priority Needs Matrix,” which ranked the top 10 schools for allocating bond funds from Bond Sale 2. The District developed an internal Priority Needs Matrix utilizing the following criteria:

- No Proposition O – Assigned values to schools based on prior Proposition O funding amounts.
- Buildings – Assigned values to schools based on the Jacobs report issued in May 2015.
- Safety of Fields – Assigned values based on an evaluation by the Maintenance and Planning Departments.
- Title IX – Assigned values based on an evaluation by the Maintenance and Planning Departments.
- Infrastructure – Assigned values based on an evaluation by the Maintenance and Planning Departments.

Per the District, the Jacobs report had several omissions and/or lack of substantial exploration in Infrastructure and Athletic Facilities. The District felt each of these areas represents significant risk in terms of student (and staff) safety and potential for liabilities in the area of compliance with Title IX.

Planning and Maintenance Departments presented the first reading of the updated LRFMP at the January 25, 2016 Board meeting based on the updated criteria. Presentation items included the following:

- Revised and updated maps depicting areas in need of work.
- A comprehensive list of priorities needed and/or desired at each site, based on input from staff, students, and community stakeholders.
- Options for prioritizing work based on the above criteria and projected funding availability per the Maintenance and Planning Departments.

Maintenance and Planning staff reviewed each building at every school site with the administration teams of each school. There were revisions and corrections made to the site condition maps prepared by Jacobs Engineering based on feedback presented to the District through the various forums available. Per the District, through the multiple stakeholder meetings and other stakeholder engagement processes, there was a clear request from various stakeholders for the District to complete the work of outfitting all classrooms with Heating, Ventilation, and Air Conditioning (HVAC), and the Board approved work at multiple sites to address Title IX facility needs. Form 3500 requests were not included within the LRFMP process and are subject to standard procedures.



The Priority Needs Matrix was presented to the CBOC on February 17, 2016. A second reading was conducted on March 14, 2016, which summarized the work that District staff performed and included the following documentation:

- Project priorities for Bond Sale 2
- Facility Condition Maps for each school site
- Prioritization of needs by school as identified by rubric developed jointly by staff from the Planning and Construction and Maintenance Departments

The Board selected option 3A which included HVAC for all classrooms and administrative spaces, artificial turf fields, a pool, and modernization. Through June 30, 2017, the budget allocations presented for Bond Sale No. 2 were as follows:

SCOPE	PROJECT SITE	AMOUNT (\$) IN MILLIONS	AMOUNT (%)
HVAC Project	Various	33.00	53%
Artificial Turf	Bonita Vista High School and Hilltop High School	9.02	14%
Pool	Mar Vista High School	6.00	10%
Modernization	Hilltop Middle School Modernization	5.34	8%
Project Management	Various	4.80	8%
Contingency	Various	1.78	3%
Gym Bleachers	Castle Park High School and Southwest High School	1.07	2%
Project Design	Various	1.00	2%
Site Master Plan	Various	0.84	1%
<b>Total</b>		<b>62.85</b>	<b>100%<sup>1</sup></b>

<sup>1</sup> Adds up to 101 percent as a result of rounding.

Analyses of scopes of work include major scope items (>\$5 million), or 85 percent (\$53.45 million / \$62.85 million) of the Bond Sale No. 2 budget allocation:

1. **HVAC or mechanical upgrades (\$33 million or 53 percent)**, per the Jacobs Engineering report were estimated at \$24.5 million and were considered Priorities 2-5. Priority 1 requirements in the amount of \$35 million largely related to roofing (\$33.3 million). Priorities 1 and 2 were defined as follows per the Jacobs report:
  - Priority 1 – Mission Critical Concerns: Deficiencies or conditions that may directly affect the school’s ability to remain open or deliver the educational curriculum. These deficiencies typically include items related to building safety, code compliance, severely damaged or failing building components, and other items that require near-term correction.
  - Priority 2 – Indirect Impact to Educational Mission: Items that may progress to a Priority 1 item if not addressed in the near-term. Examples of Priority 2 deficiencies include inadequate roofing



that could cause deterioration of integral building systems, and conditions affecting building envelopes, such as roof and window replacements.

HVAC was a high concern for the community and stakeholders. District calculations for the HVAC system were not provided to the Board for review, nor was an explanation of the HVAC overages compared to the Jacobs report.

2. **Artificial turf (\$9.02 million or 14 percent)** was not specifically identified as a requirement in the Jacobs report. Per the District, “design of the Bonita Vista HS Artificial Track and Field project was approved by the Board of Trustees and subsequently submitted to and approved by the Division of State Architect (DSA). Bond Sale 2 was the only source of funds available prior to June 5, 2018 to preserve the investment of design and approval fees. The projects at Bonita Vista High School and Hilltop High School were approved by the DSA, therefore, if we had not moved to complete these projects, the lack of action would have translated to a lost prior investment to design and receive approval by DSA.” The community also addressed concerns about the safety of athletics fields. However, the artificial turf specification was not a requirement per the community.
3. **Pool (\$6 million or 10 percent)** was not specifically identified in the Jacobs report. Per the District, “the pool is very old and has very significant maintenance and operations costs each year. It is a high priority to eliminate a drain on maintenance dollars as well as a high priority for the school and community. The \$6 million budget was developed to replace the pool in the same location. The current location requires public penetration of the campus (bad from a security standpoint) and therefore other options such as relocation are being considered. The pool at MVH serves multiple district campuses (Montgomery High School, Southwest High School, as well as Mar Vista High School). Therefore, this is an asset the serves broader student constituencies.” There was no documentation or analysis provided to the Board or the CBOC regarding annual maintenance and operations costs. Additionally, there was no evidence of a Maintenance Master Plan or an annual maintenance plan that would have highlighted this as a high priority.
4. **Modernization (\$5.34 million or 8 percent)** was allocated to the Hilltop Middle School and this was in line with the Jacobs report assessment. No specific details were provided to the Board regarding what scopes of work were included in modernization. For example, it is unclear whether these monies will be allocated to plumbing, roofing, site, or other priorities based on the information provided to the Board.

## BENCHMARK

Per the California School Boards Association’s Facilities Master Planning article published, the steps for a comprehensive facilities master plan include the following:

1. Communicate the board’s priority on developing and implementing a thoughtful planning process that obtains perspectives from key stakeholders.
2. Allocate funding, other resources, and sufficient time for a thorough needs assessment.
3. Work collaboratively with all other local and state agencies.
4. Request that data be provided by the superintendent and district staff to the board regarding the projected enrollment for school sites. This data should include information from the city, county, census bureau, public records, and other agencies to determine potential changes in:
  - a. Housing costs and availability
  - b. Employment projections
  - c. Planned residential and commercial development
  - d. City master plans



e. Demographics

5. Understand the historical development of the community, as well as its future direction.
6. Determine how new construction/modernization projects will correlate with district and community goals.
7. Establish parity across sites – set district standards for technology, aesthetics, equipment, fixtures, etc.
8. Prioritize funding and resources for individual construction projects. Communicate with staff and the public as to why some facilities/projects receive differentiated funding.
9. Provide clear policy direction regarding facilities planning and set expectations for regular reviews of facility's needs. Establish clear guidelines and expectations for the group of stakeholders.
10. Conduct forums, focus groups, and surveys to gauge the wishes of students and parents for the new or renovated school facility.
11. Provide opportunities at board meetings for reports on the status and results of the needs assessment.
12. Use facilities master plan data to identify concerns as well as to define goals and desired outcomes of the construction project(s).
13. Create a plan for communication and refer to your existing district communication plan. Be transparent with decisions; convey realistic project timelines and goals.

## LONG-RANGE FACILITIES MASTER PLAN GAP

A LRFMP is a critical component of a well-managed capital program. The District's current LRFMP identified "Academic Program Priorities," and was based on input from focus groups and surveys (see Benchmark No. 10 above) that allowed the Board to prioritize projects based on perspectives from key stakeholders (see Benchmark No. 1 above). While budget allocations and steps taken were clearly communicated to the Board for Bond Sale No. 2, many other critical benchmark components were not evident, and the rationale for allocation remains unclear.

The Academic Program Priorities list did not organize facility needs and set program priorities for construction projects in a way that produced a data-driven priority list of projects to ensure fairness and fair and equitable distribution of resources. Community and District goals (see Benchmark No. 6), the listed projects within the ballot language, and facility needs have not been prioritized based on standardized criteria and/or clear policy direction regarding facility needs and expectations (see Benchmark No. 9) in order to establish clear guidelines, expectations, and status results for the group of stakeholders (see Benchmark No. 11). For example, per the District's LRFMP, Chula Vista Middle School's and East Lake Middle's Academic Program Priorities included "Building 400 roof is in poor condition needs to be replaced; building needs to check if it needs to be condemned" and "Existing science classrooms do not meet the educational requirements so remodel or new classrooms are needed" respectively; however, no budget allocations from Bond Sale No. 2 were allocated to these particular scopes of work. Without clear program goals and facility needs, procedures, and expectations, it is unclear why these scope items were omitted from Bond Sale No. 2; therefore, it is likely there is a lack of transparency among staff and the public as to why some facilities and projects receive differentiated funding and expectations of project timelines and deliverables (see Benchmark No. 8 and 14).

Accurate data and information on the facilities inventory are at the foundation of a well-managed capital program. The District did not have a complete, detailed, and thorough facilities needs assessment due to lack of completeness, as specified by the District, of the Jacobs Engineering report. The District was able to provide a replacement cost at a summary level for each school; however, detailed information by



program goal, policy, or expectation was not available (see Benchmark No. 2). Without a complete and accurate detailed listing of facility and educational deficiencies by school site and scope objective as the basis of reporting and communication, it is unclear how the District provided opportunities at Board meetings on the status and results of the needs assessment (see Benchmark No. 12) or identified concerns as to defined goals and desired outcomes of the construction projects (see Benchmark No. 13).

Finally, no information was provided to the Board that evidenced collaboration with all other local and state agencies (see Benchmark No. 3) for identified scopes of work in Bond Sale No. 2 or consideration of projected enrollment and other demographic information (see Benchmark No. 4). It is unclear whether potential supplemental funding opportunities were available and whether project prioritization factored future demographic developments to meet future demands.

**Improvement Recommendation:** As a best practice, a Board-approved LRFMP should include detailed documentation surrounding the prioritization of projects by site and District-wide, project budget amounts, project scope objectives and timelines, and project change orders. The District needs to develop a 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 a 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 LRFMP should be 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.

## B. BOND PROGRAM REPORTING

A stand-alone financial report through June 30, 2017 was provided to the CBOC during the August 23, 2017 Proposition O Citizens' Bond Oversight Committee at Castle Park High School. However, the stand-alone report provided to the CBOC only included construction related budget amounts from Bond Sale No. 2 and omitted project management (\$4.8 million), Bond Sale No. 3 project design (\$1 million), and project contingencies (\$1.85 million) line items. The District utilized the Account-Ability construction project management software to report Proposition O projects. Regular monthly reporting provided through June 30, 2017 combined multiple funding source (Proposition BB, state funding, etc.) budget amounts without segregating Proposition O revenues and expenditures specifically. This method of reporting could potentially lead to incorrect conclusions regarding the program's progress. A stand-alone Proposition O report, that includes non-construction items (e.g., project management, project design, etc.), is needed so that the CBOC can understand Bond Program expenditures and funding status.

**Improvement Recommendation:** As a best practice, the District should provide stakeholders stand-alone financial reporting in addition to the total program reporting on a periodic basis so that there is a



common understanding of expenditures and funding availability for Proposition O on a stand-alone basis. Total Bond Sale No. 2 reporting should include all budget allocations inclusive of project management, project design, and contingency budget line items.

## OBJECTIVE NO. 8 – CLAIM AVOIDANCE PROCEDURES

**Observation:** We evaluated and reviewed the procedures used to limit the number of claims filed against the District related to construction projects for the period. **The District has taken steps to address the claim avoidance procedure recommendations from the prior year’s report (Moss Adams 2016 Report Objective No. 7).** Per the June 2017 updated version of the PMP, the District has formalized its procedures to resolve change orders (including identification of change order causes), request for information and potential change order processing procedures, escalation and reporting procedures, monitoring, planning, and necessary actions to prevent claims, where possible. Procedures identified within the PMP are consistently applied during change order review and approval to quickly address and document issues that have the potential to result in a claim. **No exception taken.**

## OBJECTIVE NO. 9 – MATERIALS SPECIFICATIONS

**Observation:** We reviewed the District’s design standards for a list of standardized items and educational specifications to meet District needs and provide uniformity amongst facilities and school sites. **The District has taken steps to address the material specifications recommendations provided in the prior year’s report (Moss Adams 2016 Report Objective No. 8).** As of the June 26, 2017 Board meeting, the draft version of the design standards had been provided to the Board for a second evaluation and adoption. The District has itemized its design standards into the following three categories:

1. **Educational Specifications:** The District utilized guidelines from the California Department of Education, applicable state and building codes, maintenance standards, comparable California school district design standards, and past practices of the District to develop a detailed manual identifying educational objectives of the District that are impacted by the construction or modification of facilities. The educational specifications manual is intended to provide a general framework that can be customized for each individual project to meet the teaching and learning needs with a specific focus in the following areas: learning environments, architectural quality, flexibility, accessibility, safety and security, community focus, sustainability, and maintenance.
2. **Technical Specifications:** The technical specifications have been detailed per Construction Specifications Institute (CSI) codes to enable the creation of quality facilities that incorporate materials and systems that provide equitable learning environments. The technical specifications are a guide for the Architect and not intended to be an exhaustive list of specifications for all project materials and systems.
3. **Roof Replacement Product Selection and Specification Manual:** The San Diego County Office of Education awarded a contract to A7 Group, Inc. to prepare the roofing information and specification manual for the District. The manual’s objectives were to educate users on the roofing options utilized within commercial buildings in Southern California, provide cost, useful life expectancy, and warranty options for different roofing options and provide generic specifications for several types of roofing options. The specifications provide guidelines for varying options of roofing to meet the needs of District facilities while weighing the options that would be considered most important in determining the best value.



The District has also developed approval authority requirements for deviations from the specifications, which include a timely request for deviation and a justification of why the deviation is necessary or beneficial (cost, quality, useful life, etc.) to the District. Requests for deviation require written approval from the District's designated representative.

While the design standards were still in draft form for FY 2017, they were provided to the District Architect for the District-wide HVAC project to incorporate standardization across District facilities and ensure that student and faculty needs were adequately addressed. The design standards were adopted at the June 26, 2017 Board meeting and are available to be provided for future projects, both new construction and modernization projects. **No exception taken.**

## OBJECTIVE NO. 10 – COST BENEFIT AND VALUE ENGINEERING ANALYSES

**Observation: The District has taken steps to address the cost benefit analysis and value engineering procedure provided in the prior year's report (Moss Adams 2016 Report Objective No. 9).** The Planning and Construction Department's PMP was adopted by the Board on June 26, 2017 and included policies surrounding cost benefit and value engineering analysis. The design and agency review section of the PMP stated "constructability analysis is required for all projects with an estimated construction cost in excess of \$1M. The review is to be performed on the 50 percent set of construction documents. The Design Professional will incorporate all resulting changes into the documents and submit to the PM for review and written approval prior to submittal to DSA." Through June 30, 2017, there was no documentation available to support implementation of this policy or procedure. While the District did accept the lowest qualified bidder for each of its projects through June 30, 2017, a cost benefit analysis and/or value engineering study was not conducted to determine if the essential requirements (i.e., materials, assets, systems, objective) of the project or equipment purchase could be obtained at a lower price or for a better value, specifically when weighing cost, time, and function. However, effective September 26, 2017, the District entered into their first agreement, since adoption of the revised PMP, with AECOM Technical Services, Inc. to perform "constructability review services" for the Sweetwater High School food services building.

**Improvement Recommendations:** As a best practice, the District should ensure defined and documented processes are in place 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:

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 while delivering the project's function(s) and considering performance requirements and resource limits.
5. Development Phase: Develop the selected ideas into alternatives with sufficient documentation to allow decision makers to determine if the alternative should be implemented.
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.

Specific areas of focus and attention that should be considered when conducting these types of analyses have been incorporated in Appendix C of this report.

## OBJECTIVE NO. 11 – MAINTENANCE OF DISTRICT ASSETS FUNDED WITH PROPOSITION O AND WARRANTY CONDITIONS COMPLIANCE

**Observation: The District has taken steps to address recommendations provided in the prior year's report (Moss Adams 2016 Report Objective No. 10).** The PMP, adopted by the Board of Trustees on June 26, 2017, included policies surrounding warranty maintenance requirements. Within the PMP, the closeout phase stated that “warranty information and Operation & Maintenance (O&M) manuals are submitted to the Maintenance Department” and the post-occupancy phase stated that the District will “assist maintenance in (the determination of) whether issues are under the warranty.” Additionally, on January 19, 2017, the Director of Planning and Construction submitted a warranty and preventive maintenance log template to internal audit for review. The purpose of the warranty and preventative maintenance log is to ensure that the District maintains adequate records and documentation surrounding asset warranty condition requirements. The unapproved procedures surrounding project closeout and warranty log information were developed with a goal of “universal communication and a common understanding” for project closeout procedures including warranty plan details. Next steps addressed by the District included the following:

1. Locate and convey consistent project closeout language
2. Identify which sites were given warranty documents
3. Identify which sites are currently keeping warranty logs
4. Improve the warranty library and online repository content
5. Locate all warranty documents
6. Determine which components require logging
7. Build site-specific warranty log binders
8. Deliver warranty log binders for implementation

However, through June 30, 2017, the District did not maintain a consolidated warranty and preventive maintenance log for all assets incorporated into school site construction and was unable to provide complete and accurate reporting for items under warranty. The District had limited controls, or documentation, surrounding the required maintenance of its assets and no formal system of logging this information for inventory purposes for the period under review. Criteria had not been established to determine which assets have warranty conditions and which do not, impacting the District's ability to consistently satisfy necessary warranty requirements. However, a standardized project closeout document checklist was available and included an Operation and Maintenance Manual requirement. Specific



closeout documentation by project was available upon request; however, a consolidated summary report and central file location for all closed projects was not available for easy reference. In September 2017, the District engaged with SchoolDude, a maintenance management software company, to implement a work order and inventory management module to help support a formal warranty and preventive maintenance logging system. Without detailed warranty documents and records, the District's ability to satisfy necessary warranty conditions may be potentially impacted.

**Improvement Recommendations:** 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 closeout report with warranty and preventive maintenance log details, which includes major assets, applicable items under warranty, 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 closeout process; therefore, it is recommended that an owner warranty log be created by the Planning and Construction Department and provided to the maintenance team for proper follow-up.



## V. REPORTING VIEWS OF RESPONSIBLE OFFICIALS

Below is a schedule of the audit observations and management's responses for exceptions and improvement opportunities noted as a result of the performance audit completed for the FY ended June 30, 2017.

OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	PLANNED RESOLUTION DATE
2 (Observation A)	Proposition 39 Compliance	Bond ballot language and Listed Projects are unclear.	Ballot language for future bonds should clarify whether site-specific project lists are intended to define all allowable projects or if they are representative of the types of projects that are possible under Proposition O and according to master plan guidelines. Additionally, future invoices should include sufficient detail to identify the nature of projects performed. The description of "various improvements" does not allow for determination of compliance with ballot language.	<p>In December 2007, the Court of Appeal issued a published opinion (Foothill-De Anza Community College District v. Emerich (158 Cal.App.4th 11 (2007))), which clarified for the first time the "project list" requirements under Proposition 39. It makes it clear that the project list need not be organized on a site by site basis but may be comprised of project lists by project type, to ensure that districts have flexibility to make adjustments over the life of a measure to meet needs as they evolve. Measure O is comprised of both a site specific project list, as well as a project type called "Acquisition, Construction and Expansion of School Sites and School Infrastructure to Enable Existing School Campuses to Meet Student Needs" which lists additional projects that may be performed at any site and which affords the District exactly the flexibility that the law permits.</p> <p>In addition, the district will work with bond counsel for guidance on any future bond project lists to ensure clarity for voters and oversight. For the purposes of Proposition O, the district is not able to change the existing bond language; however, the district has used guidance from legal counsel for interpretation of the existing bond language.</p> <p>Regarding the "various improvements" language, staff have been made aware of the observation and will provide additional description to requisitions.</p>	December 2017 - Closed
2 (Observation B)	Proposition 39 Compliance	Data entry errors were noted in time card allocation percentages.	The net \$1,623 overcharge to the Bond Program due to incorrect payroll allocations should be reimbursed by the General Fund. The District should ensure that controls surrounding time entry, approval and quarterly projected-to-actual labor reconciliations are performed accurately. The time certification process implemented in FY 2016 should be consistently applied by all District personnel responsible for Bond Program activities with spot-check audits performed by time card approval authorities to validate that data entry, percentage of time card allocation and associated cost allocations are properly calculated.	The data entry errors were isolated instances. The district's General Fund will reimburse the Bond Program for the overcharge. In FY 2017-18, an additional layer of review was added to the time certification process to ensure data entry errors are avoided in the future.	July 2017 - Closed
3	District and Professional Services Staffing Plan	The Staffing Plan does not clearly identify the responsibilities of current staff by position, assess the need for consultant staffing, or consider project type and dollar value.	Prior to finalization of the Staffing Plan, updates should be made to include the responsibilities of current staff by position. As the current Bond Program projects are limited, future periods may require additional staffing beyond a Project Manager and Planning Specialist to meet program needs, which is why the Staffing Plan should include language regarding consultant/contracted staffing needs and project type and dollar value. It is recommended that the Staffing Plan also include a requirement for an annual assessment of the Staffing Plan to determine if the needs for the upcoming fiscal year are being met.	The Staffing Plan is a dynamic process that responds to evolving needs and construction delivery methods and will be reviewed and revised on an annual basis to assess the need for consultant staffing, or consider project type and dollar value. Further, staff responsibilities are reflected in the district approved job descriptions and subject to collective bargaining agreements and the Program Management Plan (PMP).	March 2018
6	Bidding and Procurement Practices	The PMP does not specify the appropriate approval authority for sole-sourced consultant selections.	The PMP section entitled "Selecting the Appropriate Consultants" should be updated to reflect who receives sole source justifications for consultant selection and the approval required to ensure maximum transparency of contracting practices.	The PMP will be updated to designate the Director of Planning and Construction as the appropriate approval authority for sole-sourced consultant selections.	March 2018



OBJECTIVE NO.	OBJECTIVE TITLE	ISSUE	AUDITOR'S RECOMMENDATION	MANAGEMENT RESPONSE	PLANNED RESOLUTION DATE
7a	Bond Program Master Planning	A comprehensive LRFMP, including details regarding project prioritization, was not available during FY 2017. Site master plans were being developed during the period, but it is unclear how these will be prioritized on a system-wide level.	As a best practice, a Board-approved LRFMP should include detailed documentation surrounding the prioritization of projects by site and District-wide, project budget amounts, project scope objectives and timelines, and project change orders (see Objective 7a for complete recommendation).	The district has been making progress in this area over time. Currently, staff is working to update site master plans. Subsequently the information gleaned from the master plans will inform the development of a rubric and ultimately a revised project list for board approval.  Further, it is the districts position that undue weight was given to the Jacobs Engineering Inc. report.  The work that staff is currently doing on site master plans will supersede any prior LRFMP.	85% – June 2018  100% – August 2018
7b	Bond Program Reporting	Stand-alone financial reporting provided to the CBOC excluded non-construction items (e.g., project management, project design, etc.).	As a best practice, the District should provide stakeholders stand-alone financial reporting in addition to total Bond Program report on a period basis so that there is a common understanding of expenditures and funding availability for Proposition O on a stand-alone basis. Total Bond Sale No. 2 reporting should include all budget allocations inclusive of project management, project design and contingency budget line items.	A revised Proposition O stand-alone financial report will be provided to the CBOC, to include Project Management and non-active budgets.	January 2018
10	Cost Benefit and Value Engineering Analyses	During FY 2017, a cost benefit and/or value engineering analysis study was not conducted to assess the practical application of the design and agency review added to the PMP.	As a best practice, the District should ensure that defined processes for cost benefit analysis and value engineering for its project, including when to utilize these tools, who is responsible for each activity, and procedures for final approval (see Objective 10 for complete recommendation).	The district will review and consider updating the cost benefit analysis and value engineering process in the PMP.	March 2018
11	Maintenance of Proposition O District Assets and Warranty Conditions Compliance	The District did not maintain a consolidated warranty and preventative maintenance log for all assets incorporated into school site construction and was unable to provide complete and accurate reporting regarding items under warranty.	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 closeout report with warranty and preventive maintenance log details, which includes major assets, applicable items under warranty, 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 closeout process; therefore, it is recommended that an owner warranty log be created by the Planning and Construction Department and provided to the maintenance team for proper follow-up.	The district will implement a maintenance management system (SchoolDude) to support work order processing, including warranty and preventive maintenance.	March 2018



## APPENDIX A – AUDIT RESOLUTION LOG

NO.	SOURCE	CATEGORY	ISSUE	RECOMMENDATION	MANAGEMENT RESPONSE	OWNER	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
Objective 1 (Observation 1a)	Moss Adams 2016 Report	Compliance with Ballot Language	Administrative office equipment and information technology upgrades utilizing Bond funds.	The District should only record allowable expenditures within Proposition O's expenditure fund. Noncompliant 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.	Fiscal Services	Closed – The District removed the incorrectly funded expenditures and the associated revenues from the Proposition O fund account. The District no longer utilizes the same methodology and practices regarding transfers.	March 2016
Objective 1 (Observation 1b)	Moss Adams 2016 Report	Compliance with Ballot Language	Time cards were not provided to support all FY 2016 labor allocations.	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.	Planning and Construction	Closed – As of February 2016, District Management and staff have been utilizing the newly implemented time certification process. The process was consistently followed during FY 2017; however, exceptions were noted during the period regarding data entry errors for time card allocation percentages (see Moss Adams 2017 Objective 2).	February 2016
Objective 1 (Observation 2a)	Moss Adams 2016 Report	Compliance with Ballot Language	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 PMP will be updated to include procedures for signatures when the Director is absent.	Planning and Construction	Closed – Language has been added to the PMP regarding signature delegation in the event of the Director's absence.	March 2017
Objective 2	Moss Adams 2016 Report	Staffing Plan	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 FY 2017.	Planning and Construction	Open – As of June 30, 2017, the Staffing Plan was still in draft. The Staffing Plan created for FY2017-2018 did not correlate types of projects and dollar amounts, comment on contract staffing needs, or include responsibilities of District planning and project management personnel responsible for master planning activities and overall program management activities.	January 2018
Objective 3	Moss Adams 2016 Report	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 Moss Adams 2016 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.	Planning and Construction	Closed – Project Managers have received training for aging budgets in Account- Ability. All projects were aged by May 31, 2017 and the first cash flow report was provided to the Board on June 26, 2017.	June 2017



NO.	SOURCE	CATEGORY	ISSUE	RECOMMENDATION	MANAGEMENT RESPONSE	OWNER	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
Objective 4	Moss Adams 2016 Report	Design and Construction Costs and Budget Management	Inconsistent construction project change order reporting and no contingency usage details were available.	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 PMP.  Additionally, staff will explore template reporting of contingency and change order(s) in the Account-Ability system.	Planning and Construction	Closed – The PMP has been updated to reflect the procedures for creating and completing the Active Project Monthly Status Report. The Active Project Monthly Status Report has been revised to list construction contract change orders separate from other contract changes.	June 2017
Objective 5a	Moss Adams 2016 Report	Bidding and Procurement Procedures	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 the 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.	Planning and Construction	Closed – Planning and Construction confirmed that the exception noted in 2016 was an isolated instance. The District is committed to ongoing compliance monitoring to ensure that noncompliance with policies is minimized.	March 2017
Objective 5b	Moss Adams 2016 Report	Bidding and Procurement Procedures	A consultant that was not pre-qualified was selected.	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 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.	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.	Planning and Construction	Closed – The District Architect has revised the PMP to reflect that the use of pre-qualified consultants is optional.	March 2017
Objective 5c	Moss Adams 2016 Report	Bidding and Procurement Procedures	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 PMP to implement controls as appropriate.	Planning and Construction	Open – The District Architect has revised the PMP to reflect that the use of pre-qualified consultants is only required in cases of ratification (not approval). However, justifications required for sole source consultant contracts continue to lack clear guidance and documentation requirements.	March 2018
Objective 5d	Moss Adams 2016 Report	Bidding and Procurement Procedures	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.	Planning and Construction	Closed – Moss Adams has confirmed that there is a continuous opportunity for contractors to submit prequalification applications and that the District annually renews existing prequalified entities.	March 2017



NO.	SOURCE	CATEGORY	ISSUE	RECOMMENDATION	MANAGEMENT RESPONSE	OWNER	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
Objective 6a	Moss Adams 2016 Report	Master Planning	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 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.	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.	Planning and Construction	Open – Steps have been taken by the District; however, a best practice LRFMP has not been implemented. During FY 2017, the Planning and Construction Department provided detail on the site master plan process and presented the future SUHSD master plan to both the Board and the CBOC. Site master plans were being developed; however, it still remained unclear how projects will be compiled and prioritized within a District-wide master plan.	March 2018
Objective 6b	Moss Adams 2016 Report	Bond Program Reporting	The District has not provided a stand-alone financial reporting of the Bond Program to the CBOC.	As a best practice, the District should provide stakeholders stand-alone 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 stand-alone basis.	A stand-alone expenditure report is available and can be provided upon request.	Planning and Construction	Open – A stand-alone expenditure report was generated and will be provided to stakeholders on a quarterly basis. However, the report has not been updated to reflect budget allocations for relevant, non-construction items (contingency, project design, project management, etc.).	March 2018
Objective 7	Moss Adams 2016 Report	Claim Avoidance Procedures	No documentation was available to identify actions taken to prevent or limit claim exposures.	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.	Planning and Construction	Closed – A comprehensive claim avoidance procedure has been added to the PMP.	June 2017



NO.	SOURCE	CATEGORY	ISSUE	RECOMMENDATION	MANAGEMENT RESPONSE	OWNER	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
Objective 8	Moss Adams 2016 Report	Material Specifications	The District did not utilize a detailed list of standardized materials and equipment to be incorporated District-wide.	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 District Management. Additionally, the standard specifications documents 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 and specifications documents are unclear.	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.	Planning and Construction	Closed – Design standards and specifications manuals including educational specifications, technical specifications, and a roof replacement product selection and specification manual were adopted in June 2017 and utilized during the District-wide HVAC project to incorporate standardization across District facilities.	June 2017
Objective 9	Moss Adams 2016 Report	Cost-Benefit Analysis and Value Engineering	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"> <li>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.</li> <li>2. Function Analysis Phase: Review and analyze the project to determine what needs improvement, elimination, or creation to meet the project's goals.</li> <li>3. Creative Phase: Generate ideas on all the possible ways to accomplish the requirements, with an emphasis on cost and functional needs.</li> <li>4. Evaluation Phase: Develop and execute an evaluation to select those ideas that offer the potential for value improvement while delivering the project's function(s) and considering performance requirements and resource limits.</li> <li>5. Development Phase: Develop the selected ideas into alternatives with sufficient documentation to allow decision makers to determine if the alternative should be implemented.</li> <li>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.</li> </ol>	The Planning and Construction Department will develop processes for cost benefit analysis and value engineering for its projects by the end of the Fiscal Year 2017.	Planning and Construction	Open – The District has taken steps to address the recommendations by updating the PMP to include policies surrounding cost benefit and value engineering analyses; however, the District has not clearly identified when cost benefit and value engineering analyses are necessary, who is responsible for completing the analyses, and what procedures exist for final approval.	March 2018



NO.	SOURCE	CATEGORY	ISSUE	RECOMMENDATION	MANAGEMENT RESPONSE	OWNER	STATUS OF RESOLUTION	PLANNED RESOLUTION DATE
Objective 10	Moss Adams 2016 Report	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 items under warranty.	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 items under warranty, 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 an owner warranty log be created by the Planning and Construction Department and 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.	Planning and Construction	Open – Steps have been taken to address recommendations provided in FY 2016; however, the District did not maintain a consolidated warranty and preventative maintenance log for all assets incorporated into school site construction and was unable to provide complete and accurate reporting regarding warranted items.	March 2018



## APPENDIX B – LIST OF INTERVIEWEES

The following key SUHSD personnel were interviewed:

- Assistant Superintendent, Business Services
- Director of Planning and Construction
- District Architect
- Capital Projects Financing and Reporting Manager



# APPENDIX C – VALUE ENGINEERING

The following guidelines and recommendations can be utilized by the District to maximize value engineering (VE) studies and cost benefit analyses:

## VE SCOPING

- Identify whether or not a VE study should be conducted for each project (or a component) prior to finalization of the contract.
- Prepare a revised scope of work template that is consistent with SAVE International® guidelines.
- Set a delivery date within a short period of time following the last day of the VE workshop (three days is suggested by SAVE International®).
- Include scope for VE team leader to attend the District’s decision meeting regarding acceptance or rejection of the VE team recommendations to ensure that decision makers have a full and complete understanding of the recommendations.
- Provide the details of the VE process to all construction contractors as part of the bidding process information.

## VE STUDY PERFORMANCE

The District should conduct VE studies to determine the goals and needs of the District. This can be conducted in three phases: pre-workshop, workshop, and post-workshop.

### PRE-WORKSHOP

- Define the District’s expectations for conducting a VE study workshop and provide it to all VE team leaders in advance of conducting each workshop.
- Ensure that sufficient time is available to the VE team leader and team members to accomplish all pre-workshop activities.
- Require pre-workshop preparation of matrix or graphical models of capital cost, operations, and maintenance (O&M) cost, lifecycle cost, energy, space, time, or other project characteristics as needed to provide the VE team with appropriate insights into the distribution of these critical elements through the project components.
- Distribute presentation outlines to the District project managers and the design project manager to provide guidance about the information they need to present during the information phase on the first day of the VE workshop.
- Have the VE team cost estimator(s) conduct a validation of the project construction cost estimate in advance of the VE workshop to identify any areas of concern in the estimate.
- Ensure involvement by at least two VE team members (one planning and construction design/project management staff member who is not part of the design team for the project and one staff member from operations and maintenance) appropriate to the type of project for the duration of at least half of the workshop.

### WORKSHOP

- Provide the VE team with a list of clear and well-defined true constraints on the VE team to help them stay focused.



- Ensure that a function analysis of this specific project is conducted with the VE team during the workshop. It must be specific to this project rather than borrowing functions identified in previous VE studies.
- Ensure that the creative process is truly creative and is not limited to proven ideas.
- Attend a mid-workshop review of the “shortlist” of VE ideas along with representatives of operations and maintenance as well as the design team and identify any ideas with “fatal flaws” and any ideas not on the shortlist that should be added.
- Assure attendance at the VE team presentation by representatives of all of the internal stakeholder groups (i.e., Planning and Construction, Finance) within the District that are relevant to the VE study.
- Require that the Value Engineering team leader, assistant, or another team leader review each recommendation for completeness and correctness before the end of the workshop.

## POST-WORKSHOP

- Require the design team to respond to each VE recommendation and design suggestion with the same level of detail as is contained in the VE recommendation. Require detailed documentation if the design team disagrees with the VE team estimated cost impacts of the recommendation. Require detailed justification for recommendations to reject any VE recommendation.
- Ensure that all key stakeholders respond to the VE recommendations and are represented at the post-workshop decision meeting, including the VE team leader.
- Ensure that the results of each VE study are entered in the various tracking systems that are part of the Bond Program.

## VE BUDGETING

- Incorporate a line item in the budget for the Value Engineering that includes funds for VE program associated expenses, training for VE program staff and design project manager, and consultant services for VE studies. Make the head of the VE program responsible for meeting that budget. Include a contingency allowance in the budget for VE studies that may be identified at a later date.
- Set a VE study budget for each project in the District’s Master Plan.
- Check the VE budget for each project to confirm that it falls between 0.5 percent and 2 percent of the project construction cost.

