

Sweetwater Union High School District
District Responses to Proposition O Performance Audit
2012/2013

Objective 1.A. – Review of Financial and Performance Audits to Date

Findings and Recommendations

The implementation of control procedures to correct findings identified in the previous performance audit have been noted throughout this report.

We recommend that the District continue to receive annual performance and financial audits of its Proposition O bond program in accordance with applicable law. Additionally, we recommend that the District get a legal determination as to whether the financial audit conducted pursuant to Education Code Section 41020 meets the requirements of the financial audit required by Proposition 39.

District Response

The District will continue to comply with California Proposition 39, as incorporated in Article XIII A of the California Constitution which requires the District to conduct an annual, independent financial audit as well as an annual, independent performance audit.

The Citizen's Bond Oversight Committee (CBOC) is dedicated to the role of ensuring bond revenues are expended for only the purposes described in paragraph (3) subdivision (b) of Section 1 of Article XIII A of the California Constitution.

Objective 1.B. – Review of Management Program and Plan for the Current Bond Program

Findings and Recommendations

We commend the District for initiating the process of updating the bond Master Plan which is currently scheduled to be completed and submitted for board review in October 2014. Additionally, we recommend that the district create a structured timeframe for updating their Master Plan. A reasonable timeframe for updating this plan would be every three to five years, or more frequently depending on the amount of construction in progress, facilities requirements based on projected pupil enrollment or to mirror the priorities of the District. By creating and planning to update the Master Plan it will allow the District to establish new projects or reduce the scope of future projects based on the variances in District projected cost estimates versus actual project costs while adhering to the requirements of the Proposition O ballot language approved by the voters of the District.

If the District does not consider it necessary to get a renewed Master Plan on an active schedule then an alternative method may be considered and determined by the governing board. We would further recommend that the District consider developing contingencies or project rankings to evaluate changes in project scope in a more- timely manner to achieve operational efficiencies and minimize campus disruptions during instruction. This determination should be made by the Board and should be subject to change in the future based on need.

District Response

The District hired a qualified firm to assist in the update of the District's Long Range Facilities Master Plan as well as master planning for modernization. The District will modify board policy to require updating the master plan every five years or as needed. In conjunction with the updated master plans, the District Educational Facilities Standards Committee has set standards for the types and sizes of various materials. The Board and the District continue to remain mindful of avoiding disruptions during instruction.

Objective 1.C. – Review of Project Budget Analysis

Findings and Recommendations

We noted that for the projects selected, the District was more than 95% complete with two of three site projects. The largest budgetary revision was for the delivery of Sweetwater High School – Project 1, which increased by approximately \$13.5 million. The aggregate revisions represent 35% of the original budget. The upward revisions relate primarily to changes caused by the approval of additional state funding. We recommend that the District continue to closely monitor projects on a site-wide basis, as well as a project by project basis, and evaluate significant changes in cost budgets as soon as the information is available.

Additionally, as noted in our previous audit, we continue to recommend that the District break-out monthly project revisions by contract to provide more clarity to the Board on which contract budgets are being modified, rather than presenting all revisions to date by project.

District Response

The District will continue to closely monitor project budgets. Furthermore, the District provides the Board of Trustees a monthly update of construction costs and budgets including detailed budget revisions.

Objective 1.D. – Design and Construction Timelines

Findings and Recommendations

The results of our analysis show that, on average, it took approximately 607 days after initial DSA approval to complete proposition O projects built under the Design-Bid-Build delivery method in our sample. Our sample did not include any Lease-Leaseback projects. The project that was begun under contract with FACJPA has only had one completed item which took 249 days to deliver.

On average the DSA approval time for all the projects in our sample was 88 days. However, it is important to note that two of the projects were approved on the same day they were submitted through an over the counter review by the DSA, excluding these same-day approvals the average number of days for DSA approval was 132 days. Both of these metrics were

significantly less than the average days to approval that were noted in the projects sampled in the previous performance audit.

Additionally, the scope and nature of the projects in our sample varied greatly which influences construction and approval times. We recommend that the District continue to work collaboratively with the DSA to ensure efficient delivery of Proposition O projects. We further recommend that the Citizen's Bond Oversight Committee and District personnel continue to evaluate design and construction timelines on an on-going basis to identify any variances. Lastly, we recommend that the District continue to evaluate, on a project-by-project basis, the best delivery method based on price, perspective, timelines, District personnel capacity, and other qualitative and quantitative measures.

District Response

The District and DSA continue to engage in a collaborative and proactive plan to reduce the amount of time necessary for construction plan review and approval. DSA approval is also contingent upon workload, policy and project issues.

Objective 1.E. – Use of Best Practices and Technology Regarding the Planning & Construction of School Facilities

Findings and Recommendations

We recommend that once the District has implemented the new ERP system that the potential for the financial system to operate in conjunction with ProLog be investigated to reduce the time spent duplicating accounting and financial entries into the systems. This will also help reduce the potential for errors and increase bond program efficiency to assist management in its ability to analyze project progress in a timelier manner. Until that time, we recommend that the District continue to closely monitor the input of financial data into both systems.

During our comparison of financial and budgetary data, we noted that although discrepancies still existed between the two systems (TrueCourse and ProLog); the District had begun reporting the variances between the two systems. We recommend that the District continue this practice and perform a full reconciliation between the two systems, identifying all variances, no less than annually.

District Response

The District has an agreement with the San Diego County Office of Education for an Enterprise Resource Planning (ERP) system. The process of full implementation of an ERP system can be lengthy as each suite/module is introduced (e.g. Payroll, Inventory, etc.). Until full implementation, the Planning and Construction Department will recheck input from one system to another.

Objective 1.F. – Bidding Procedures

Findings and Recommendations

All of the contracts tested were properly advertised. However, we were unable to verify that one contract for asbestos abatement had been awarded to the lowest bidder, as the District was not able to provide a listing of contractors who responded. The contract was awarded on 10/29/2008 to Universal Abatement Services, Inc., the final billing of this contract totaled \$47,555.

We did not find any indication of bid-splitting during our review of Proposition O expenditures near the bidding threshold.

We noted only one contract where a piggy back bid had been utilized. The District properly utilized the piggy back bid in accordance with Public Contract Code Section 20118.

We recommend that the District continue to closely follow the procedures they have in place for the bidding process and ensure documentation is maintained on file for the audit.

District Response

The District was unable to locate the information for the noted vendor. During this time frame (2008) the District's previous construction management firm maintained file documentation. The District will continue to closely follow bid procedures and will maintain all required documentation.

Objective 1.G. – Payment Procedures and Processing Time

Findings and Recommendations

Of the expenditures selected for testing, five were missing one signature on the payment request. Two of these were missing the Project Manager's signature, and one was missing the inspector's signature. In addition, one of the expenditures tested was missing the Project Manager's signature on the Invoice Approval Form. Lastly, one expenditure had a requisition dated October 19, 2012 and an invoice dated May 4, 2012, indicating that the expenditure did not receive preapproval.

We recommend that the District ensure that all required and necessary signatures be obtained prior to the processing of payment for invoices. This will help ensure that all payments are authorized and have been reviewed by the necessary individuals. We also recommend that expenditures utilizing purchase orders have the purchase order approved prior to the expense being incurred.

While reviewing supporting documentation for expenditures, it was noted that the approval page for payment requests had not been updated since SGI was serving as the District's construction management company. Therefore the form includes three signature lines for SGI employees

that are no longer applicable to the District. We recommend that the form be updated to only include signature lines for the required signors.

During our review of expenditures and related payments, we noted that the average processing time for the payments we selected was 36 days. However, we also noted that three invoices were dated after the approvals were obtained, indicating that invoices had been post-dated. When excluded, the average processing time for payments increases to 39.38. These averages are consistent with the average noted in the performance audit for the fiscal year ended June 30, 2012. We recommend the District continue to ensure payments are processed in a timely manner to ensure that no additional costs are being incurred. Additionally, we recommend that the District conduct a needs assessment to determine if an additional administrative employee could assist in reducing payment processing time.

District Response

During the transition from the District's previous construction management firm, the District revised the "Vendor Invoice Approval" form, however did this not take place until January 2012 and therefore there are some forms that reflect missing signatures when in fact the positions no longer existed.

The District appreciates that the average processing time for payments has decreased from the prior year.

Objective 1.H. – Program and Construction Management and Structure

Findings and Recommendations

We conducted numerous interviews as part of our audit to determine the benefits over the structural changes that were made as well evaluated the aptitude of the various employees. We found that these high level employees are an excellent fit for the new structure. Communication is able to flow throughout the chain of command with employees augmenting their own knowledge through shared interactions.

However, we recommend that the District, on a continuous basis, conduct an analysis of the utilization of project managers based on current and future project projections to determine whether or not the District has the optimal utilization of department personnel. This analysis should include both quantitative and qualitative measures.

District Response

The District will continue to analyze and make changes when necessary based on qualitative and quantitative review measures.

Objective 1.I – Change Order Procedures

Findings and Recommendations

We noted an average change order rate of 3.65%, which is less than the average change order of 7.39% noted in the performance audit for the year ended June 30, 2012.

All change orders for the contracts selected for testing had the related change order documents on file. Ratification by the Board for all change orders was reviewed to ensure that all change orders had been approved by the Board.

District Response

The District is dedicated to following procedures and appreciates the importance of the fundamental aspects of the change order process relating to adequate documentation and record keeping.

Objective 1.J – Construction Property Delivery Methods and Performance Analysis

Findings and Recommendations

In our sample of three projects only two contracts were completed or substantially completed during the 2012-2013 fiscal year. Many of the other contracts included under these projects were completed prior to the start of the 2012-13 year or were incomplete as of June 30, 2013.

We noted that the District did not enter into a valid lease-leaseback agreement with FACJPA for the delivery of the Montgomery High School gymnasium. The agreement with the FACJPA does not contain an executed site agreement. Although it appears as though an adequate vetting of qualified design-build teams was completed by FACJPA we did not review this bidding process since FACJPA is considered to be the developer for this project. We recommend that the District modify the current agreement with the FACJPA to contain all required elements for a valid lease-leaseback and ensure that all future agreements comply with current law.

District personnel should continue evaluating the best delivery method on a project by project basis. This will allow the District to run an efficient bond program and strike a balance of high-quality and cost-effective projects, while continuing to meet deadlines and avoiding cost overruns.

District Response

The District will review the FACJPA contract and will adjust the terms and conditions of the agreement as necessary to comply with the recommendations.

Objective 2.A.B. – Expenditures

Findings and Recommendations

We did not find any payments for activities that did not comply with the approved ballot language in our sample.

We recommend that the District Governing Board continue to investigate the appropriateness of approving the District to operate under Uniform Construction Cost Accounting (UCCA) guidelines and regulations. The main advantage to operating under the UCCA regulations is an increase in the bid threshold for construction projects from \$15,000 to \$175,000 (adjusted for inflation each year), which could significantly reduce the total project delivery time and streamline the award process for the District's smaller construction projects.

District Response

As noted, all expenditures selected for testing, complied with the approved ballot language. The District is committed to reviewing all contracts prior to payment processing.

Objective 2.C. – Change Orders

Findings and Recommendations

We did not note any contracts with change orders exceeding 10% of the original contract cost. We recommend that the Project Managers continue to monitor change orders to ensure that they do not exceed the allowed percentage.

District Response

District staff will continue to monitor change orders to ensure that they do not exceed the allowed percentage.

Objective 2.D. – Prevailing Wage and Labor Compliance

Findings and Recommendations

We found that all of the seven contracts selected for testing included a section specifically addressing prevailing wages and the payment of prevailing wages of all related workers. We recommend that the District continue to ensure that any new contracts acknowledge the payment of prevailing wages, and that the payment of these wages continues to be done through the life of the contract.

District Response

The District will continue to monitor and adhere to labor compliance regulations including contractual language regarding prevailing wages.

Objective 3.A. – Public Outreach and Communication Program

Findings and Recommendations

It will continue to be important for the District to rally behind its bond program and inform the public of how the bond authorization of \$644 million is being spent. A key challenge is that building and facility upgrades are not always appealing to the media or general public. Instead, it is the individual school communities that are most grateful for their projects. Those outside of that community find it difficult to connect or garner interest in the accomplishments of the bond program as a whole.

A continued effort should be made to highlight the past achievements and to further increase the transparency of the program in the community as a whole. Both the Grants and Communications and Planning departments should continue to keep information about the accomplishment of Proposition O flowing throughout the community and continue to be active in promoting the works of Proposition O.

District Response

The District agrees and is committed to openness. The Planning and Construction Department will explore further ways to increase use of outreach mechanisms such as the Sweetwater Currents.

Objective 3.B. – Bond Program Transparency

Findings and Recommendations

As of January 2014, we noted that the Sweetwater District has incorporated many of the elements that were noted in the 2011/2012 performance audit. The District demonstrates a clear effort in maintaining and increasing the use, maintenance and the effectiveness of Proposition O website.

The District should continue to strive for increased levels of fiscal transparency. The key is to determine how best the information can and should be shared with the taxpayers and public at-large. The goal should be to shine a light on the true costs of the construction, so that taxpayers and their elected representatives can be held accountable.

District Response

The District will continue to strive for increased levels of transparency. The District will regularly contribute project updates and will make sure the Proposition O website remains up to date.

Objective 3.C. – Review of Citizens Bond Oversight Committee

Findings and Recommendations

As of June 30, 2013, the Oversight Committee had the absolute minimum of seven members, with the category of a business representative vacant. Based on the composition of the oversight committee as of January 28, 2014, the committee had the nine members and the vacancy for a member that was part of a business organization had been filled. We recommend that the District and Citizens' Bond Oversight Committee members continue to actively promote any open seats that become available on the board, to avoid having vacancies throughout the year. Additionally, the District needs to develop mechanisms so that when a committee position becomes available the information is communicated to the right audience. The goal needs to be to get the information on the opening out to the required membership contingent.

We noted, as of June 30, 2013, that two of the seven members did not have applications on file with the District, and the four members that were representing the various organizations did not have any documentation on file with the District proving their membership in their respective organization.

District Response

The District had a full committee in January 2014. The District's homepage <http://www.sweetwaterschools.org/> has a Prop "O" link that provides detailed information on the Citizens' Bond Oversight Committee as well as information on the vacancies and requirements to become a member of the committee.

The two members as noted as having incomplete information were appointed prior to the bylaw change that required documentation proving membership in their respective organization. Since February 2012, the District's human resources department handles CBOC recruitment processes and procedures including retention of documentation.

The Board and District appreciate the CBOC's diligence and their role in representing the Sweetwater community and its taxpayers.