

**Sweetwater Union High School District**  
**District Responses to Proposition O Performance Audit**

## **PERFORMANCE**

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

**Findings and Recommendations**

We recommend that the District continue to receive annual performance and financial audits of its Proposition O bond program. Additionally, we recommend that the Citizen’s Bond Oversight Committee evaluate the need for periodic comprehensive evaluations of the bond program.

**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 recommend that the District implement a process to update the bond Master Plan every three to five years, or more frequently depending on the amount of construction in progress or to mirror the priorities of the District. This 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.

Alternatively, the District may 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 is in the process of preparing a “Request for Qualifications/Request for Proposal” (RFQ, RFP) to locate qualified firms to assist in the updating of the District’s Long Range Facilities Master Plan as well as master planning for modernization. The District has also established a “District Educational Facilities Standards Committee” to develop educational facility standards which includes technical specifications of building priorities as required by the California Department of Education for all new school projects that receive state funding. The committee is comprised of school and district office personnel to make certain the least amount of disruption occurs at school sites. In addition, 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 90% complete with three of the four site projects. The fourth project showed the largest downward budget revisions and was only 39% complete. However, this large budget re-allocation was made possible due to a large reduction in project scope and approximately \$1.4 million in program management fees. 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, we recommend that the District break-out monthly project revisions to provide more clarity to the Board on project budgets that are being modified, rather than presenting all revisions to date in a single column.

#### **District Response**

The District agrees and will continue to closely monitor project budgets. Furthermore, the District began providing the Board of Trustees monthly detailed budget revisions effective December 2012.

### *Objective 1.D. – Review of Project Budget Analysis*

#### **Findings and Recommendations**

The results of our analysis show that, on average, it takes approximately 527 days after initial DSA approval to complete the Proposition O projects built under the Design-Bid-Build delivery method and significantly longer to deliver projects under the Lease-Leaseback method. It is important to note that our sample included only one completed project delivered via Lease-Leaseback and seven projects delivered via Design-Bid-Build.

On average the DSA approval time for the projects in our sample was 142 days. However, it is important to note that three of the DBB 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 213 days.

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 the Citizen's Bond Oversight Committee and District personnel continue to evaluate design and construction timelines on an ongoing 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 is making changes on the basis of continuous improvement and has also added a link to their website in order to check the plan review status of projects which will assist in reducing the number of days for project 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 the District investigate the potential for the two systems to operate in conjunction with each other 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 in management in its ability to analyze project progress in a timely manner.

During our comparison of financial and budgetary data, we noted a discrepancy in the total approved project budgets between TrueCourse and Prolog. Prolog reports totaled the current Proposition O Project Budget at \$263,933,837, and TrueCourse showed a total approved budget of \$263,950,744. This variance of \$16,907 represents less than 0.01% of the total program budget. This variance was most likely the cause of timing differences in the final billing of projects; however, due to the limitations of project budget capabilities in TrueCourse we were unable to conclude on where the variance originates.

### **District Response**

At the January 28, 2013 Board meeting, the Board approved a Memo of Understanding (MOU) between the District and the San Diego County Office of Education for an Enterprise Resource Planning (ERP) system. A benefit of an ERP system is integration, which is the “chaining” of organizational processes with a central database repository. This will reduce the need to re-input data from one system to another and thus reduce human error. The process of full implementation of an ERP system can be lengthy as each suite/module is introduced (e.g. Payroll, Human Resources, etc.). Until full implementation, the Planning and Construction Department will recheck input from one system to the other.

### *Objective 1.F. – Payment Procedures and Processing Time*

#### **Findings and Recommendations**

Of the expenditures selected for testing, 38 were missing at least one signature from the vendor invoice approval form. The exceptions were as follows:

<b>Missing signature of...</b>	<b>Processed with SGI</b>	<b>Processed without SGI</b>	<b>Total</b>
District representative	18	11	29
District representative and Area Project	2	-	2
District Representative, Program Controls and Program Director	-	2	2
Program Controls and Program Director	-	4	4
All with the exception of the Program Director	-	1	1
<b>Total</b>	20	18	38
<b>Parties marked as N/A</b>	<b>Processed with SGI</b>	<b>Processed without SGI</b>	<b>Total</b>
Project Manager	2	-	2
Program Control and Program Director	3	12	15
<b>Total</b>	5	12	17

We recommend the District ensure that all required signatures be acquired prior to the processing of payment for invoices. This will help ensure that all internal review of payments is authorized and has been reviewed by the necessary individuals.

During our review of expenditures and related payments, we noted that the average processing time for the payments we selected was 40.33 days. We recommend that the District ensure payments are processed in a more timely manner to ensure that no additional costs are being incurred. We understand that the District is currently going through significant changes, which may cause a delay in processing times, but the District should closely monitor the time it takes for invoices to be processed and paid.

### **District Response**

The "Vendor Invoice Approval" form was crafted by the District's previous construction management firm. The form was created to simplify the approval process and is compatible with the construction project management software "Prolog" that the District utilizes. However, since the District suspended its relationship with the construction management firm the positions no longer exist. The District's Director of Planning and Construction and many of the appropriate Project Manager are the primary authorized signers. For example, a Project Manager and the Director of Planning and Construction must sign for all construction related services and/or materials, however when an invoice is approved for office equipment use (e.g., Xerox lease) only the Director of Planning and Construction must sign. Changes to the form have been made to reflect these process changes.

The District is fiscally accountable for commercial warrants (processes payments without oversight of San Diego County Office of Education) and is committed to providing its vendors timely payments. The flexibility of fiscal accountability status greatly reduces the time between receipt of goods/services and the payment for these goods/services. The audit sample keyed upon the invoice date which in most cases, is not the date of invoice receipt.

*Objective 1.G. – Program and Construction Management Structure*

**Findings and Recommendations**

Due to the limited practical application of the current organizational structure, we recommend that the District conduct an analysis of the cost-benefit of proving an in-house program and construction management program versus the cost of procuring these services through a third-party provider. This analysis should include both quantitative and qualitative measures. The District should also, 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.

**District Response**

The District has increased staff with experienced personnel in order to effectively manage the bond program. The District is accomplishing the program and construction management with a 60% cost savings as compared to the outside program manager.

*Objective 1.H. – Change Order Procedures*

**Findings and Recommendations**

Based on review of the operations of the District, delegation of duties to District personnel has been a smooth transition. We noted an average change order rate of 7.39%. During the review of contracts, it was noted that Design Bid Build Contracts had the highest amount of change orders.

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. The District complied with the documentation requirements for the alterations of the contract, but the cost of the change orders exceeded the limit specified above. Please refer to the Change Orders in the compliance section of this report for more details.

**District Response**

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

*Objective 1.I. – Construction Project Delivery Methods and Performance Analysis*

**Findings and Recommendations**

We recommend that the District continue to follow its policy and procedures for the procurement of contractors and professional services to ensure the District remains eligible for any potential funding from the State Allocation Board.

**District Response**

The District continues to utilize a Qualifications Based Selection (QBS) process for the selection of construction service providers who are qualified to perform the proposed work at the performance level that meets expectations. The District will only select those to be considered or allowed to bid on projects that have completed a pre-qualification process.



## **COMPLIANCE**

## *Objective 2.A-B. – Construction Project Delivery Methods and Performance Analysis*

### **Findings and Recommendations – 2A**

We did not find any payments for activities that did not comply with approved ballot language in our sample. However we did note that five of the expenditures selected for testing were payments to SGI, the District's former construction management company. Upon review of the contractual agreement and the payments, it was noted that SGI was allowed reimbursements. Reimbursements for single items costing over \$500 required written pre-approval by the District. During the review of the five expenditures selected for testing, it was noted that all five payments to SGI included reimbursements for multiple items exceeding the \$500 mark. The documentation did not demonstrate any written pre-approval by the District for the purchases. Upon inquiry, it was noted that only verbal approval was provided for the purchase of the goods. Though the District no longer has SGI as their construction management company, we recommend that all contracts be thoroughly reviewed prior to payment processing, to ensure that all expenditures have been processed according to what has been outlined in the contract. This will help ensure that the funds are only being spent on authorized work and equipment. In the contract, it is specified that any reimbursements over \$500 without written pre-approval must be paid back to the District by the construction management company. We recommend that the District follow all procedures and requirements outlined in the contract with SGI.

### **District Response – 2A**

As noted in your findings and recommendations, all expenditures selected for testing, complied with the approved ballot language. The reimbursable expenditures submitted by SGI that exceeded the \$500 benchmark, most certainly should have had written approval, however the expenditures did comply with ballot language. Furthermore, the District is in the process of hiring a Contracts Manager. Essential functions of the Contract Manager include, "complex research through various methods to determine legality and conformance of proposed contracts for the purpose of making recommendations to District department administrators".

### **Findings and Recommendations – 2B**

For a decrease in costs and an increase in efficiencies, we recommend that the District Governing Board approve 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. This could significantly reduce the total project delivery time and streamline the award process for the District's smaller construction projects.

### **District Response – 2B**

Approximately a year ago, the District brought forward to the Board a resolution to adopt and become subject to Uniform Public Construction Cost Accounting Procedures. Unfortunately the resolution was not passed. The District believes this was due to a lack of information being provided to the Board. The District will make sure the Board is informed as to the benefits of utilizing the Uniform Public Construction Cost Accounting Act. Once the Board is well versed as to the benefits of UCCA, the District will seek to bring a resolution forward.

### *Objective 2.C. – Change Orders*

#### **Findings and Recommendations**

We noted that one of the contracts tested had change order amounts totaling 15.88%, which exceeds the maximum allowable change order percentage. The original contract price was \$12,657,000, and multiple change orders totaling \$2,010,266 were approved. The District did not comply with the requirements of Public Contract Code Section 20118.4 for this contract and should have stopped construction in order to allow the District to collect bids through a competitive process for the additional work required. It is essential that district employees are aware of this requirement, and that change orders exceeding 10% of the contract price are not approved unless the proper procedures have been followed.

#### **District Response**

The District acknowledges that the change order in question – Hilltop High School Change Order 16 (HTH CO 16) was over 10% of the original contract price, however the change order HTH CO 16 reflect revisions to the original scope of work due to omissions in the original bid set of drawings, revisions to resolve conflicts within the existing plans, and work required to repair fiber optic cabling and conduits not identified in the original plan. In approving and ratifying HTH CO 16, the Board and the District found that due to time constraints on the completion of work, the fact that the contractor was mobilized and performing the work, it would produce no advantage to attempt to re-bid the work reflected in the change order. In the case of time delay, the cost of stoppage and a time delay would increase costs.

### *Objective 2.D. – Prevailing Wage and Labor Compliance*

#### **Findings and Recommendations**

We found that all eight of the 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 throughout 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.

**TRANSPARENCY**

### *Objective 3.A. – Public Outreach and Communication Program*

#### **Findings and Recommendations**

During times of unrest, it is important for the District to focus its efforts on restoring the trust of the public. Regaining the trust of the public will involve rebuilding the community's confidence in the Proposition O bond program. A direct and focused effort should be made to highlight the past achievements and to further increase the transparency of the program.

The Grants and Communication department should take a more active position in promoting the works of Proposition O through its social media outlets.

Updates should be made to the website including, but not limited to, adding a community outreach section so the times and dates of future events can be more easily accessible and known.

#### **District Response**

The District understands the importance of reestablishing the community's confidence and is committed to openness, communication and accountability. Furthermore, the Grants and Communications Department is actively involved in conveying and updating Proposition O information to the public by means of the website "buildingpropo.sweetwaterschools.org" and through local/social media (e.g., Star News, La Prensa, etc.). Grants and Communications has also committed to publicizing events through its weekly community newsletter, Sweetwater Spotlight, and its internal staff newsletter, Currents.

### *Objective 3.B. – Bond Program Transparency*

#### **Findings and Recommendations**

The District should immediately take down, disable, or redirect its old outdated site BuildingPropO.com as it is not providing current information about the bond program to the general public. It is important to understand that Google and other web-based search engines are major drivers of getting people connected to websites. We found that the second hit is for the defunct website, second only to the District's homepage. This is a critical time for the District to appear open and transparent in its proceedings. We recommend that the District

work with the Grants and Communications department as well as the Information Technology department to determine a timely action plan to redirect web traffic to its new and current 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.

The District should establish timelines to ensure that the information received and reviewed by the CBOC is the most current information available. Currently, policies by the District only require that the following be posted: minutes of the Oversight Committee meetings, reports issued by the Oversight Committee and documents formally received by the Oversight Committee.

The District and Oversight Committee should work together to determine what information can be shared with the public via the website and determine how often updates should be completed.

The District will have to continue to work at building the positive feelings associated with improving school facilities to help combat the recent negative publicity. A concerted effort must be made at all levels to show real change, and the District must continue to make strides towards greater transparency.

The District needs to support the Grants and Communications department by either providing additional resources which will allow updates to be made to the BuildingPropO.SweetwaterSchools.org website or consider hiring a public relations firm which can update the site on a more regular basis.

### **District Response**

The District has rerouted the old link so that if the disabled web address is entered "BuildingPropO.com" the user will be redirected to the updated link "buildingpropo.sweetwaterschools.org". Secondly, when you Google "Sweetwater Union High School District" the first URL provided is the Districts webpage which has the direct link to the Prop O website.

The CBOC meeting notices and agendas are posted at least 24 hours prior to the scheduled meeting date on both the Proposition O website, to the media and to the public. Draft meeting minutes are completed within two to three weeks after each meeting and are provided to the CBOC Chair for review. The goal is to have completed/approved meeting minutes from the previous meeting published within 72 hours of the subsequent meeting. Once adopted by the CBOC, the meeting minutes are posted to the Proposition O website.

The Grants and Communications Department continues to update the public through social and local media and is involved in and reports on Prop O events. Events include ground breaking, ribbon cutting, topping off ceremonies and updates on current and future projects.

### *Objective 3.C. – Review of Citizens’ Bond Oversight Committee*

#### **Findings and Recommendations**

As of June 30, 2012, the Oversight Committee only had five members, with only one of the required membership categories filled. Based on the composition of the oversight committee as of January 10, 2013, the committee only had eight members and had a vacancy for the member who represents a parent active in a parent teacher organization. We recommend that the District and Citizens’ Bond Oversight Committee members continue to actively promote the open committee seat. 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. In the case noted, information should be communicated to all parent teacher organizations within the District.

The Citizens’ Bond Oversight Committee believes that the committee is dedicated to being a voice of the taxpayers and represents the best interests of the community and ultimately the District. They note that “their job is not easy and at times they must overcome adversity.” They have done their due diligence to comply with the recommendations of professional organizations such as the California League of Bond Oversight Committees. With the intent of the committee to be that it ensures that the expenditures of bond measures are in strict conformity with the law; that taxpayers directly participate in the oversight of the bond expenditures; and that members of the oversight committees alert the public to any waste or improper expenditure of school construction bond money, we believe that the committee is completing this mission. We would encourage the committee to continue in its role of being a sounding board for the public and stay committed to its oversight responsibilities.

#### **District Response**

The District briefly had a full committee in January 2013. Unfortunately there have been two resignations which has left vacancies open for an at-large member and business organization member. The Districts homepage <http://www.sweetwaterschools.org/> has a link “Prop O” 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 Board and District appreciate the CBOC’s diligence and their role in representing the Sweetwater community and its taxpayers.