



St. Johns County Schools
Internal Audit of Facilities New Construction

Prepared By:
RSM McGladrey
March 31, 2008

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The Audit Committee of the
St. Johns County School Board, Florida
40 Orange Street
St. Augustine, Florida 32084

Pursuant to the School Board of St. Johns County ("District") risk assessment and approved audit plan for 2007-2008, we hereby submit our internal audit report covering construction of new facilities. Our assessment was primarily limited to the construction phase and the duties and responsibilities of the Facilities department. We also reviewed controls around financial reporting to the general ledger. We will be presenting this report to the Audit Committee at the next regularly scheduled meeting on April 24, 2008.

Our report is organized in the following sections:

- **Executive Summary** – This section provides a summary of the observations identified.
- **Background** – This section provides an overview of the Facilities department and the process for completing new construction, as well as District funding sources and planned projects.
- **Objectives and Approach** – The internal audit objectives and approach are expanded upon in this section, which provides a review of the various phases of our audit plan.
- **Observations and Recommendations** – This section describes specific observations noted during our process review of each in-scope process with corresponding recommendations and Management's response.
- **Appendix** – This section includes the following documentation:
 - Process maps depicting the flow of in-scope processes as validated by the Facilities department.
 - Risk matrixes detailing the risks and mitigating controls identified for each process along with a brief evaluation of the controls.

We would like to thank the various departments and all those involved in assisting the Internal Auditors in connection with the review of facilities new construction.

Respectfully Submitted,

INTERNAL AUDITORS

TABLE OF CONTENTS

SECTION	PAGE
EXECUTIVE SUMMARY.....	1
BACKGROUND.....	4
OBJECTIVES AND APPROACH.....	10
OBSERVATIONS AND RECOMMENDATIONS.....	12
APPENDIX.....	25

EXECUTIVE SUMMARY

The primary purpose of this review was to assess the design adequacy and operating effectiveness of the internal control structure in place over the construction of new school facilities and identify process improvements. During the course of our work, we discussed the control design and operating deficiencies with management. Our observations and recommendations for improving controls are described in detail in this report, along with management's response. A summary of observations is provided below.

We have assigned three defining factors to each issue identified. They include the following:

- Deficiency Type – Distinguishes whether the issue relates to a Design Gap, Operational Gap, or Documentation Gap.
 - *Design Gap* is a deficiency noted in the control structure itself, and indicates that a specific control is not in place to mitigate a particular risk.
 - *Operational Gap* is an exception noted during the testing of an adequately-designed control. This indicates the control exists in the current environment, but is not operating effectively. The reasons for this vary, but can include non-compliance with policies or procedures or improper implementation of a control.
 - *Documentation Gap* indicates that a control is in place and appears to be operating effectively; however, there was little or no documentation to support performance of the control. A common example is review and approval of a report or reconciliation by a supervisor or manager.
- Relative Risk – An evaluation of the severity of the concern and the potential impact on the operations. Items rated as “High” are considered to be of immediate concern and could cause significant operational issues if not addressed in a timely manner. Items rated as “Moderate” may also cause operational issues and do not require immediate attention, but should be addressed as soon as possible. Items rated as “Low” could escalate into operational issues, but can be addressed through the normal course of conducting business.

There are many areas of risk to consider including financial, operational, and/or compliance, to name a few. For public sector organizations, we also take into account public perception risk when determining the relative risk rating.

- Resolution Level of Difficulty – An evaluation of the estimated level of difficulty and potential cost to resolve the concern based on our experience. Items rated as “High” are considered difficult to resolve and/or will require a significant amount of planning and management involvement/oversight in order to obtain resolution. Items rated as “Moderate” are not as difficult to resolve and/or do not require a significant amount of planning, but may be time-consuming to resolve. Items rated as “Low” are items that are not complex and/or do not require significant amounts of planning and time to resolve.

EXECUTIVE SUMMARY - CONTINUED

Summary of Observations

Observation Summary	Deficiency Type	Relative Risk	Resolution Difficulty
Budget and Project Setup			
Our review of the Facilities and Operations Department's procedures manual did not include any procedures or policies around growth planning. Because the planning process is fluid and based on critical assumptions and estimates, there should be written procedures for the methodology and assumptions used to complete the 5-year work plan.	Design	Moderate	Moderate
There does not appear to be a documented process around the up-front planning and cost estimating performed by the department and/or District. Because the District utilizes the hard-bid lump sum method for construction contracting, the amount the District pays for construction cost does not fluctuate with actual costs paid by the contractor. The accuracy and completeness of up front assumptions and estimating models the District relies upon to develop the Total Project Budget and estimated Construction Budget are significant.	Design	Moderate	Moderate
Payment Application			
Article 4.7 of the <i>General Conditions of the Contract for Construction</i> utilized by the District requires the contractor to participate in the Owner Direct Purchase (ODP) program. The contractor is required to prepare a purchase requisition form for each ODP and the forms are required to be approved by the District. We noted one purchase requisition sampled for testing was not approved/signed by Facilities prior to processing.	Documentation	Low	Low
Upon completion of a construction project, the Accounting department completes a reconciliation between Oracle detail records and the costs of construction as summarized and reported by Facilities. The primary purpose of this reconciliation is to ensure that all costs were captured into the general ledger and that the correct project was credited. One Owner Direct Purchase invoice selected for testing was incorrectly recorded to the wrong project.	Operating	Moderate	Low
Change Orders			
There is no control in place to ensure additive change orders are approved by the Board of Directors prior to the performance of the work. Upon discussion with Facilities, we noted that work is sometimes completed prior to approval by the Board so as not to delay the construction schedule and ensure timely delivery of the school for student arrivals.	Design	Moderate	Moderate

EXECUTIVE SUMMARY - CONTINUED

Summary of Observations - continued

Monitoring and Communication			
We reviewed an example of the monthly Capital Projects Status report presented to the Board and the Superintendent's "State of the Schools" report for FY '06-'07 and determined there is currently no process in place for presenting a post-close analysis to the Board for each project, including a comparison of total project costs to original and amended budgets. We noted, though, that there have been no projects completely closed under the direction of the current Executive Director of Facilities & Operations.	Design	Moderate	Low
There is no formal process for ensuring that all documentation required by the <i>State Requirements for Educational Facilities</i> (SREF) is filed with the Florida Department of Education. Each area is responsible for their own documents.	Design	Low	Low

Conclusion

While our review identified several issues rated "low" or "moderate", we did not note any significant issues that require immediate attention that could result in significant loss to the District. We have also included some best practice recommendations for management's consideration. As a result, a Satisfactory Audit Rating, as defined below, was assigned following this audit based on the identification of key findings summarized above, as well as other less significant comments that can be addressed by management in the normal course of day-to-day operations. These Other Observations are included in the Observations and Recommendations section of this report.

RATINGS	CONDITIONS
SATISFACTORY	No significant deficiencies exist, while improvement continues to be appropriate; controls are considered adequate and findings are not significant to the overall process.
NEEDS IMPROVEMENT	Some improvement needed to bring the process to satisfactory status but if continues without attention, could lead to further deterioration and an unsatisfactory status.
UNSATISFACTORY	Significant deficiencies exist which could lead to material financial loss or embarrassment to the District.

BACKGROUND

Mission and Strategic Plan

The St. Johns County School District's mission is to inspire in all students a passion for lifelong learning, creating educated and caring contributors to the world.

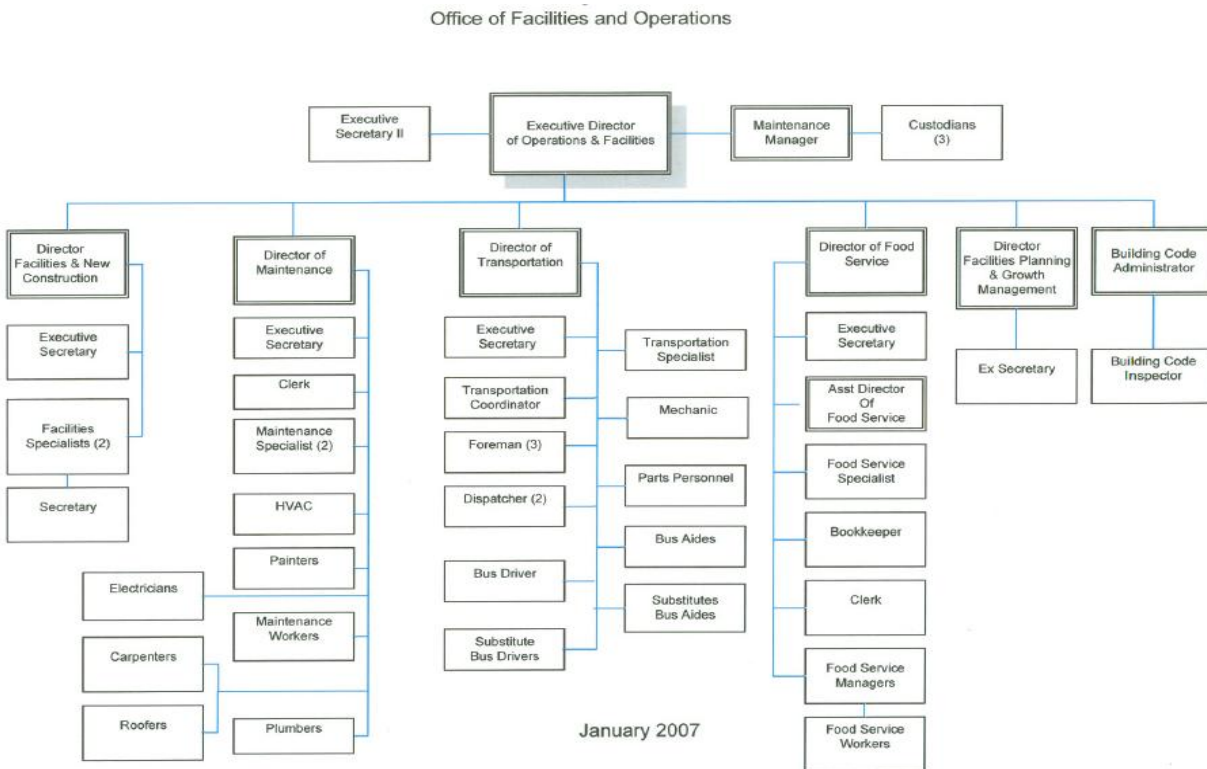
In an effort to support this mission, the District developed a Strategic Plan for 2001-2010 that is monitored for performance measurements quarterly. Updates are posted on the District's website for public view. The strategies outlined in the plan include:

- Provide a delivery system so that each student will master all academic standards.
- Utilize technologies throughout the system to manage data, enhance student achievement of our strategic objectives, and communicate with internal and external communities.
- Ignite the enthusiasm of our internal and external communities to support, commit, and contribute to the achievement of our strategic objectives.

In order to succeed, the District's "delivery system" must include a safe and healthy environment conducive to learning, beginning with the "bricks and mortar" facilities that house the administration, students and faculty.

Organization Chart

Under the leadership of an Executive Director, the Office of Facilities and Operations oversees the administration of facilities and operations including capital outlay, new construction projects, remodeling and renovation projects. The department includes Facilities and New Construction, Facilities Planning and Growth Management, Food and Nutrition Services, Maintenance and Transportation. This is a similar structure to other Districts in Florida, including Brevard, Indian River and Lake Counties.



BACKGROUND - CONTINUED

Project Funding

The District’s construction projects are primarily funded through the following sources:

- *Local 2.0 Mill Discretionary Capital Outlay Revenue* – Florida Statute 1011.72(2) allows school districts to levy up to 2.0 mills of capital outlay millage without an election. Funds are collected through local property taxes and may be used for new construction and remodeling projects; maintenance, renovation and repair of existing facilities; specific transportation or equipment needs and other uses.
- *Impact Fees* – The “Florida Impact Fee Act” was created by Florida Statute 163.31801 and provides local government a source of revenue for funding the infrastructure necessitated by new growth. School impact fees recognize the effect of development and land use on the local school system. Effective May 2005, the District receives either \$2,290 or \$3,895 for each residential home built in the areas served, depending on the square footage of the home.
- *Public Education Capital Outlay and Debt Service Trust Fund (PECO)* - a primary source of state capital outlay funding for Florida’s school districts, community colleges, and the State University System. PECO funds are generated by a 2.5 percent levy on the gross receipts of utility companies and municipal corporations that provide electricity, natural gas, and telecommunication services and those that transmit co-generated electrical power. PECO funds are used not only for new construction, but also for remodeling, renovation, repair, and site improvement of educational facilities.
- *Capital Outlay (CO) and Debt Service (DS) Revenue* – Appropriated by Article XII of the State Constitution and one of the oldest (since the 1950s), most restrictive sources of fixed capital outlay funds available to the District, these funds are generated by the Motor Vehicle License Tax. CO&DS funds are distributed automatically by the Florida Department of Education and the amounts are based on a student membership full-time equivalent (FTE) formula.
- *Capital Outlay Bond Issue (COBI)* – Also generated by the Motor Vehicle License Tax, COBI is a bond program that the District can choose to participate in by local Resolution. Unlike CO&DS funds, participation is voluntary and distribution is not automatic. The bonding capacity amounts are calculated by the Florida Department of Education and communicated to each District annually.
- *Classrooms for Kids Program* – Pursuant to Section 1013.735 F.S., these are class size reduction funds that may only be used to construct, renovate, remodel or repair educational facilities not identified on a five-year workplan adopted prior to March 15, 2003, for the purposes of complying with the core curricula class size, as reduced by the State.

Below are the budget and actual revenues for the revenue sources shown above. Note that this list is not inclusive of all revenue received by the District for the purposes of facilities new construction.

Revenue Source	FY 2007-2008 Budget	FY 2006-2007 Actual	FY 2005-2006 Actual
<i>2.0 Mill Levy</i>	\$ 46,900,764	\$ 42,774,678	\$ 34,930,652
<i>Impact Fees</i>	5,500,000	\$5,581,123	\$6,031,120
<i>PECO</i>	11,277,340	8,063,238	4,283,961
<i>CO&DS/COBI</i>	225,158	1,069,422	992,366
<i>Classrooms for Kids</i>	26,594,997	31,918,185	1,503,125
Total	\$ 90,528,259	\$	

*This is unaudited data and only represents a portion of the District’s total Capital Outlay budget.

BACKGROUND - CONTINUED

Current Projects

The District's major projects under construction consist of the following:

Project Name	Project Budget	Construction Budget
Projects in Construction		
Creekside High School ("DDD")	\$66,436,615	\$48,154,000
Ponte Vedra High School ("CCC")	\$67,089,508	\$57,750,000
Liberty Pines Academy ("GG")	\$35,550,500	\$27,050,500
Julington Creek Elementary School Expansion	\$15,960,000	\$12,299,000
Total		
Projects in Planning		
New K-8 "HH"	\$110,000	TBD*
New Elementary "L"	\$110,000	TBD*
New Elementary "M"	\$110,000	TBD*
Projects in Post Occupancy		
Pacetti Bay Middle School ("FF")	\$33,250,000	\$26,669,000
Wards Creek Elementary School ("K")	\$18,700,000	\$14,889,000
Bartram Trail High School 9 th Grade Center	\$15,375,000	\$12,013,000
Total		

5-Year Workplan

The District's five-year construction plan for fiscal years 2008 through 2012 includes the following major projects:

Project Name	5-year Projected Needs	Total Project Cost
Capacity Projects		
Julington Creek Elementary School Expansion	\$ 12,774,260	\$15,960,000
Liberty Pines Academy ("GG")	30,265,698	\$35,550,500
Ponte Vedra High School ("CCC")	4,000,000	\$67,089,508
Creekside High School ("DDD")	4,000,000	\$66,436,615
New K-8 "HH"	25,811,645	TBD*
New Elementary "L"	8,892,749	TBD*
New Elementary "M"	8,892,749	TBD*
New K-8 "II"	22,391,124	TBD*
50-Classroom expansion of (7) Elementary Schools	\$ 19,021,600	TBD*
Total	\$ 136,049,825	
Non-Capacity Projects		
Nease Bus Garage upgrade and improvements	\$ 3,100,000	TBD*
Phase III Transportation Facility Improvements	1,100,000	TBD*
District Administrative Building	2,794,800	TBD*
Total	\$ 6,994,800	

The 5-year workplan also includes approximately \$28 million in funding needs for facility maintenance through 2012.

BACKGROUND - CONTINUED

Construction Contracts and Delivery Methods

Construction Contracts

In any construction contract, the cost of the project consists of the costs for labor and materials and the builder's profit and overhead. Before a project begins, the costs are only estimates. There is risk involved for both the owner and the builder concerning the builder's ability to perform the work for a given actual cost. The differences between types of contracts primarily lie in who takes the risk, who has to pay for cost over runs, and who keeps the savings if the project costs less than the estimate.

- *Lump Sum* – A lump sum contract is the most basic form of agreement between a supplier of services and a customer. The supplier agrees to provide specified services for a specific price. The receiver agrees to pay the price upon completion of the work or according to a negotiated payment schedule. In developing a lump sum bid, the builder will estimate the costs of labor and materials and add to it a standard amount for overhead and the desired amount of profit. If the actual costs of labor and materials are higher than the estimate, the builder's profit will be reduced. If the actual costs are lower, the builder gets more profit. Either way, the cost to the owner is the same.
- *Guaranteed Maximum Price* – In a guaranteed maximum price (GMP) contract, the contractor estimates the cost just like in a lump sum bid, but profit is limited to a specified amount. In the event that actual costs are lower than the estimates, the owner keeps the savings. In the event costs are higher, the contractor pays the difference and profit is reduced. Sometimes, savings are shared between the owner and the contractor as an incentive to keep costs down. As in a lump sum contract, higher than anticipated costs can lead to disputes. The GMP will only apply to the work specified in the cost estimate. Changes, possibly including unforeseen circumstances or additional work which the contractor agrees to perform can result in a final payment that is higher than the GMP. School districts should take care that their voters understand that increases are possible.
- *Cost Plus* – In a cost plus contract the contractor's profit is set at a fixed amount. If actual costs are lower than the estimate, the owner keeps the savings. If actual costs are higher than the estimate, the owner must pay the additional amount. Cost plus contracts are rarely used for school projects because school administrators and school boards rarely have the authority to exceed the amount appropriated for the project. The great advantage of a cost plus contract is that, generally speaking, the project will result in the building that was envisioned, even if costs run high. The builder is less likely to cut corners or argue for less expensive materials because his profit is not in jeopardy. Similarly, the builder has little incentive to keep the owner's costs down.

BACKGROUND - CONTINUED

Construction Contracts and Delivery Methods - continued

Construction Delivery Methods

Construction delivery refers to the relationships between the owner, the builder, and the designer. There are three primary methods used to construct schools.

- *Design-Bid-Build* – The traditional method of building a school is to have the work designed by a team of architects and engineers and then advertise the plan to solicit bids from construction firms. The winning firm becomes the General Contractor, responsible for overall completion of the project using the firm's own employees, sub-contractors, or a combination of both. The design and construction phases of the project are clear and distinct. A complete set of design documents is finished before the builder becomes involved.

There are several advantages to this process. First, it has been around for a long time and is well understood. The design documents must be thorough and complete which lessens the chance of misunderstandings. This method should allow plenty of time to consider alternatives and to complete a thorough integrated design that involves all the occupants and design team members. The disadvantages are that this method takes the greatest amount of time to complete and that the designers and builders can sometimes become antagonists when the builder is unable to understand or even unable to build what has been designed. One pitfall to look for is that sometimes builders will intentionally bid low in order to win the project and then hope to make up the loss in profits through change orders.

- *Design-Build* – Design-Build is a very old method that fell out of use until recent years. In this process, the owner selects one contractor to both design and build the project. Design-Build is primarily intended to save time. Because the designers and builders work together from the beginning, the design effort can be substantially reduced.

Time is saved by using a fast track schedule where the builder begins working on each phase of the construction as soon as the design for that phase is complete. Ideally, the designers complete the next phase just as the builder is ready to start that phase. Design-Build works very well when using standard designs that have been built repeatedly. It is critical that the owner and builder have the same clear picture of the final project before construction begins. Since the owner and the builder commit to a cost before design is started, there is a degree of uncertainty that will have an associated cost that will probably be included in the builder's bid.

- *Construction Management* – In Construction Management the owner hires a construction professional early in the design phase. The construction manager works with the design team to help ensure that the design is something that can in fact be built for a reasonable cost and that the builders will be able to understand the design drawings and specifications. This can result in a reduction of the total design effort similar to what occurs in Design-Build. There are two basic types of construction management: construction manager as advisor and construction manager at risk. In the construction manager as advisor variation, the construction manager acts as technical consultant to the owner and has no legal responsibility for the performance of the actual construction work.

In the construction manager at risk variation, which is frequently used for school projects, the construction manager becomes the prime contractor during the construction phase. The construction manager awards sub-contracts much like a general contractor in a Design-Bid-Build project.

BACKGROUND - CONTINUED

Construction Contracts and Delivery Methods - continued

Construction Delivery Methods - continued

- *Construction Management (continued)* – Construction management projects are most frequently done through a guaranteed maximum price contract, but other types may be used. Fast track schedules are also possible, with all their inherent risks that are described under Design-Build above.

One advantage of construction management is that a builder is involved in the design and decision making process almost from the start. Another advantage is that the owner can often be more involved in the selection of sub-contractors if so desired. The disadvantages of construction management are that the builder must be paid for his participation in design, that there may be some blurring of the lines of responsibility, and that the owner should expect to have more meetings requiring attendance.

School boards and facilities personnel will often spend many hours debating the type of contract and method of delivery to be used. All of the various agreements can result in a successful project if used correctly and in the right situations. Likewise, problems and dissatisfaction can occur with any contract.

St. Johns County Schools builds facilities utilizing the lump sum contract, design-bid-build method. This is the simplest type of contract and the cost to the District does not fluctuate with actual costs. To manage the overall costs of project construction, the District follows a prequalification process and the Lowest Responsive Qualified bid is awarded for both design and construction services.

OBJECTIVES AND APPROACH

Scope and Objectives

The primary purpose of this review was to assess the design adequacy and operating effectiveness of the internal control structure in place over the construction of new school facilities and identify process improvements. Our approach focused on determining whether the proper controls exist and whether existing controls are appropriate for mitigating the risks to the processes reviewed.

We evaluated the key controls of the following in-scope processes:

- Budget and Project Setup
- Contractor Selection
- Payment Applications
- Change Orders
- Project Monitoring and Communication
- Project Reconciliation and Close Out

Approach

The design adequacy and operating effectiveness analysis of internal controls over facilities new construction consisted of the following steps:

Understand and Document the Process

In order to obtain an understanding of the significant processes in scope and identify inherent risk and key controls to mitigate this risk, we conducted a facilitated session and performed a process walkthrough with the respective process owners and subject matter experts. We inquired of the department personnel and obtained detailed documentation of the process, which is captured in a 'Process Map'. The maps have been validated and approved by the District and are included in Appendix A of this report.

Risk and Control Matrix

From the facilitated sessions, process walkthroughs, and with documentation provided, we summarized the following for each process:

- Key process risks inherent to each process.
- Existing controls for mitigating the risks identified.
- Evaluation of controls. Any issues identified during our evaluation are referenced in the Risk Matrix section and presented in the Observations and Recommendations section of this report.

Detailed Tests of Controls

We performed specific testing related to the controls identified to evaluate whether the controls were operating as designed. Testing was performed on the following construction projects in varying stages of completion:

- Timberlin Creek Elementary School "I"
- Bartram Trail High School 9th Grade Center
- Liberty Pines Academy K-8 School "GG"
- Ponte Vedra High School "CCC"

The Risk Matrixes and evaluation of controls resulting from this testing are included in Appendix B of this report.

OBJECTIVES AND APPROACH - CONTINUED

Approach - continued

Reporting

Once we completed the process documentation, the information was submitted to all identified key stakeholders for validation and management concurrence on the results. This presented management with an opportunity to clarify any noted issues or challenge the accuracy of the information presented in the maps and/or matrixes.

At the conclusion of our review, we summarized our results here within, which includes observations with respective recommendations. We have discussed our observations and recommendations with the Executive Director of Facilities and Operations, the Director of Facilities and New Construction, the District's Chief Financial Officer and other personnel. Their responses are included with this report.

OBSERVATIONS AND RECOMMENDATIONS

BUDGET AND PROJECT SETUP

Rating	Observations	Recommendation	Management Response
	Documented Policies and Procedures – Facilities Planning & Growth		
	<p>The Facilities Planning & Growth Department is tasked with overseeing the planning and design process for the new schools to be constructed in the District. The department also creates and updates the Five Year District Facilities Work Plan, which includes the capital building program for the next five years, but also includes a ten- and twenty-year projection.</p> <p>The department is in the process of implementing School Concurrency legislation, due to be complete by August 1, 2008 as well as a new process for monitoring residential construction in St. Johns County. School concurrency ensures coordination between local governments and school boards in planning and permitting developments that affect school capacity and utilization.</p> <p>Observation: Our review of the Facilities and Operations Department’s procedures manual did not include any procedures or policies around growth planning. Because the planning process is fluid and based on critical assumptions and estimates, there should be written procedures for the methodology and assumptions used to complete the 5-year work plan.</p> <p>We also noted the Facilities Planning & Growth Department is comprised of one person. While the Executive Director of Facilities & Operations and other departments are also involved in the planning process, there is no backup to the FPG Director in the event of employee turnover, an emergency or prolonged absence.</p>	<p>The District should finalize the policies, procedures and underlying assumptions for its growth planning process.</p> <p>These procedures should be in adequate detail to ensure cross training, consistency with strategic objectives, and limit the exposure to misunderstandings.</p>	<p>A software program is being developed at the State level that will provide a system for monitoring new residential construction within the county.</p> <p>The structure of the Five-Year Work Plan changed for 2007-2008. Procedures are being developed to identify data needs.</p> <p>The Executive Director is responsible for all Facilities Planning & Growth Management responsibilities in the absence of the FGP Director.</p> <p>Owner: Director for Facilities Planning & Growth Management; Executive Director for Facilities & Operations</p> <p>ECD: Summer 2008</p>

BUDGET AND PROJECT SETUP - CONTINUED

Rating	Observations	Recommendation	Management Response
	Documented Policies and Procedures – Facilities & New Construction		
	<p>On June 18, 2002, the Board approved a contract with a Construction Program Manager (CPM) for various services related to the St. Johns County School Building Program. The contract services to be performed by the CPM are numerous, but include the following as “basic” services:</p> <ul style="list-style-type: none"> • Construction Market Survey • Management Plan • Cost models and budget estimates • Value analysis studies • Observation of the progress and quality of the work • Construction schedule/timeline tracking and reporting • Review of contractor payment requests <p>The duration of the initial contract was through June 30, 2005.</p> <p>On October 10, 2006 a contract addendum was approved for the period July 1, 2006 through June 30, 2007 to include services related to project planning and new construction for specific schools, as well as District-Wide planning and miscellaneous services including preparing School Board Progress Reports. The amended contract fee was \$450,000.</p> <p>Upon discussion with Facilities & Operations, the needs of the department have changed and the scope of services needed from the CPM is limited and vary project-by-project. The services are now performed on an as needed basis.</p>	<p>The District should enhance its policies and procedures manual to ensure all processes and procedures are formally documented. Some examples of the areas where policies and/or procedures should be considered include:</p> <ul style="list-style-type: none"> • Preferred contract and construction delivery method. For example, if the District intends to utilize the lump sum, design-bid-build method for delivering construction projects, that should be outlined in a policy. This will ensure that the School Board has been educated on the advantages and disadvantages of the various methods and contracts are executed with an informed decision. When turnover occurs on the School Board or within departments, the policy manual can serve as training material. • Development of Total Project Budgets and Construction Budgets, including specific, minimum steps required • Reporting requirements – what information does the Board want monthly, annually, and/or at project completion <p>There should be a documented timeline for periodically review and revision to the policies and procedures to ensure relevance and currency.</p>	<p>The School Board has been trained on the design-bid-build method through School Board Workshops.</p> <p>Total project budgets are developed using historical data with categorical breakdowns by percentage. Certain key policies and procedures exist. We continue to work on and intend to expand those documented procedures. There are also various documented processes that are in place and utilized for the School District’s project management team.</p> <p>Monthly, periodic (approximately quarterly) and annual reports and information are provided to the School District Superintendent and School Board. We are working to develop a standardized post project completion report format.</p> <p>Owner: Executive Director for Facilities & Operations; Director for Facilities & New Construction</p> <p>ECD: January 2009</p>

BUDGET AND PROJECT SETUP - CONTINUED

Rating	Observations	Recommendation	Management Response
	Documented Policies and Procedures – Facilities & New Construction - continued		
	<p>The District utilizes the hard-bid lump sum method for construction contracting; the amount the District pays for construction cost does not fluctuate with actual costs paid by the contractor. Therefore the accuracy and completeness of up front assumptions and estimating models the District relies upon to develop the Total Project Budget and estimated Construction Budget are significant for ensuring adequate funding is available for the specifications needed to increase capacity and deliver an enriched learning environment, while still minimizing costs.</p> <p>Observation: Many of the services previously completed by the CPM are now being performed in-house. We noted that those processes that were previously performed by the CPM and have subsequently been moved in-house have not been formally documented.</p> <p>As an example, we reviewed a copy of the department's Standard Operating Procedures manual for Facilities & New Construction as well as the School Board Procedures and determined that the manual does not document the process around the up-front planning and cost estimating performed by the department and/or District.</p>		

CONTRACTOR SELECTION

NO ISSUES WERE NOTED IN THIS PROCESS. REFER TO RISK MATRIX SECTION FOR THE CONTROLS TESTED.

PAYMENT APPLICATIONS

Rating	Issues	Recommendation	Management Response
	Purchase Requisition Approval		
	<p>Article 4.7 of the <i>General Conditions of the Contract for Construction</i> utilized by the District requires the contractor to participate in the "Owner Direct Purchase" (ODP) program. The contractor is required to prepare a purchase requisition form for each ODP and submit to Facilities & Operations. The forms are required to be approved by the District and then the District will submit a purchase order to the supplier.</p> <p>Observation: During our testing of ODP, we noted one purchase requisition was not approved/ signed by the Project Manager. For Ponte Vedra High School ("CCC"), purchase order #38704 for \$300,000 for standard precast was created April 10, 2007 by the purchasing department. The supporting documentation includes a purchase requisition form that was not approved by Facilities. Further, the support includes documentation suggesting the order was "rushed through" by the contractor prior to completing the analysis of the design plans and indicates that a subsequent requisition would be submitted for the actual amount once the plan changes had been completed.</p> <p>We did note that both the invoice and the purchase order were properly approved.</p>	<p>Prior to processing a purchase order in the Oracle system, the Facilities department should ensure that the supporting documentation is properly approved by the requesting department, especially when the supporting documentation has not been prepared by the District but by a third party contractor.</p>	<p>The School District has a very detailed and recently updated written procedure in place for the administration of the Owner Direct Purchase program. This process is followed for all owner direct purchases of materials for our construction projects, saving a net 6% on the total of all purchases. While we may internally utilize the annotation of the Project Manager's initials to track the ODP invoices as they proceed through the payment/approval process, it is not a formal/documented requirement of our procedure. We will continue to properly track and approve all ODP documents and payments.</p> <p>This specific requisition had been approved by all in the process through the Executive Director for Facilities & Operations as are all ODP's (per procedures). Supporting documents are kept in appropriate logbooks for all requisitions.</p> <p>Owner: Executive Director for Facilities & Operations; Director for Facilities & New Construction</p> <p>ECD: Summer 2008</p>

PAYMENT APPLICATIONS - CONTINUED

Rating	Issues	Recommendation	Management Response
	Project Cost Recording		
	<p>Construction projects are tracked by project/facility number in the general ledger. This tracking is essential for monitoring project costs, budget and contract compliance.</p> <p>Observation: Structural steel ODP invoice #311273 from Infra-Metals Co. for \$2,218.35 was not recorded on the general ledger detail for Liberty Pines Academy. The invoice references the Liberty Pines Academy project code. Upon discussion with Accounting, the purchase was incorrectly recorded to a different project and subsequently corrected after our conversation. We did note that the purchase was included on the ODP worksheet maintained by Facilities.</p>	<p>We recommend the District continue its compliance efforts to monitor proper posting and capture of project costs in the general ledger system.</p> <p>See also the recommendations for reconciliation, monitoring and reporting.</p>	<p>The District will continue its compliance efforts to monitor proper costing of Capital Project Costs in the general ledger system.</p> <p>Owner: Chief Financial Officer</p> <p>ECD: Ongoing</p>

CHANGE ORDERS

Rating	Issues	Recommendation	Management Response
	Timing of Work included in Change Orders		
	<p>School Board Policy 8.28 <i>Change Orders</i> outlines the requirements are processing a construction contract change order. The policy states the following:</p> <ul style="list-style-type: none"> Any change order that will increase the construction contract amount by more than \$25,000 shall be submitted by the Superintendent to the Board for review and action. No such change order shall be binding until it is approved and executed by the Board. With all requested change orders the contractor shall provide, prior to commencing the work involved, accurate cost data in sufficient detail to enable any architect or engineer to evaluate and confirm its accuracy and fair market value. The architect shall certify to that affect in writing to the Superintendent and the Board. <p>Observation: There is no control in place to ensure additive change orders are approved by the Board of Directors prior to the performance of the work. Upon discussion with Facilities, we noted that work is sometimes completed prior to approval by the Board so as not to delay the construction schedule and ensure timely delivery of the school for student arrivals. It was represented by the department that there is never written or verbal approval given to the contractor to proceed prior to Board approval, but that the contractors proceed with additional work at their own risk.</p>	<p>We understand the difficulty of the project timing and the ability to meet deadlines could be impaired if necessary change orders do not proceed.</p> <p>However, current practice violates the existing Board policy. We recommend that the Board and the department re-evaluate the current policy and practice to identify a process that neither hinders construction deadlines nor violates policy.</p>	<p>We agree that the Change Order process is a challenging one considering the necessary policy requirements as well as timely execution and delay avoidance of our critical new construction projects. We intent to keep the Board informed and administer the timely execution of any necessary change orders. The Facilities Department will discuss with the Superintendent and the Board potential modifications to the existing School District policy regarding the Change Order process.</p> <p>Work completed prior to Board approval was done at contractor's risk.</p> <p>Owner: Executive Director for Facilities & Operations</p> <p>ECD: January 2009</p>

CHANGE ORDERS - CONTINUED

Rating	Issues	Recommendation	Management Response
	Timing of Work included in Change Orders - continued		
	<p>Observation – continued: For the two projects selected for testing, the contractor commenced work on the following charge orders prior to Board approval:</p> <ul style="list-style-type: none"> • Change order #1 for Liberty Pines Academy includes an increase in costs of \$252,713.51. The change order was brought to the Board on March 11, 2008 for approval. The additional costs were due to off-site utility and roadway changes and the costs are being shared and/or reimbursed by other agencies. • Change order #2 for Ponte Vedra High School includes and increase in costs of \$292,228.18. The change order was brought to the Board for approval on March 11, 2008. The additional costs were due to offsite roadway modifications. 		

PROJECT MONITORING AND COMMUNICATION

Rating	Issues	Recommendation	Management Response
	Project Reconciliation, Monitoring and Reporting		
	<p>Upon completion of a construction project, the Accounting department completes a reconciliation between general ledger (Oracle) detail records and the costs of construction as summarized and reported by Facilities. The purpose of this reconciliation and reporting includes:</p> <ul style="list-style-type: none"> • Monitor compliance with approved contract amounts. • Deter and detect fraudulent activities. • Monitor non-contract expenditures against Board approvals. • Ensure accumulated costs of construction are recorded on the District's financial statements as an asset upon completion of a project and depreciated in accordance with generally accepted accounting principles. • Ensure accumulated costs of construction are reported to the Department of Education upon completion of a project. • Measure/analyze costs of construction by project for determining measurement factors for future projects, such as total cost per square foot, percentage of ODP and amount of sales tax savings, actual costs compared to budget estimates, etc. <p>In addition, the District utilizes several avenues to keep the Board and other interested parties updated on the status of capital projects, including monthly status reports, the department website, and the Superintendent's annual <i>State of the Schools</i> report.</p>	<p>We recommend the District consider allocating a dedicated finance/accounting resource to the facilities department. The responsibilities would include such things as:</p> <ul style="list-style-type: none"> • Serve as the liaison between facilities, accounting, purchasing and budgeting for the lifecycle of each project. • Assist in the preparation, analysis and assumptions of the 5-year plan, Capital Outlay Budget and other planning or budget initiatives. • Monitor and reconcile actual costs, general ledger accounting and contract costs. • Track and reconcile owner direct purchases and resultant sales tax savings. • Identify and appropriately segregate non-permanent assets from construction costs for capitalization. • Budget monitoring and reconciliation. 	<p>The Facilities & New Construction Department currently tracks and reconciles all Owner Direct Purchases and also reconciles all construction related costs. They subsequently report the Cost of Final Construction to DOE for each completed project.</p> <p>Many of these items are tracked by the Facilities Department on both an independent project level as well as in a comparison nature for all projects. We concur with the recommendation to develop a post-closure project analysis and reporting system.</p> <p>Owner: Executive Director for Facilities & Operations; Chief Financial Officer</p> <p>ECD: January 2009</p>

PROJECT MONITORING AND COMMUNICATION - CONTINUED

Rating	Issues	Recommendation	Management Response
	Project Reconciliation, Monitoring and Reporting - continued		
	<p>Observation: We noted that project cost reconciliations are performed between accounting and facilities records for construction costs. However, we observed that the cost monitoring process is somewhat isolated among the departments and that reconciliations are only performed at the end of a project, which typically span more than one year.</p> <p>The facilities department has a process in place for tracking contract costs and compliance; however, the department does not have a dedicated finance or accounting associate. The impact is that a holistic or full-circle reconciliation process does not exist. Additionally, with the current structure irregularities may not be detected timely.</p> <p>In addition, the monthly report presented to the Board and the Superintendent's "State of the Schools" report do not include a holistic post-close analysis for each project, including a comparison of total project costs to original and amended budgets.</p>	<p>Additionally, post-close analysis should be provided to the Board upon completion of a project to include project costs as well as other pertinent information. Some examples of the information that should be included:</p> <ul style="list-style-type: none"> • Original project budget compared to final project cost, including land; furniture, fixtures and equipment; and other non-construction contract costs. • Original construction budget compared to final contract cost with a breakdown of the change orders • Total cost per square footage compared to other projects within the District, as well as external • Total cost per square footage compared to original estimates prepared by the Construction Program Manager Trend analysis of owner direct purchases compared to other projects (percentage of total contract and amount of sales tax savings) • Evaluation of the professional service firms and contractors used. 	

PROJECT MONITORING AND COMMUNICATION - CONTINUED

Rating	Issues	Recommendation	Management Response
	Florida Department of Education Reporting Requirements		
	<p>The Florida Department of Education Office of Educational Facilities (OEF) publishes the <i>State Requirements for Educational Facilities (SREF)</i> manual for use in the facilities procurement process. Pursuant to Rule 6A-2.0010, Florida Administrative Code “all educational and ancillary facilities constructed by a school board or community college board shall comply with [SREF]”.</p> <p>The publication is organized in the sequence of steps required. The main sections include Administration, Finance, Survey Procedures, Construction Procedures, Existing Facilities, Size of Space and Occupant Design Criteria and Forms. The manual is more than 200 pages and the OEF has also made available guidelines to SREF that include recommendations, best practices and reiterations for rules, codes and standards not specifically referenced in SREF.</p> <p>Observation: While we did not note any forms that were not correctly filed during our testing, there is no formal process for ensuring that all documentation required is filed with the OEF. Each area is responsible for their own documents as determined necessary on a project-by-project basis, as not all forms are required for every project.</p>	<p>The Facilities & New Construction department has developed a project management checklist that includes many of the OEF filing requirements. We recommend that the checklist be reviewed and updated to ensure that it is all-inclusive. This could include other required filings in addition to SREF, such as County requirements.</p> <p>We also recommend one individual be assigned as “gatekeeper”, with the responsibility to monitor changes in filing requirements, track filing deadlines and ensure consistency regardless of department responsible for preparing the documentation. This responsibility could be assigned to the dedicated finance/accounting liaison as recommended elsewhere in this report.</p>	<p>Presently the responsibility of filing OEF reports is handled through the Executive Director for Facilities & Operations and the Chief Financial Officer. The actual completion of reports are done by designates staff. A single responsible person would be beneficial to ensure all requirements are met.</p> <p>Owner: Executive Director for Facilities & Operations</p> <p>ECD: Summer 2008</p>

PROJECT RECONCILIATION AND CLOSE OUT

NO ISSUES WERE NOTED IN THIS PROCESS. REFER TO RISK MATRIX SECTION FOR THE CONTROLS TESTED.

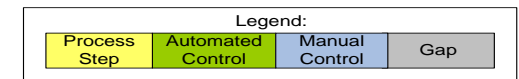
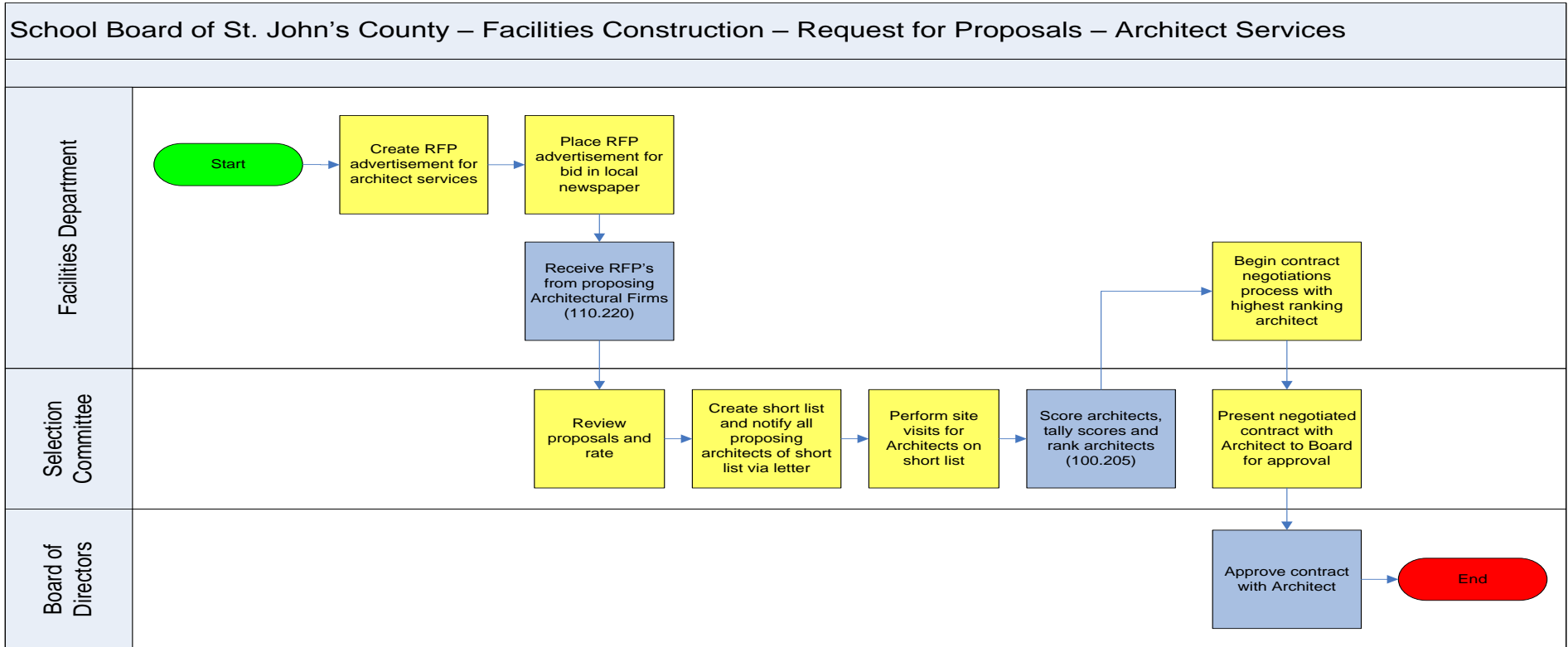
OTHER OBSERVATIONS

Other Observations
<p>We noted that the costs of construction are accumulated and recorded as one building asset on the District's financial records and items are not segregated between permanent and non-permanent fixtures as outlined in generally accepted accounting principles (GAAP). Many of these items are easily identifiable for cost separation. The practice of not segregating the items will not "materially" affect the financial statements and we understand the Auditor General's office (the District's external auditor) is aware of, and approves, the single aggregation of recording the costs of construction as one building asset. The District should consider cost segregating the easily identifiable, costly components of construction for separate capitalization and depreciation in accordance with guidance.</p>
<p>Change order testing was limited due to timing – three of the four change orders tested were presented for approval at the 3/11/2008 meeting and those minutes were not available for testing Board approval.</p>
<p>Fixed Assets have not been updated since December 2007 due to system changes made to Property Control Specialist's access, possibly because of segregation of duties analysis in response to Information Technology report issued by the Auditor General.</p>

APPENDIX A – PROCESS MAPS

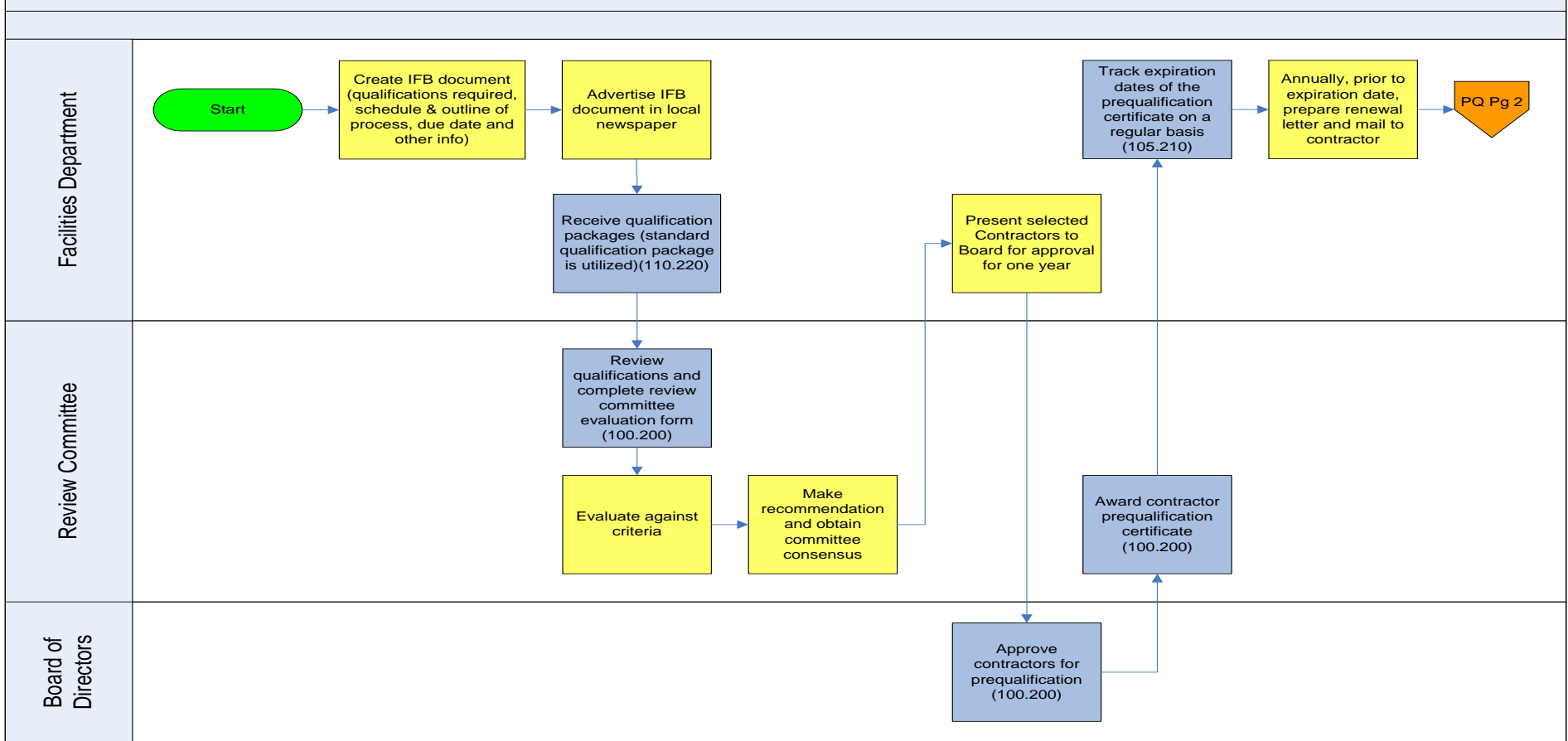
The purpose of the process map is to illustrate key processes and highlight key control points within the process. Process maps may be used as a procedural or training tool by the District to provide a visual depiction of the key steps within a process that need to be followed.

REQUEST FOR PROPOSALS – ARCHITECT SERVICES



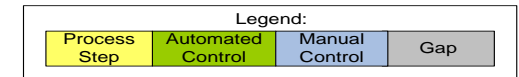
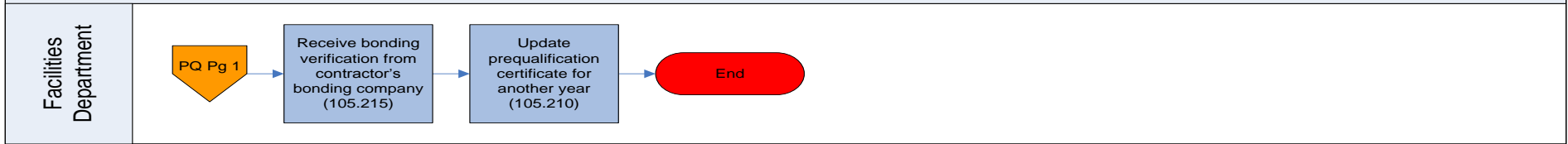
CONTRACTOR PRE-QUALIFICATION

School Board of St. John’s County – Facilities Construction – Contractor Pre-qualification Process – Page 1

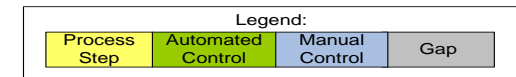
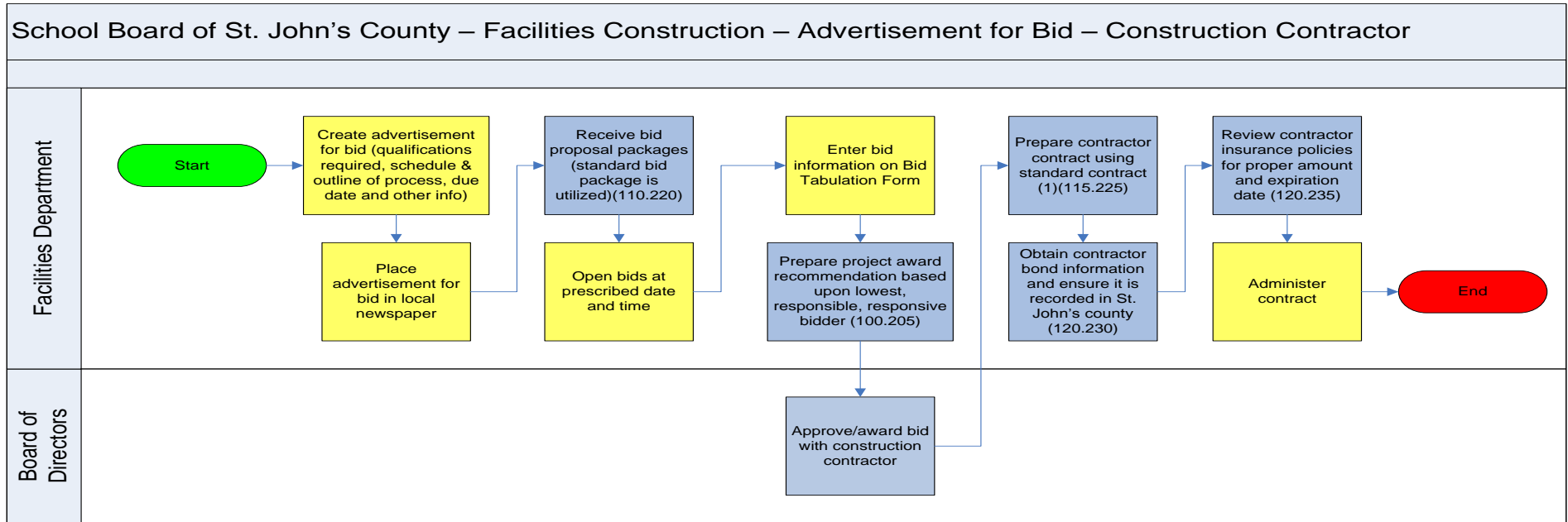


CONTRACTOR PRE-QUALIFICATION - CONTINUED

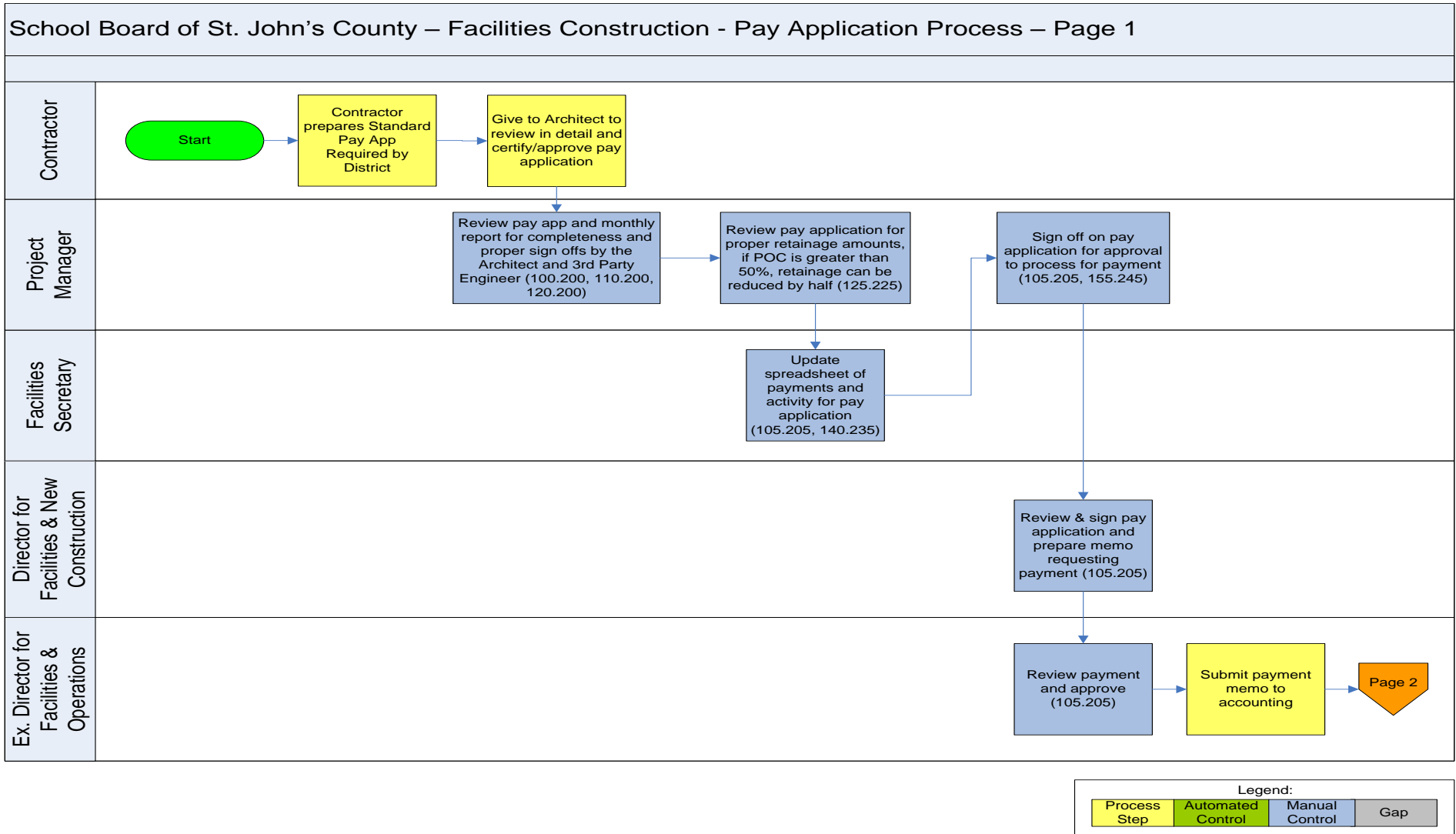
School Board of St. John’s County – Facilities Construction – Contractor Pre-qualification Process – Page 2



ADVERTISEMENT FOR BID – CONSTRUCTION CONTRACTOR

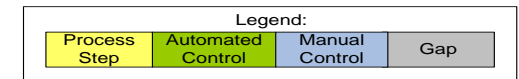
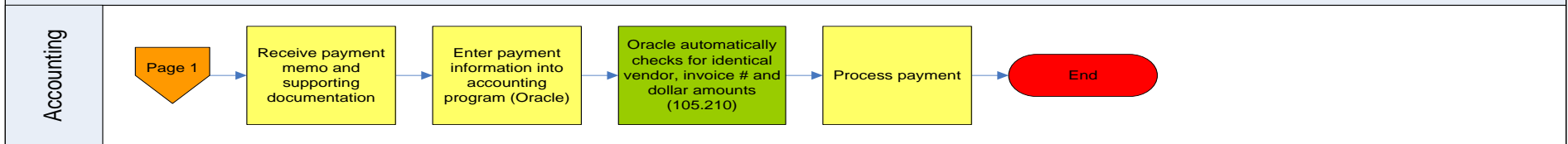


PAY APPLICATION

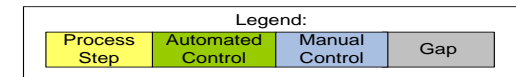
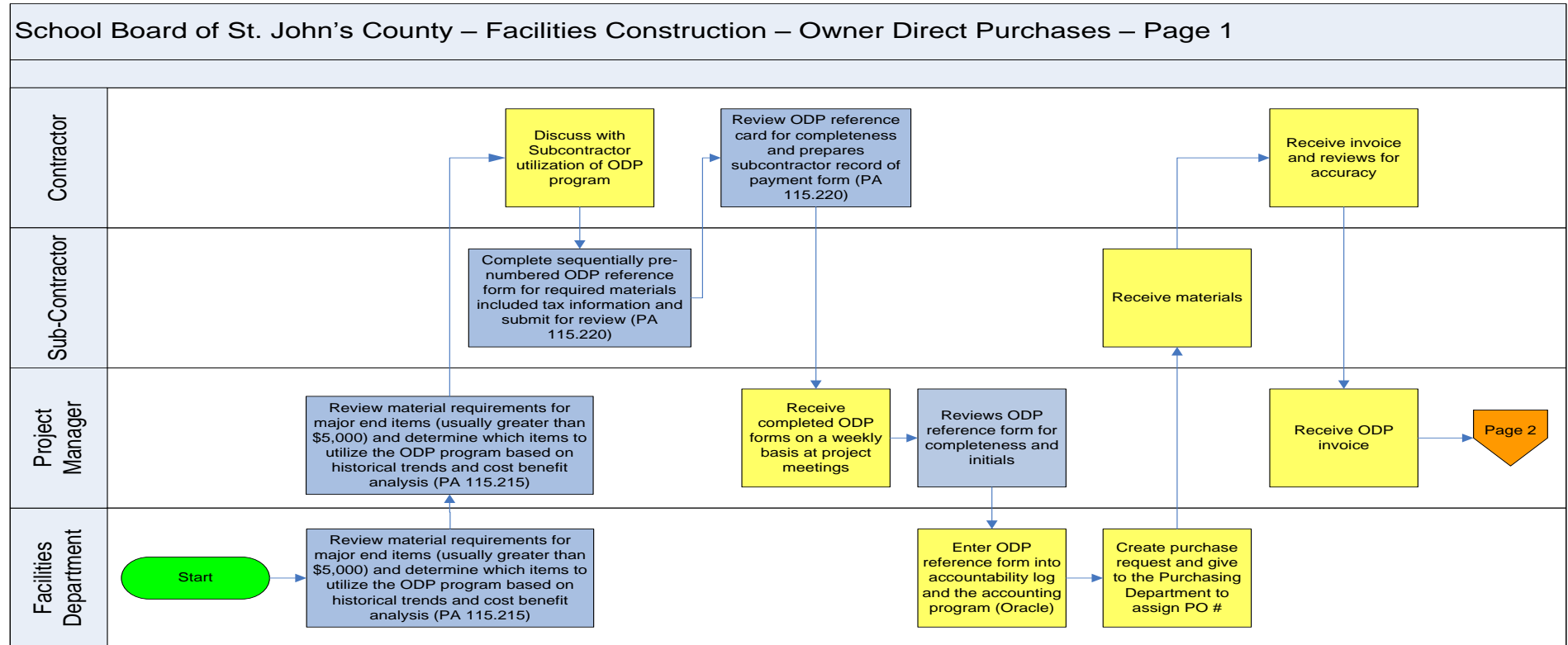


PAY APPLICATION - CONTINUED

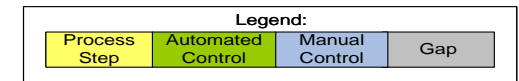
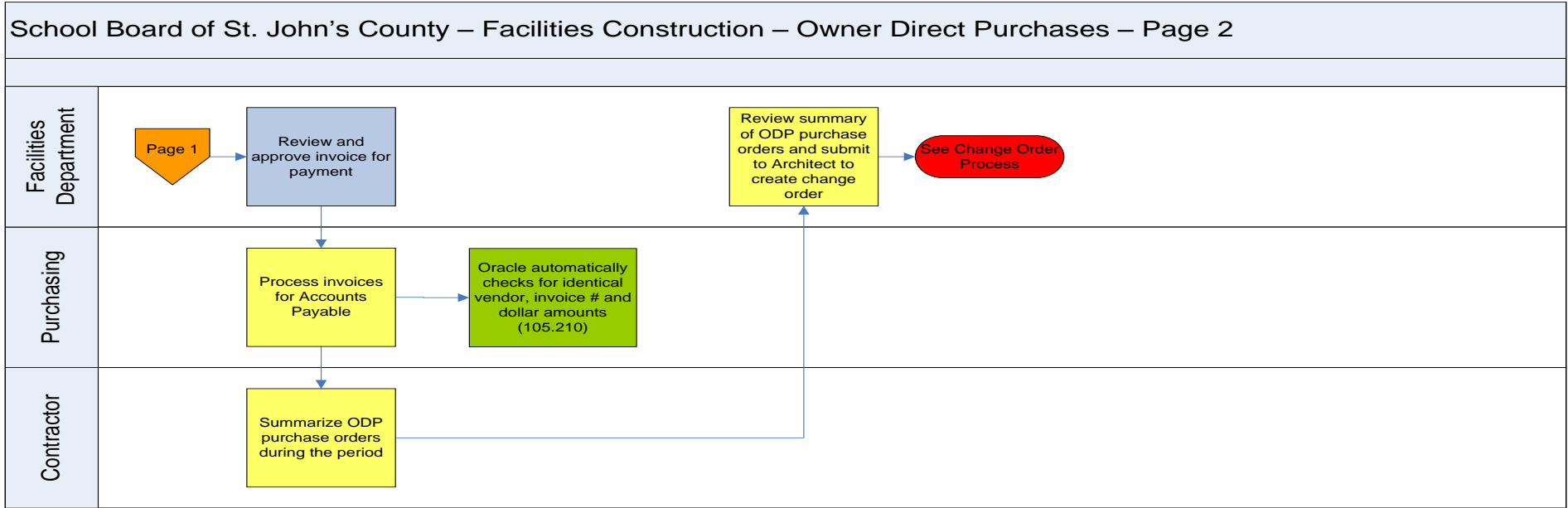
School Board of St. John's County – Facilities Construction - Pay Application Process – Page 2



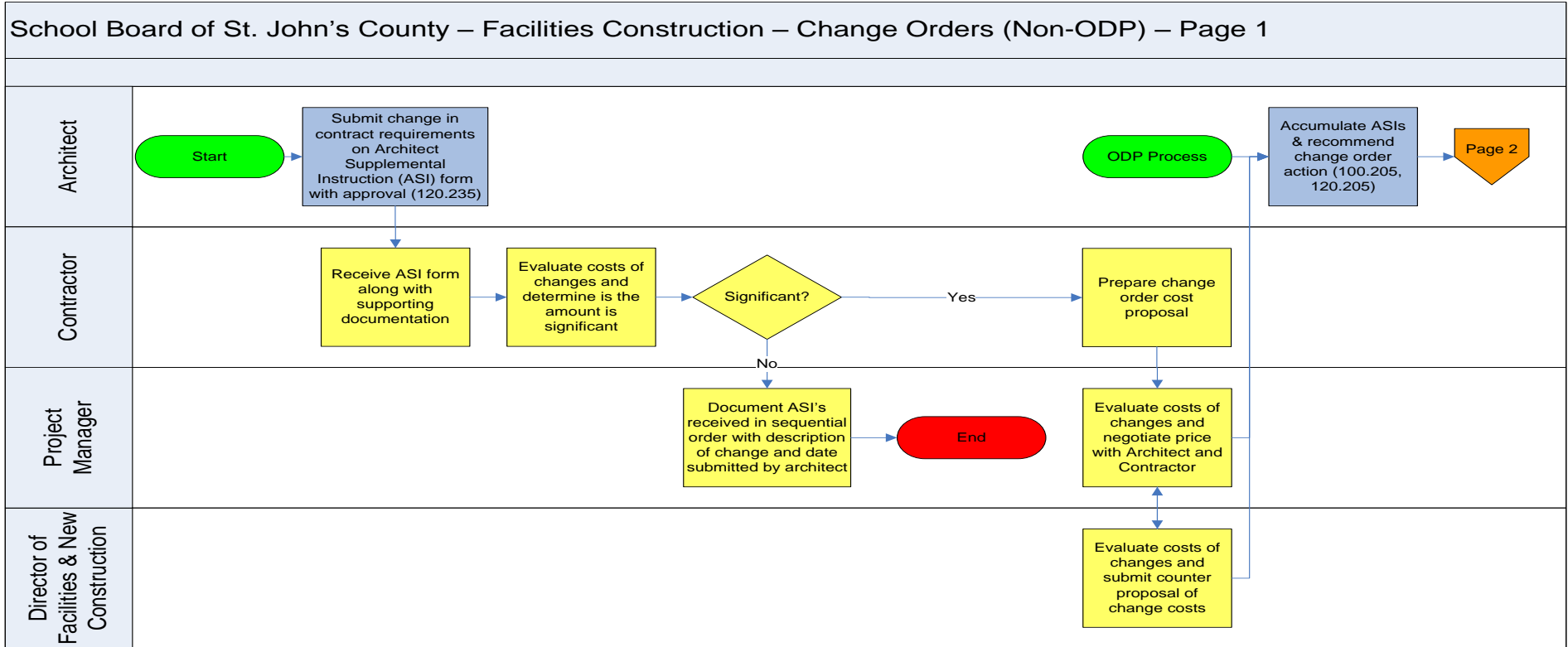
OWNER DIRECT PURCHASES



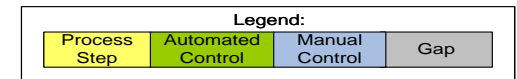
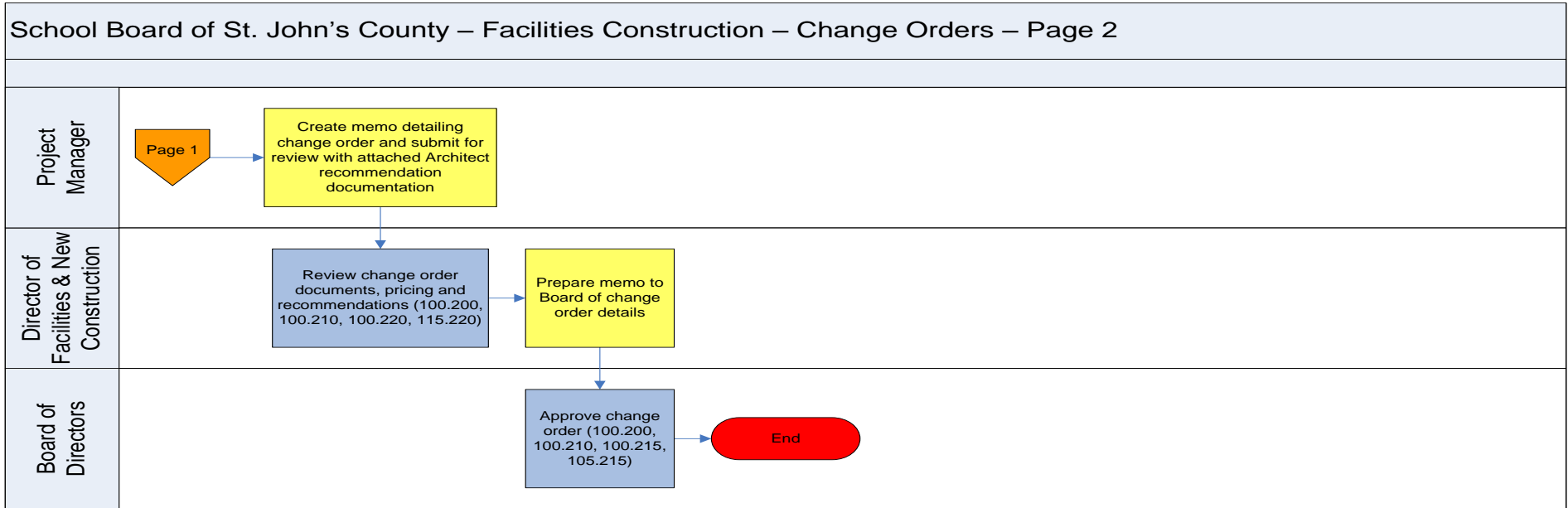
OWNER DIRECT PURCHASES - CONTINUED



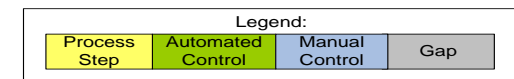
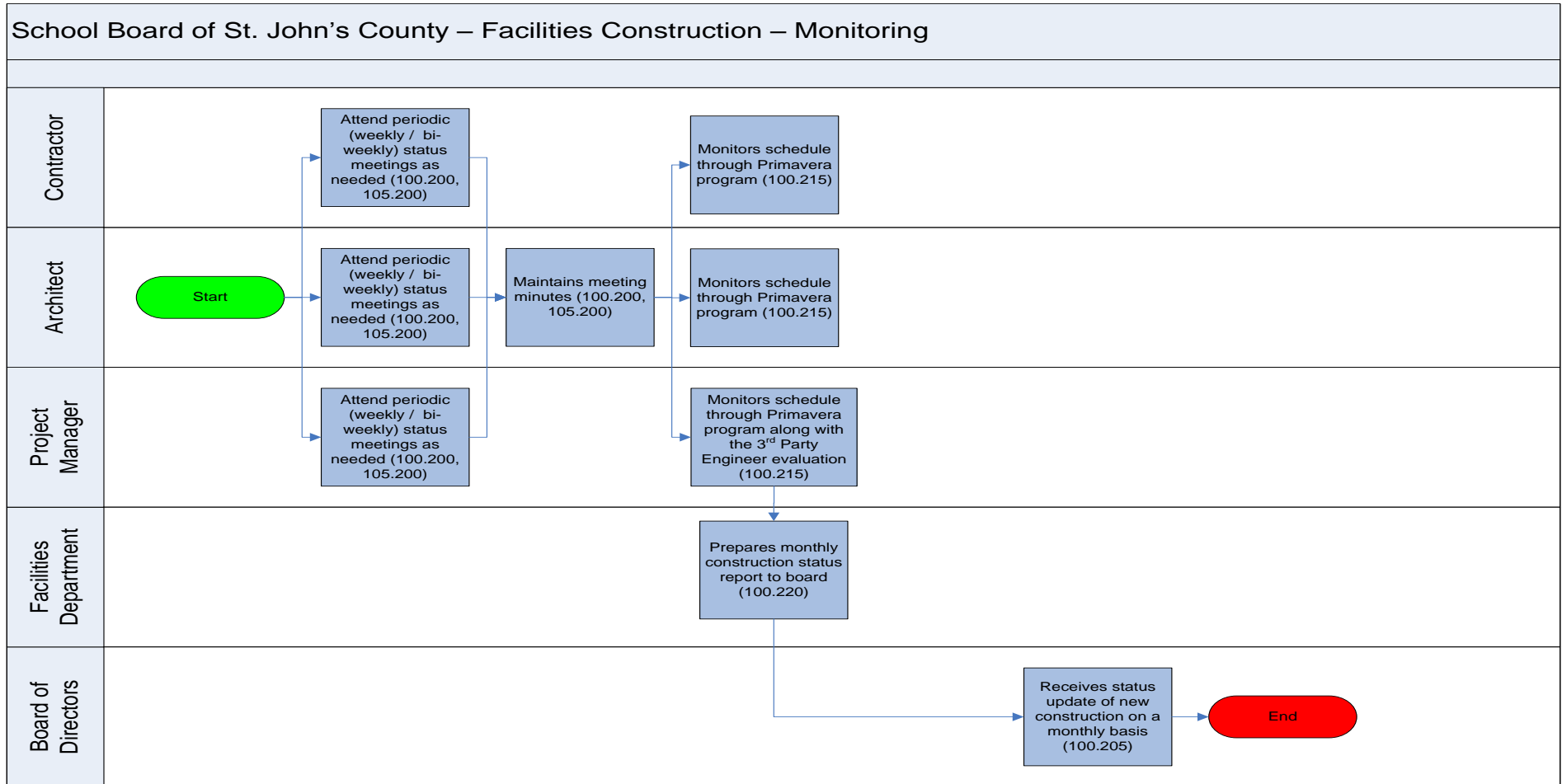
CHANGE ORDERS



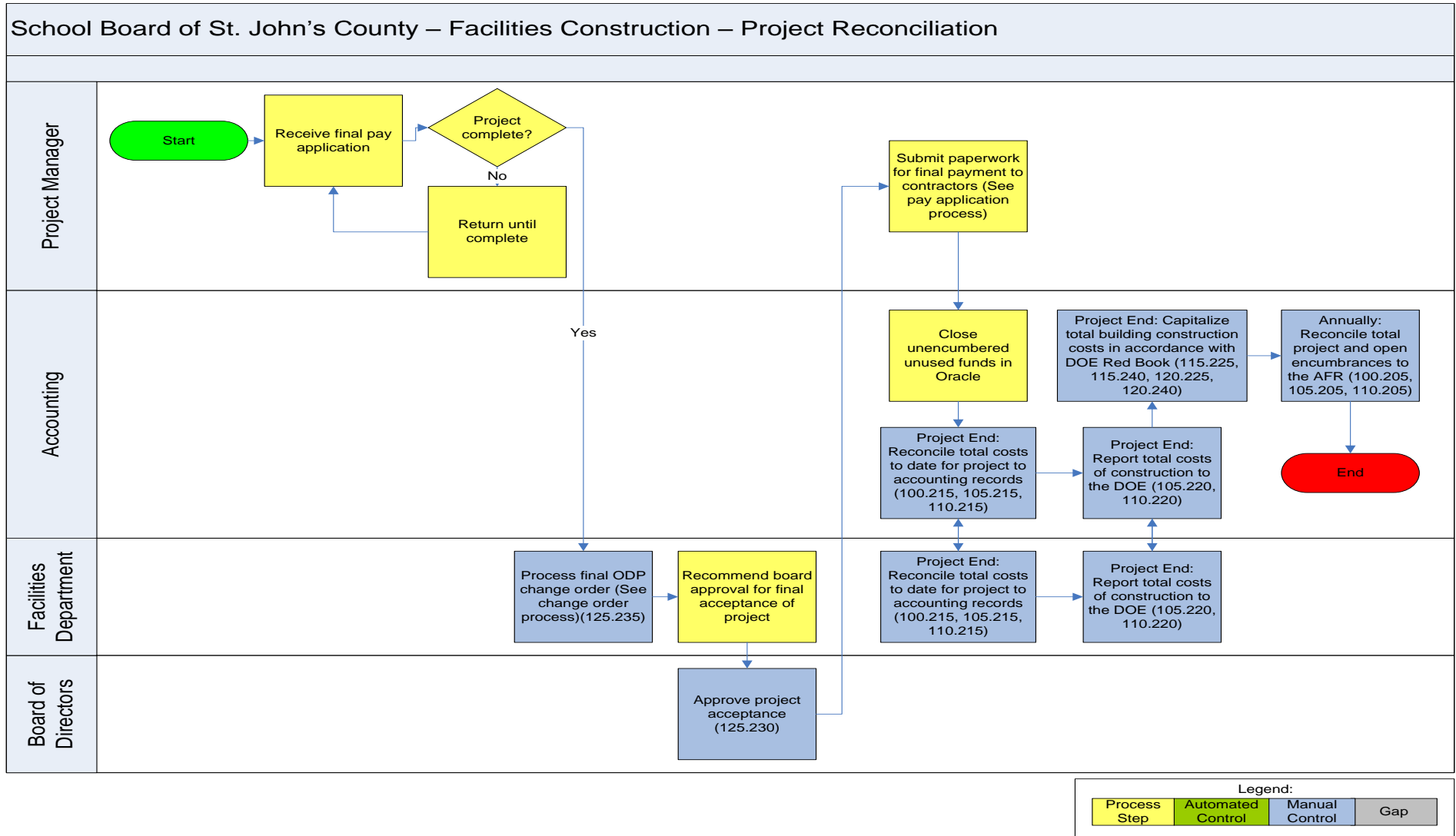
CHANGE ORDERS - CONTINUED



MONITORING AND COMMUNICATION



PROJECT RECONCILIATION



APPENDIX B – RISK MATRIXES

The risk and control matrix is a risk assessment tool that presents a clear picture of the processes, risks, controls, and monitoring methods management uses in ensuring a sound control environment over operations and financial reporting.

Budget and Project Setup

Risk #	Risk	Control #	Control	Test #	Evaluation
100	What ensures that initial budgets are prepared and properly authorized?				
		200	A five-year workplan is prepared and updated by the District annually in accordance with F.S. 1013.35. A Capital Outlay budget is prepared annually. Both annual plans are approved by the Board. The five year workplan is submitted annually to the Dept of Education.	300	Effective.
		205	A 'needs assessment' is performed by a committee of various user groups (e.g., curriculum, media, food services, etc.) to develop the facility program (educational specifications) for each project. The ed specs and any addendums are approved by the Board.	305	Effective.
		210	A detailed budget template is prepared by Facilities based on the educational specifications of each project. DOE form OEF 208 are submitted for each project and includes estimated project costs, as well.	310	Effective.
		260	Prior to the 2008-2009 planning year, the Executive Director of Facilities and the Director of Facilities Planning & Growth Management would prepare the 5-year workplan based on COFTE projections from the FLDOE and revenue projections from various sources including Finance.	320	Effective.

Budget and Project Setup

Risk #	Risk	Control #	Control	Test #	Evaluation
105	What ensures that a facility program (educational specs) is developed for all projects?				
		200	A five-year workplan is prepared and updated by the District annually in accordance with F.S. 1013.35. A Capital Outlay budget is prepared annually. Both annual plans are approved by the Board. The five year workplan is submitted annually to the Dept of Education.	300	Effective.
		205	A 'needs assessment' is performed by a committee of various user groups (e.g., curriculum, media, food services, etc.) to develop the facility program (educational specifications) for each project. The ed specs and any addendums are approved by the Board.	305	Effective.
110	What ensures that facility programs (educational specs) are properly developed and authorized?				
		205	A 'needs assessment' is performed by a committee of various user groups (e.g., curriculum, media, food services, etc.) to develop the facility program (educational specifications) for each project. The ed specs and any addendums are approved by the Board.	305	Effective.
115	What ensures that facility programs are amended, when required, and properly authorized?				
		205	A 'needs assessment' is performed by a committee of various user groups (e.g., curriculum, media, food services, etc.) to develop the facility program (educational specifications) for each project. The ed specs and any addendums are approved by the Board.	305	Effective.

Budget and Project Setup

Risk #	Risk	Control #	Control	Test #	Evaluation
120	What ensures that a project funding plan is accurate and properly authorized?				
		200	A five-year workplan is prepared and updated by the District annually in accordance with F.S. 1013.35. A Capital Outlay budget is prepared annually. Both annual plans are approved by the Board. The five year workplan is submitted annually to the Dept of Education.	300	Effective.
		215	The Capital Outlay budget details which revenue sources will be used to fund specific projects. The budget is prepared by Accounting and approved by the Board.	300	Effective.
125	What ensures that project funds are properly encumbered and allocated in (Oracle) the general ledger program?				
		220	A facility number is assigned by the DOE for each project included in the current 5-year workplan and Capital Outlay budget and a new record is created for that facility in the Oracle system. All purchases are assigned to that facility record.	315	Effective.
		225	All invoices are submitted to Accounting by Facilities with a memo that includes PO number and/or project cost code.	325	Effective.
		230	At the end of each fiscal year, the Finance and Facilities departments reconcile total project and open encumbrances to ensure proper financial reporting on the AFR.	330	Effective.
		235	Approved Purchase Orders are required for all project costs and include a project code (G/L object code) for processing.	335	Effective.

Budget and Project Setup

Risk #	Risk	Control #	Control	Test #	Evaluation
135	What ensures that all projects are setup in Oracle and setup accurately?				
		220	A facility number is assigned by the DOE for each project included in the current 5-year workplan and Capital Outlay budget and a new record is created for that facility in the Oracle system. All purchases are assigned to that facility record.	315	Effective.
		230	At the end of each fiscal year, the Finance and Facilities departments reconcile total project and open encumbrances to ensure proper financial reporting on the AFR.	330	Effective.
		235	At the end of each project, a complete project to-date reconciliation is prepared by Accounting. Costs of Construction for completed projects are reported to the Dept. of Education annually.	335	Effective.

Contractor Selection

Risk #	Risk	Control #	Control	Test #	Evaluation
100	What ensures that service providers are selected in accordance with Florida statute and District policy and appropriately authorized?				
		200	Contractors are pre-qualified in accordance with F.S. 337.14 and District policy # 8.272. A Contractor Prequalification Review Committee is appointed. Pre-qualification certificates are issued by the Board based on the recommendation of the committee.	300	Effective.
		205	RFP process is conducted in accordance with F.S. 287.057. The Board receives bid tally sheets and approves all contracts.	305	Effective.
105	What ensures that selected service providers remain valid/desired?				
		210	Pre-qualification certificate is renewable annually, unless otherwise noted and approved.	300	Effective.
		215	Financial statements or written verification of bonding capacity must be updated annually. Failure to submit after at least 30 days written notice by the Board automatically revokes a certificate.	300	Effective.

Contractor Selection - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
110	What ensures criteria used during the bidding process is complete and valid?				
		220	A standard bid package is used for the contractor pre-qualification process and the RFP process. The packages are routinely updated as new projects are sent out for bid.	300	Effective.
115	What ensures that contract language is appropriate (e.g. is there a contract language review checklist and standard costs definitions checklist)?				
		225	Standard contracts are used. Contract language was drafted by a construction contracting specialist attorney and is not AIA. Any changes to the standard contract language go through the attorney. The District's attorney typically does not review the contracts.	325	Effective.
120	What ensures that any required performance bonds are received?				
		230	Facilities department ensures that the bonds are recorded with County and maintains a copy of all key documents in a "Project Manual". The District uses a pre-determined index/table of contents to ensure that necessary documents are included in the files.	330	Effective.

Contractor Selection - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
125	What ensures that insurance coverage required by the contract is maintained (e.g. tracking log, certificates maintained, sign off)?				
		235	Facilities department reviews insurance certificates for proper amount and expiration date and maintains a copy of all key documents in a "Project Manual". The District uses a pre-determined index/table of contents to ensure that necessary documents are in the files.	330	Effective.
130	What ensures that the appropriate subcontractors were selected (e.g. quality, skills, price) and how is this documented?				
		240	The District receives a listing of the subcontractors. Contractor has to justify any changes once the list has been submitted. (Subcontractor selection monitoring is not required because the construction contract is lump sum on low bid (design-bid-build)).	340	Effective.
135	What ensures that subcontractor contracts are monitored?				
		245	The District requires subcontractors to be licensed and bonded. (Subcontractor selection monitoring is not required because the construction contract is lump sum on low bid (design-bid-build)).	345	Effective.

Payment Application

Risk #	Risk	Control #	Control	Test #	Evaluation
100	What ensures that applications contain all supporting documentation prior to approval?				
		200	The Schedule of Values (SOV) is reviewed in detail by the Architect, who certifies the document. The Project Manager and third-party engineer also review and sign off. Because the projects are hard bid, the District does not get any backup or support for sub payments.	300	Effective.
105	What ensures that duplicate payments are not made?				
		205	Each pay application requires approval by the Project Manager and Facilities. A spreadsheet of payments is maintained by the Facilities department.	300	Effective.
		210	The accounting program (Oracle) checks for identical vendor, invoice and dollar amounts.	310	Effective.
110	How is verification of architect review documented and that the work performed was in accordance with specifications?				
		200	The Schedule of Values (SOV) is reviewed in detailed by the Architect, who certifies the document. The Project Manager and third-party engineer also review and sign off. Because the projects are hard bid, the District does not get any backup or support for sub payments.	300	Effective.

Payment Application - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
115	How are items paid directly by the District, which may have been the original responsibility of the contractor, identified? (E.g., Materials directly purchased for sales tax savings purposes.)				
		215	The Facilities department trends ODP purchases over time to determine that purchase amounts for a specific project are in line with those benchmarks. In general, any purchase over \$5,000 is potential for ODP savings, but the cost-benefit of processing the paperwork, etc. is always considered and can be prohibitive.	315	Documentation Gap.
		220	The contractor prepares all the documentation for ODP, the District approves and tracks the purchases. ODP are processed as a change order to the contract.	320	Operational Gap.
		265	The contractor and the Owner discuss potential ODP's during the pre-construction conference.	315	Documentation Gap.
120	What ensures that contractor fees are calculated correctly and in accordance with the contract?				
		200	The Schedule of Values (SOV) is reviewed in detailed by the Architect, who certifies the document. The Project Manager and third-party engineer also review and sign off. Because the projects are hard bid, the District does not get any backup or support for sub payments.	300	Effective.

Payment Application - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
125	What ensures that retainages are withheld in accordance with the contract?				
		225	The Schedule of Values (SOV) is reviewed in detail by the Architect, who certifies the document. The Project Manager and third-party engineer also review and sign off. Standard 10% on retainage until 50% complete and then the GC must reduce retainage to 5% in accordance with F.S.255.078.	300	Effective.
130	What ensures that general conditions portions of the contract are billable to the contract (e.g. on-site people, secretary, copy costs, etc.)?				
		N/A	N/A for SJSB - contract is hard bid lump sum.	N/A	
135	What ensures that final lien waivers were obtained prior to the release of the final payment?				
		N/A	Does not apply to SJSB because state property cannot be liened - as long as the contractor has a Performance & Payment bond, the subcontractors are protected.	N/A	Effective.

Payment Application - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
140	What ensures that pay requests balance to a control schedule of base contract plus change orders?				
		230	At the end of each fiscal year, the Finance and Facilities departments reconcile total project and open encumbrances to ensure proper financial reporting on the Annual Financial Report (AFR).	330	Effective.
		235	Facilities keeps a running total spreadsheet of total budget and payments made to-date.	300	Effective.
		250	At the end of each project, a complete project to-date reconciliation is prepared by Accounting. Costs of Construction for completed projects are reported to the Dept. of Education annually.	350	Effective.
145	What ensures that costs are properly negotiated and monitored for reasonableness?				
		240	The District uses a program manager to conduct benchmarking/cost studies of the Southeast region for a) construction costs in general and b) construction at other school districts. This information is used when creating/modifying the educational specifications documents.	340	Effective.
		255	Competitive Bidding process ensures Lowest Qualified Responsive Bid is accepted for the construction of the building. (Utilize Design-bid-build so that the design specs are set and all contractors are bidding on the same thing.)	355	Effective.
		260	The Director of Facilities presents a post-close analysis to the Board once a project is completed.	N/A	Design Gap.

Payment Application - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
150	How does the District analyze / review the basis for rates charged by the contractor?				
		240	The District uses a program manager to conduct benchmarking/cost studies of the Southeast region for a) construction costs in general and b) construction at other school districts. This information is used when creating/modifying the educational specificifications documents.	340	Effective.
		255	Competitive Bidding process ensures Lowest Qualified Responsive Bid is accepted for the construction of the building. (Utilize Design-bid-build so that the design specs are set and all contractors are bidding on the same thing.)	355	Effective.
		260	The Director of Facilities presents a post-close analysis to the Board once a project is completed.	N/A	Design Gap.
155	What ensures that charges to the project for architectural services are in compliance with contractual terms?				
		245	Architect invoices are reviewed and approved by the Project Manager and Facilities.	345	Effective.

Change Orders

Risk #	Risk	Control #	Control	Test #	Evaluation
100	What ensures that change orders are approved and that those procedures are specific (including authorization limits) and are well documented?				
		200	District policy 8.28 outlines the authority requirements for construction contract change orders.	300	Effective. (Limited testing due to timing.)
		205	Change orders must be certified in writing by the project Architect that the cost of the requested changes is fair, reasonable and in proper proportion to the original cost of the work.	300	Effective. (Limited testing due to timing.)
		210	The Superintendent is permitted to approve changes orders up to \$25,000. The approvals must be communicated to the Board and recorded in the official minutes at the next meeting.	300	Effective. (Limited testing due to timing.)
		215	The cumulative total of all change orders on any project shall not increase the original construction contract by more than 8% or \$100,000, whichever is less, without Board approval.	300	Effective. (Limited testing due to timing.)
105	What ensures that change orders are funded?				
		215	The cumulative total of all change orders on any project shall not increase the original construction contract by more than 8% or \$100,000, whichever is less, without Board approval.	300	Effective. (Limited testing due to timing.)
		240	A five-year work plan is prepared and updated by the District annually in accordance with F.S. [insert # here]. A Capital Outlay budget is prepared annually. Both annual plans are approved by the Board.	340	Effective.

Change Orders - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
110	What ensures that administrative and/or finance personnel are made aware of change orders and that project forecasts and budgets are updated?				
		220	Change orders are sequentially numbered. All documentation goes through the Facilities department and is recorded on the project spreadsheet maintained in Facilities.	300	Effective. (Limited testing due to timing.)
		225	At the end of each fiscal year, the Finance and Facilities departments reconcile total contract and open encumbrances to ensure proper financial reporting on the Annual Financial Report (AFR).	325	Effective.
115	What ensures that change orders are documented and tracked (i.e. written description, pre-numbered, dated, and tracked on a control log)?				
		220	Change orders are sequentially numbered. All documentation goes through the Facilities department and is recorded on the project spreadsheet maintained in Facilities.	300	Effective. (Limited testing due to timing.)

Change Orders - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
120	What ensures that work described in the change order does not represent work covered in the original contract terms, or that works represents engineering, or manufacturing flaws, contractor issues?				
		205	Change orders must be certified in writing by the project Architect that the cost of the requested changes is fair, reasonable and in proper proportion to the original cost of the work.	300	Effective. (Limited testing due to timing.)
		230	Changes to the scope of the work are discussed at the weekly project meetings and recorded in the meeting minutes, which are kept in a logbook.	330	Effective.
		235	Architect approves the Architect Supplemental Instruction (ASI) forms that are the basis for all change orders. Project Manager and other District personnel are made aware of any cost additive change orders and a project meeting is held to discuss the need/reasonableness of the change and associated costs.	300	Design Gap.

Monitoring and Communication					
Risk #	Risk	Control #	Control	Test #	Evaluation
100	What ensures that project timelines are monitored and any timing penalties in the contract are identified?				
		200	Periodic meetings (usually weekly) are held on-site with A/E or designee, PM, contractor and other interested parties, such as the school principal. Minutes are maintained by the Architect.	300	Effective.
		215	Contract agreement with General Contractor requires the use of Primavera for schedule monitoring.	315	Effective.
		220	Primavera scheduling reports (Gantt charts) are provided to the District at the onset of each project and at every project status meeting and at each pay app submittal.	320	Effective.
		225	Contract agreements with Architect and General Contractor include a provision for liquidated damages for critical scheduling delays (missed ECD on Substantial or Final completion.)	325	Effective.
105	What ensures that proper communication is made to District management and users (e.g. project completion vs. percentage of expenditures, cost over runs, change orders, timing, potential problems, adequate detail of cost)?				
		200	Periodic meetings (usually weekly) are held on-site with A/E or designee, PM, contractor and other interested parties, such as the school principal. Minutes are maintained by the Architect.	300	Effective.
		205	Construction updates are presented to the Board at each regularly scheduled meeting by the Facilities Director and recorded in the official minutes of the Board.	305	Effective.

Monitoring and Communication - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
110	What ensures that proper communication is made to the School Board?				
		205	Construction updates are presented to the Board at each regularly scheduled meeting by the Facilities Director and recorded in the official minutes of the Board.	305	Effective.
		210	The cumulative total of all change orders on any project shall not increase the original construction contract by more than 8% or \$100,000, whichever is less, without Board approval.	310	Effective. (Limited testing due to timing.)
115	What ensures that other required communications are made?				
		230	GAP: There is no formal process in place for ensuring that all required documents get filed. Each area is responsible for their own documents, as determined necessary on a project-by-project basis. Not all forms are required for every project. Department of Education required forms for FISH (online), facility number request, design review, costs of construction, certificate of occupancy, FTE reporting.	N/A	Design Gap.

Project Reconciliation

Risk #	Risk	Control #	Control	Test #	Evaluation
100	What ensures that project costs are captured, accounted for, and agree to the general ledger?				
		200	All invoices are submitted to Accounting by Facilities with a memo that includes PO number and/or project cost code.	300	Effective.
		205	At the end of each fiscal year, the Finance and Facilities departments reconcile total project and open encumbrances to ensure proper financial reporting on the AFR.	305	Effective.
		210	Approved Purchase Orders are required for all project costs and include a project code (G/L string code) for processing.	310	Effective.
		215	At the end of each project, a complete project to-date reconciliation is prepared by Accounting. Costs of Construction for completed projects are reported to the Dept. of Education annually.	315	Effective.

Project Reconciliation - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
105	What ensures proper coding to the general ledger?				
		200	All invoices are submitted to Accounting by Facilities with a memo that includes PO number and/or project cost code.	300	Effective.
		205	At the end of each fiscal year, the Finance and Facilities departments reconcile total project and open encumbrances to ensure proper financial reporting on the AFR.	305	Effective.
		210	Approved Purchase Orders are required for all project costs and include a project code (G/L string code) for processing.	310	Effective.
		215	At the end of each project, a complete project to-date reconciliation is prepared by Accounting. Costs of Construction for completed projects are reported to the Dept. of Education annually.	315	Effective.
		220	A facility number is assigned by the DOE for each project and a new record is created for that facility in the Oracle system. All purchases are assigned to that facility record.	320	Effective.

Project Reconciliation - continued

Risk #	Risk	Control #	Control	Test #	Evaluation
110	What ensures that the project tracking for costs reconciles to all project / contractor payments and the contract, including change orders?				
		205	At the end of each fiscal year, the Finance and Facilities departments reconcile total project and open encumbrances to ensure proper financial reporting on the AFR.	305	Effective.
		215	At the end of each project, a complete project to-date reconciliation is prepared by Accounting. Costs of Construction for completed projects are reported to the Dept. of Education annually.	315	Effective.
		220	Facilities keeps a running total spreadsheet of total budget and payments made to-date.	320	Effective.
115	What ensures that appropriate useful lives are assigned to construction assets?				
		225	FF&E budget is tracked by project object code. The object codes are cost segregated upon completion of the project for capitalization in accordance with DOE Red Book. Property Control pulls a report monthly for mass addition of acquired assets.	325	Purchasing department controls are out of scope. The design of this control is adequate.
		240	All items purchased as part of the construction contract (exclusive of FF&E) are included in total building and depreciated as one asset on the books. Those assets are not tagged for inventory tracking. Per District, this is in accordance with Red Book, though it is not GAAP.	340	Design Gap.

Project Reconciliation

Risk #	Risk	Control #	Control	Test #	Evaluation
120	What ensures that proper detailed records are being maintained to componentized the construction assets?				
		225	FF&E budget is tracked by project object code. The object codes are cost segregated upon completion of the project for capitalization in accordance with DOE Red Book. Property Control pulls a report monthly for mass addition of acquired assets.	325	Purchasing department controls are out of scope. The design of this control is adequate.
		240	All items purchased as part of the construction contract (exclusive of FF&E) are included in total building and depreciated as one asset on the books. Those assets are not tagged for inventory tracking. Per District, this is in accordance with Red Book, though it is not GAAP.	340	Design Gap.
125	What ensures completed projects are properly closed out?				
		230	The Board approves "acceptance" of project completion based on the recommendation of Facilities.	330	Effective.
		235	Once accepted as "complete" by the Board, a final change order is approved for any open ODP, final payment is made to the contractors and open PO's are closed in the system to unencumbered unused funds.	330	Effective.