

**TC (10) Work Step**

Review and assess internal controls to ensure all reports generated and provided by SGI to the Board, District, CBOC and/or Facilities Subcommittee are in line with contract specifications. Perform a test of these internal controls to assess overall effectiveness.

**Results of Testing**

VLS reviewed the contract with SGI signed in October 2013. At that time, SGI was responsible for program and construction management services for the District's bond program. Since approximately late 2014, the District's bond program has been downsized due to reduced available funds and the failure of the District's last bond measure. SGI's role within the bond program has been reduced as the District has moved program management functions, including financial reporting, in-house. Additionally, the District has selected an alternate construction management firm for the Pinole Valley High School (PVHS) project, which is the primary, large construction project in progress. It was communicated to VLS by District staff that SGI's role is now limited to construction management for completion of several open projects.<sup>51</sup> The District's 6/30/2016 Project Status Reports, which provide the status of open projects, indicate SGI is still performing construction management services for the following projects:

- Nystrom Elementary – Classroom Building Rehabilitation with estimated completion date of 10/15/2016 (86% Complete)
- Richmond High School – Fire & Intrusion Alarm Upgrades with estimated completion date of 10/1/2016 (48% Complete)
- Korematsu Middle School – New Campus with Project Completion Date of 3/28/2016 (100% Complete)<sup>52</sup>
- El Cerrito High School – Stadium with project completion date of 5/31/2016 (100% Complete)<sup>53</sup>

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<sup>51</sup> There were three SGI staff that were assisting the Director of Contract Administration with contract management functions; however, they were not involved in any financial reporting functions. The three SGI staff ceased working with the District as of 8/31/2016. The construction Project Status Report is one of the reports that SGI prepared and presents to the Board. These reports are related to active construction projects.

<sup>52</sup> The project is listed as complete; however, the status report indicates there were minor fixes/replacements made in the current period. Anticipated progress to be made includes project close-out and final negotiation of change orders.

<sup>53</sup> The project is listed as complete. The status report indicates that the current period progress included completion of the punch-list and preparation of the Notice of Completion. Anticipated progress to be made includes project close-out and negotiation of Time Impact Analysis.

SGI contract responsibilities for the construction phase, project completion, final documents and warranty are enumerated in “Exhibit ‘A’ Responsibilities and Services of Construction Manager” of the 2013 contract. Each project has a District Manager to whom SGI staff report. District management oversight should provide sufficient direction of SGI staff on these projects.

The sharply reduced scope of SGI involvement in program management and related reporting responsibilities eliminates the District’s risk exposure to potential non-performance of SGI reporting responsibilities in these areas. Because the District has taken responsibility for financial reporting previously performed by SGI, it has not found it necessary to establish controls to enforce requirements related to reporting no longer performed by SGI.

**New Score**

Low

**Recommendation**

There are no recommendations as a result of the work performed.

**Response by District**

No District response as there were no recommendations made for TC (10)

**VLS’s Assessment of Response by District**

No assessment by VLS of response by District as there were no recommendations made for TC (10)