

TC (12) Work Step

Review and assess the internal controls over the District's involvement with the interviewing, hiring, and promoting of SGI employees assigned to District projects to ensure they are adequate, thorough, transparent and financially sound. Perform a test of these controls to assess overall effectiveness.⁵⁸

Results of Testing

The Chief Engineering Officer is actively reviewing and approving SGI invoices, which includes a review of employee time sheets included with the invoice that indicate a description of work performed on District projects. This review and approval is being documented via the Payment Approval Form, and the Chief Engineering Officer is one of the District employees signing this form along with the District Project Manager responsible for the project (see TC (11) Section for additional information regarding the invoice review process).

There has been no hiring and promotion of SGI employees working on District projects in the current 2015/16 fiscal period. In addition, the role of SGI in the bond program has been reduced as many of the program management functions previously performed by SGI are now performed internally by District staff. The District has retained a different company to perform the construction management of the Pinole Valley High School project, which is currently the only construction project with significant activity. Therefore, SGI's role in construction management activities has significantly decreased.

Oversight of vendor staffing levels has been assigned to the Engineering Officer; however, because of the circumstances noted above, the District has not adopted formal procedures related to the review or approval of staffing provided by vendors. The Director of Contracts provided templates of agreements used for professional services, and the agreements include a staff section that specifies the following key information: 1) key vendor personnel associated with the project along with each individual's specific capacity; 2) a requirement for the District to approve in writing any change in key personnel prior to the vendor making changes; and 3) the right for the District to interview and approve replacement personnel. See TC12-1 and TC12-2 for recommendations for this area.

New Score

Medium

⁵⁸ The risk area for this work step of SGI billing in excess of actual employee qualifications is addressed in FI (3).

Recommendations

TC12-1. Develop written procedures or a policy to address the District’s involvement in the prequalification of individuals employed by professional services vendors and working on the District bond program or bond projects. This should include assigning District staff that is responsible for reviewing and approving staffing added throughout the term of the contract to ensure that the additional staffing is needed and is not a function that can be performed by the District. This becomes particularly important when certain functions are outsourced to a vendor, such as bond program management, and when fees are billed based on pre-established billing rates for actual hours incurred (rather than a fixed fee). Where possible, professional services contracts should identify anticipated staffing level details (number of individuals and titles).

TC12-2. If the service provider requires an amendment to identify and approve staffing levels in the contract that will result in increased costs, the vendor should request an add service that routes through the normal add service approval process. If the staffing change does not result in a cost change, an internal form documenting the individual’s qualifications and District approval is recommended.

Response by District

TC12-1. There are various processes to vet and approve individuals and sub consultants employed by professional services firms that provide services for the Bond Program. The initial vetting takes place during the procurement process. Upon selection of the firm, the District has the right to interview, approve or reject, and immediately remove assigned personnel. The District will develop written procedures to delineate the current process to approve staffing.

TC12-2. The District does require all amendments to route through the approval process including the Proposal Approval Checklist and submittal of the proposal/back up documentation included in the online agenda.

VLS’s Assessment of Response by District

VLS reviewed the District’s responses and agrees that the response and planned action is appropriate to address the recommendations made by VLS. Additional information related to the District response for select recommendations follows:

TC12-2. As indicated above, testing of this control could not be performed as no changes in staffing levels had taken place during the period under review for test of controls. However, requiring amendments that include changes to staffing levels to route through

the Proposal Approval Checklist and submission of the proposal/back up documentation as part of the online board agenda is deemed a reasonable control.

TC (13) Work Step

Review and assess the internal controls related to Change Orders and Vendor "Add Services" to ensure they are adequate, thorough, transparent and financially sound. Perform a test of these controls to assess overall effectiveness.

Results of Testing**Construction Change Orders:**

The District has established an updated set of procedures and internal controls related to construction change orders. During interviews with District staff related to the change order process, it was communicated to VLS that the updated processes were implemented in approximately July 2015; therefore, the sample selected was from the period 7/1/2015 to 2/29/2016. However, based on the testing performed, although the controls had been designed, there were controls that had not yet been implemented. See TC13-1 recommendation for this area.

VLS tested 46 change orders and the following deficiencies were identified:⁵⁹

- None of the change orders included documentation that indicates the Director of Contract Administration and the Chief Engineering Officer reviewed the change order prior to it going to the Board for approval. In practice, these positions review the packet prior to sending it to the Associate Superintendent of Operations and Bond Program, who prepares the document for the Board. According to discussions with District staff, these reviews are performed informally and are not documented within the change order packet. When the packet is emailed to the Associate Superintendent of Operations and Bond Program, this signifies that the review has occurred. See TC13-2 recommendation for this area.
- Eight of the change orders included Proposed Change Orders (PCOs) that were not signed by either the District Project Manager (for amounts up to \$20,000) or the Chief Engineering Officer (for amounts over \$20,000).⁶⁰ Without these signatures, there is no

⁵⁹ VLS had originally selected a total of 49 change orders. Two of the change orders were related to Information Technology (IT) and the documentation was never provided to VLS as this information was maintained outside of the control of the Bond Program department. VLS made multiple requests for the documentation; however, it was never provided. Additionally, one change order was voided and disbursements were never made to the vendor related to the change order.

⁶⁰ The forms provided and reviewed indicate that the District Project Manager can review and sign proposed change orders up to \$20,000. Additionally, based on the testing performed, it appears that this threshold amount is followed. However, during interviews conducted of District Project Managers, it was communicated that the dollar limit, in practice, is actually \$25,000.