

FI (4) Work Step

Work Step: Construction expert to:²¹⁹

- Conduct industry benchmarking **(A)**
- Assess if the SGI contract is reasonable and within industry standards **(B)**
- Review staffing levels of SGI compared to services delivered and volume of projects **(C)**

Results of Testing

VLS used the services of a construction consultant to perform the analyses and assessments provided in this section. Any reference to VLS includes the construction consultant.

(A) Conduct Industry Benchmarking

The VLS construction consultant conducted industry benchmarking in order to assess if the SGI contract is reasonable and within industry standards. This benchmarking was not necessarily a single discrete step but instead it provided a perspective and overarching background to this entire work step.

(B) Assess if SGI Contract is Reasonable and within Industry Standards**Related Allegation**

VCA (8) - SGI using the District Facilities Operation Center without paying portion of lease. SGI contract may allow for some items that should not be allowed.

VCA (15) - Who paid for the Primavera system and who owns the rights to Primavera?

BPO (7) - Does SGI add a 5% billing charge? Is it authorized?

Results of Work Performed

In order to assess if the SGI contract is reasonable and within industry standards, the concerns expressed in the related allegations (questions) as well as other items that VLS believes should be mentioned in relation to the SGI contract are discussed under separate sub-headers below. See FI4-1 recommendation for this area.

²¹⁹ The letters included in parentheses after each sentence provides a reference to the applicable section in the “Results of Testing” beginning on this page.

SGI Using District Facilities Operation Center

SGI Contracts Review

The 2004 SGI contract specifies that the District would be responsible for providing a central office to SGI.²²⁰ In addition, the 2004 contract specifies that the District may provide job site trailers, with necessary appurtenances, or it may request that SGI provide the same, in which case those costs shall be charged to the District as reimbursable expenses. **Exhibit FI4-01** includes a copy of this contract.

Although the 2013 SGI contract did not clearly specify that the District would provide a central office for SGI, it states that general conditions expenses are not included in the hourly rates and would be billed to the District as incurred. The contract specifies that general conditions expenses typically include items such as expenses related to project office including rent, utilities, maintenance, furnishings, office equipment, data processing equipment/software and office supplies. This paragraph, although not directly stating that the District would be responsible for providing SGI with a central office, does state that any office and office related expenses would be ultimately the responsibility of the District. **Exhibit FI4-02** includes a copy of this contract.

Visual Observations and Review of SGI Invoices

Based on information gathered during Phase I, and visual observations made during Phase I and II, SGI used the District Facilities Operation Center (FOC) as its central office for the performance of its work related to the District Bond Program. Per review of SGI invoices to the District and SGI's disbursement ledger, it appears that SGI used the District provided offices without paying a portion of the lease, without paying the District a rental fee, and without providing the District with a credit or adjustment in its fees for the use of the FOC.

Conclusion

Even though SGI used the District provided offices located at the FOC without paying a portion of the lease, without paying the District a rental fee, and without providing the District with a credit or adjustment in its fees, it appears that this practice was intended and in line with both the 2004 and the 2103 SGI contracts.

Although the SGI contracts allowed for SGI to use the part of the District's FOC, as its central office for the performance of its work related to the District's Bond Program, In VLS's opinion, it is not typical for a district to provide the program manager with a central office without a corresponding adjustment in fees. Additionally, in an interview with the District's legal counsel, VLS was advised that she viewed the fact that SGI was occupying District office space rent free as not typical. The District's legal counsel further stated that she would recommend that SGI's

²²⁰ As stated in Article 5, section 5 of the 2004 contract.

fees be reduced or that a rent payment be made to the District by SGI for the use of the office space.

Who paid for the Primavera system and who owns the rights to Primavera?

Who Paid for Primavera?

Primavera Project Planner (P3) software for costs control and Primavera Expedition for schedule control were used by SGI to manage District projects. Although the software was used by SGI to manage scheduling and cost controls for the District projects, the cost of the software license was paid for by the District. **Exhibit FI4-03** includes the purchase order placed by the District to Oracle America Inc. on 2/7/2011. Oracle America Inc. is the owner of the software rights and the District purchased application user licenses. **Exhibit FI4-04** includes the budgetary estimate that included the type and number of licenses provided to the District by Oracle America Inc.

Who Owns the Rights to Primavera?

Oracle America Inc., the company selling the District the user licenses, owns the exclusive rights to the Primavera software. Although Oracle America Inc. owns the software rights, the District has purchased user licenses that enable it to use the software. Although SGI was responsible for entering project information into Primavera, the project information recorded by SGI into Primavera is the property of the District. Article 8 of the 2013 contract with SGI titled “Ownership of Data” specifies the following: “After completion of the project or after termination of this agreement, Construction Manager [SGI] shall deliver to District a complete set of project records, including without limitation all documents generated by Construction Manager, copies of all documents exchanged with or copied to or from all other project participants, and all close out documents. All project records are the property of the District, whether or not those records are in the Construction manager's possession.” This paragraph encompasses the ownership of the information recorded in Primavera by SGI and indicates that the information recorded in Primavera is the property of the District.

Current Status of Primavera

At the time of original implementation of the Primavera software in the 2010/11 fiscal year, SGI was responsible for the implementation and for entering all project information into Primavera.²²¹ As of December 2015, the District has directly contracted with the Master Scheduler who was the main individual in charge of the implementation of Primavera; therefore, Primavera is currently being managed by the District and not by SGI.

²²¹ The Master Scheduler was in charge of the Primavera implementation. He was employed by one of SGI’s subcontractors prior to joining the District as an independent contractor.

Conclusion

The District owns the information recorded in Primavera Project Planner for cost control and Primavera Expedition for schedule control regardless of whether SGI entered this information into Primavera.

In the opinion of VLS, large project management and construction management firms such as SGI, normally possess the appropriate licenses for the use of project and construction management software (such as Primavera) and an additional cost is not commonly charged to their clients for the use of the software in the execution of project managers work. Instead, this cost is built into the hourly billing rates and the client (District) is not required to purchase the licenses necessary for the use of the software.²²²

Does SGI Add a 5% Billing Charge?SGI 2004 Contract Review

The 2004 SGI contract, listed the following for General Conditions Reimbursements (GCR) that were to be billed to the District at 110% of SGI's cost (10% mark-up):²²³

- a. Telephone service
- b. Office equipment
- c. Office supplies and furnishings
- d. Postage
- e. Mileage between sites
- f. Hard hats
- g. First aid equipment
- h. Project signage
- i. Other items approved by the District

The 2004 SGI contract also listed charges for subcontractor invoices as well as SGI employee labor for program office support for positions (such as Network Administrator, Receptionist, PS2 Administrator) as part of the GCR and thus subject to the 10% mark-up. Because GCR labor was billed to the District with a mark-up rather than with set billing rates, the hourly rates billed should have been based on SGI's actual cost for that labor. However because VLS could not review SGI's payroll records, VLS was unable to verify that the cost portion of the GCR labor billings before the mark-up was appropriate.

²²² Prior to the use of Primavera, the software license used, PS2, was provided by SGI. However, according to an interview conducted with the Master Scheduler, this system was not fully implemented and thus not used to its full potential. Because of this, the District had issues identifying pending costs such as potential change orders, and decided to use Primavera instead. It does not appear that a rate reduction or any other type of fee adjustment was negotiated with SGI as a result.

²²³ The terminology "mark-up" is used in this report to refer to the "billing charge."

SGI 2013 Contract Review

The 2013 contract similarly listed a 10% mark-up on GCR as follows:²²⁴

- a. Expenses related to project office including rent, utilities, maintenance, furnishings, office equipment, data processing equipment/software, office supplies, telephone systems and related charges
- b. Specialty consultants not included in staffing plans
- c. Insurance in excess of current coverage
- d. Transportation in connection with the project, authorized out of town travel and subsistence, and electronic communications
- e. Fees paid for securing approval of authorities having jurisdiction over the project
- f. Cost of bid advertising
- g. Cost/schedule control software and project management collaboration application software
- h. Prints plans or specifications required by the client or the client’s other consultants and any other specialty consultants, including all reproductions required by approval authorities having jurisdiction over the program.

The 2013 SGI contract also stated that the mark-up on any approved item of “Extra Services” performed by sub consultants shall not exceed 5% of the invoice amount. However, what would constitute an “Extra Service” was not defined. How an “Extra Service” performed by a sub consultant differed from the services provided by a “specialty consultant not included in staffing plans” (letter “b” above) and who was considered to be part of GCR was also not defined.

Review of SGI Invoices

Based on a review of the SGI invoices submitted to the District for payment, all of the GCR invoices included the 10% mark-up fee and the subcontractor’s invoice was submitted as support with the SGI invoice.²²⁵ The only SGI invoices that included a 10% mark-up were GCR invoices.²²⁶

From the review of SGI invoices submitted to the District, it appears that Specialty Consultants included in the staffing plans were billed at the rates specified in the SGI contract for the specific

²²⁴ SGI employee labor for office support, for positions such as Network Administrator, Receptionist, PS2 Administrator, which had been listed under GCR in the 2004 contract, were not included in GCR in the 2013 contract. Instead, these positions were listed in a comprehensive staffing plan included as Exhibit D in the 2013 SGI contract. These positions state an hourly rate and no longer were subject to a 10% mark-up.

²²⁵ Refer to the FI (3) Section for a discussion on the sufficiency of support provided. In the FI (3) Section, it is stated that SGI submitted subcontractor invoices as support with its invoices with the exception of two instances where a single subcontractor invoice was not included in SGI’s invoice support.

²²⁶ There were different types of SGI invoices that were submitted to the District as explained in Work Step C. The invoices for GCR were identified by the invoice number, which always included the letters GCR.

position. These specialty consultants are different from the “Specialty Consultants” listed under GCR in letter “b” above. For example, a subcontractor (specialty consultant included in the SGI staffing plans) billed SGI for construction management work performed in June 2014 at the rate of \$144 per hour for 168 hours.²²⁷ SGI in turn billed the District for the construction management work performed by this subcontractor for this month at the contract rate of \$152.80 per hour for 168 hours. In these instances, SGI did not submit the invoice it received from the subcontractor as support with its invoice and instead billed the District as it would have billed any other SGI employee.²²⁸

None of the SGI invoices included a 5% mark-up on subcontractor invoices.²²⁹

Normally, an added mark-up is supposed to cover overhead and profit. However, the contract between SGI and the District appears to have been structured in a way that the overhead costs for SGI were minimized, as the District appears to have been ultimately responsible for items that would have normally been the responsibility of the project manager.

Conclusion

SGI charged the District a 10% mark-up on all invoices for GCR. The 10% mark-up for GCR appears to be reflective of the conditions specified in the SGI contracts with the District.

Although the 10% mark-up charged on subcontractor’s invoices was in line with the contract, this 10% mark-up appears to be excessive because the District was already providing SGI with a central office and paying the salaries of the individuals who provided program office support. According to industry standards, a 0% to 10% mark-up is normally charged on general conditions; however, the higher rate is typically used when the program manager is using its own central office and paying the salary of the support staff. Because of the overhead costs incurred by the program managers, the higher mark-up rate is charged. Because SGI was provided a central office, was reimbursed for office expenses, and was paid for the labor of the SGI employees working on District related projects, a rate of 10% appears excessive. Ultimately, the negotiation of a percentage mark-up is an item that should be negotiated by the District or be vetted through the RFP process.²³⁰

²²⁷ VLS received these invoices directly from the subcontractor for SGI.

²²⁸ Because SGI did not submit the invoices for specialty consultants with its invoices to the District, VLS obtained invoices from one subcontractor directly. The hours billed by the subcontractor matched the hours billed by SGI for that subcontractor’s work.

²²⁹ VLS reviewed subcontractor invoices to determine if any were labeled as “Extra Services,” which possibly would have been subject to the 5% mark-up. VLS did not identify any subcontractor invoices labeled as “Extra Services,” and VLS did not identify any SGI invoices that included a mark-up of 5% on a subcontractor invoice.

²³⁰ The RFP process undertaken prior to the 2013 SGI contract does not appear to have considered cost as part of the assessment. The assessment appears to have evaluated the responding firms based on their experience and qualifications. VLS received redacted copies of the RFP responses presented to the District

SGI Contract May Allow for Some Items That Should Not Be Allowed

The three subsections above discussed some items that the SGI contract included items that are not typical for these types of contracts.²³¹ In addition, the following paragraph identifies additional items that the SGI contracts included that are not typical.

Telephone services, office supplies, and furnishings were also allowed under the SGI contract. Based on a review of the SGI invoices to the District, it appears that SGI consistently billed the District for items under these categories. For example the GCR invoice for the month of August 2013 included invoices for Alhambra Sierra for \$209 (drinking water); Staples for \$1,011 (copy paper, markers, Splenda, and tea, among other items); Verizon Wireless for \$1,291 (cell phones access and equipment charges); and Costco for \$47 (coffee and artificial sweetener). The District not only paid for the cost of these items, the District paid a 10% mark-up on these items, as they were part of the GCR invoices. See **Exhibit FI4-05** for a copy of this invoice with the mentioned supporting invoices or receipt items.

Conclusion

The SGI contracts included items that are not typically included for these types of contracts. It is apparent that the SGI contract required the District to provide SGI a central office and pay for office expenses including computers, office supplies, coffee, cleaning supplies and essentially anything necessary to operate the SGI central office, which it used for the performance of its work as the program manager for the District. The items that the VLS believes should have not been included in the SGI contract as a responsibility of the District are the following:

- SGI’s central office for the performance of its duties as the District Program Manager²³²
- A 10% mark-up on GCR. Some mark-up would have been appropriate; however, a 10% mark-up appears excessive as discussed in the subsection above.
- Office furnishing and supplies
- Cellular phone services

by the responding firms. The cost/fee schedule that had been part of the RFP response documents had been redacted from these documents.

²³¹ These three subsections were “SGI Using District Facilities Operation Center,” “Who Paid for the Primavera System and Who Owns the Rights to Primavera?” and “Does SGI Add a 5% Billing Charge?”

²³² Providing SGI with temporary offices for the physical construction site is considered to be appropriate. The permanent central office for the program management staff is the only type of office VLS believes would be considered an item that should have not been allowed in the SGI contracts.

Although VLS believes that the above listed items are typically the responsibility of the program/project manager and not the responsibility of the client (District), because the District agreed to the terms of this contract, it was appropriate for SGI to bill the District for such items.²³³

Other Items related to the 2004 contract

Length of contract:

The 2004 contract did not specify the length of time of the contract. Typically, contracts of this nature include a clause stating the effective period with a beginning date and an ending date. Additionally, these types of contracts are usually effective for a five -year period. SGI appears to have performed work for the District under this contract for a period of eight years and ten months (11/1/2004 through 9/30/2013.) The performance audit report for the period ended 6/30/2012 (dated 3/21/2013) raised this as a finding (see page 44). Figure 9 displays the statement made by the Bond Program auditor in this report.

Figure 9: Finding in Bond Program Performance Audit for Year Ended 6/30/2012

<u>Finding</u>
<ul style="list-style-type: none"> Although numerous requests were made for a current copy of the Agreement for Program, Project and Construction Management Services, the District and the Program Manager were only able to produce agreements that are no longer in effect and were not able to produce an agreement that is in effect for the two most recent bond programs, Measures J and D (2010).

There were several contract amendments where the additional work to be performed by SGI was stated. For example, amendment #3 was executed on 10/30/2008, after Board approval on 2/6/2008. This amendment listed an increase of \$7,316,368 for increased compensation for Program Management services for Measure J projects not included in SGI’s original contract and for “SGI’s assumption for providing Program Management services for the remaining Measure M and D Projects at no additional cost to the District.” Amendment #3 also included the SGI Staffing Plan/Schedule, which listed one project that spanned into November 2013 (**Exhibit FI4-06** includes a copy of amendment #3). A new contract was executed in October 2013.

Conclusion

In 2004, the District and SGI entered into a contract that failed to include a clause stating the effective duration of the contract. As a result, SGI appears to have performed work for the District under this contract for a period of eight years and ten months. Contracts for professional

²³³ Although not specified in the contract, the District was ultimately responsible for purchasing the licenses for cost control and schedule control software (Primavera), which is typically something that program managers will provide and the client (District) is normally not responsible for providing.

services are, according to industry practice, limited to five years. Additionally, California Education Code section 17596 states that continuing contracts for services to be performed are not to exceed five years. See FI4-2 recommendation for this area.

Rates for SGI Employee Labor under GCR:

The 2004 contract included three SGI staff positions within GCR, which were Network Administrator, Receptionist, and PS2 Administrator. A total dollar amount was presented for these positions for the period starting 11/1/2004 and ending 12/31/2008, instead of listing a specific hourly rate. This may have presented an issue to the District when approving invoices as the hourly rate for these positions was not specified. Figure 10 displays the SGI staff listed in the GCR plan that is part of the 2004 SGI contract as well as the total amount with the start and end dates for these positions.

Figure 10: SGI Staff Listed in GCR Plan

The Seville Group, Inc. General Conditions / Reimbursables Plan					
West Contra Costa Unified School District					
Total Projected General Conditions					\$3,097,500
SGI Staff					
	Position	Amount	Start	End	FTE
Labor	Network Administrator	\$744,200	11/1/2004	12/31/2008	1.00
	Receptionist	\$358,300	11/1/2004	12/31/2008	1.00
	PS2 Administrator	\$716,600	11/1/2004	12/31/2008	1.00
Subtotal SGI Staff		\$1,819,100			

Conclusion

The District and SGI entered into a contract that did not list hourly rates for three SGI staff positions within the GCR section. The contract should have included hourly rates for each position.

Other Items Related to the 2013 contract

Time and Material Basis Fee Structure

The 2013 contract states that SGI proposed to perform the assigned work scope on a time and material basis with a not-to-exceed amount based on the required level of effort, the actual timeline of assigned projects, and the stated fee schedule by position. However, the contract did not list a total contract amount. The Performance audit for the fiscal year ended 6/30/2013, which was dated 2/11/2014, included the following statement on page 45:²³⁴

²³⁴ This was stated in the background information within the Program Management section. Prior to this statement the audit report stated that the date of this contract award is not within the timeframe of the 2012/13 audit, and, therefore, this agreement would be addressed in greater detail in the following year’s performance audit. However, a different audit firm conducted the performance audit in the following

The new agreement includes a fee for services that is based on an hourly fee structure with no limit. It appears that there is not a mechanism established in the agreement to verify that the time spent on a task is appropriate to the task or if the task is necessary to the scope of the project.

While the 2004 contract had stated a total contract amount of \$21,216,900, which was then increased by at least six different amendments, the 2013 contract did not specify a not-to-exceed amount. To complement the 2013 contract, there were several amendments that listed the work to be performed and included SGI fee proposals with timelines and staffing levels for the work to be performed. Figure 11 is an example of the proposals that complemented the 2013 contract.

Figure 11: Sample of SGI Proposal for CM Services for Specific Site

Thank you for giving us the opportunity to submit a proposal for Construction Management (CM) Services, including time and materials estimates for El Cerrito High School Stadium Replacement project.

Our Construction Management services include the following tasks/professional responsibilities:

1. Bid Support
2. Construction Management during the construction phase.
3. Coordinating Architects and Engineers in the development of final As-Built plans specifications.

SGI FEES

This time and materials proposal for the above mentioned work is in the amount of \$611,820.00 (2.6% of currently estimated construction value). Attached you will find a detailed time and materials breakdown for the months of November 1, 2013 through December 31, 2014.

Conclusion

By simply stating hourly rates, the actual time related to specific projects is not clearly defined within the contract, which makes it difficult for the District to monitor costs related to this contract. Additionally, not including a not-to-exceed amount provides no incentive to SGI to be efficient in the performance of work. This would be true of any contract with a vendor for professional services.

Hourly Rates Change for GCR Labor Before and After the 2013 Contract

Prior to the 2013 contract, SGI labor incurred under GCR was billed to the District at an hourly rate plus a 10% mark-up. In the 2013 contract, the positions that had previously been billed

year and the scope of the performance audit did not include an assessment of Program Management. The following year's audit was limited to determining the District's compliance with the performance requirements of Proposition 39, which are outlined in Article XIII A, Section 1(b)(3)(C) of the California Constitution.

under GCR were included in the fee schedule for Program Management and were no longer subject to the 10% mark-up. New titles were assigned to these individuals and the hourly rates were increased. The increase was between 29% and 150% for these individuals. The following table includes the positions stated in the SGI invoices for these individuals prior to the 2013 contract, as well as the position assigned with the 2013 contract. Table 27 also includes the hourly rate (inclusive of the 10% mark-up) that was effective prior to the 2013 contract and the hourly rate effective after the 2013 contract was executed. The positions listed in the invoices prior to the 2013 and after the 2013 contract were identified by the employee names. VLS did not include the employee names in this table.

Table 27: Rate Increase for Program Support Staff with SGI 2013 Contract

Number	Position Prior to 2013 Contract	Position After 2013 Contract	Prior to 2013 Contract	After 2013 Contract	Hourly Rate Increase	Percentage Rate Increase
1	Office Engineer	Project Engineer - Apprentice	\$ 40.00	\$ 100.00	\$ 60.00	150%
2	Assistant Administrator	Project Engineer - Apprentice	45.00	100.00	55.00	122%
3	GCR Office Engineer I	Compliance Enforcement Coordinator - Apprentice	70.00	125.00	55.00	79%
4	Admin. Support/Receptionist	Office Engineer III - DISC (Apprentice)	35.65	62.40	26.75	75%
5	Office Engineer	Office Engineer III - Apprentice	45.00	78.00	33.00	73%
6	Office Engineer	Office Engineer III - Apprentice	45.00	78.00	33.00	73%
7	Admin. Support/Receptionist	Office Engineer I - Apprentice	35.65	58.00	22.35	63%
8	Admin. Support/Receptionist	Office Engineer I - Apprentice	35.65	58.00	22.35	63%
9	GCR Office Engineer I	Project Engineer - Apprentice	70.00	100.00	30.00	43%
10	Network Systems Administrator	Network Systems Administrator - Apprentice	48.96	64.00	15.04	31%
11	Receptionist	Contracts Engineer - Apprentice	45.00	58.00	13.00	29%
12	Office Engineer	Office Engineer I - Apprentice	45.00	58.00	13.00	29%

Conclusion

The hourly rate for positions listed within GCR prior to the 2013 contract increased an average of 69%, which may be considered an excessive increase. It is unusual to have hourly rates for the same individuals’ labor change so drastically when a new contract is signed. An average of 10% to 20% would have been reasonable. See FI4-1 recommendation for this area.

(C) Review staffing levels of SGI compared to services delivered and volume of projects

Related Allegation

BPO (3) - SGI employee efficiencies and staffing levels

Results of Work Performed

In order to analyze staffing levels of SGI compared to services delivered, VLS approached this analysis in a two-step process as follows:

- The first step included an analysis of SGI invoices to verify that (1) the amount of the SGI invoice reflected the amount paid by the District for the invoice, and (2) SGI employee labor was billed at the appropriate hourly rate for each employee's position.
- The second step included a vertical analysis of construction projects that compared the size and completion status of construction projects to the hours billed for SGI employee labor for the corresponding month.

Analysis of SGI Invoices

SGI presented the District with three types of invoices for SGI labor as follows:

- **Construction Management:** These invoices included SGI labor for construction management that was related directly to the construction sites. These invoices listed the construction site name and allocated the cost to the specific site.
- **Program Management, Project Management, and Design Management:** These types of invoices included SGI labor for the management of the District's bond program and were not directly related to labor at the construction sites. For earlier years, the invoices submitted by SGI allocated the costs to specific projects/sites based on a percentage (**Exhibit FI4-07** includes an example of these invoices). Around the middle of the 2012/13 fiscal year, SGI invoices no longer listed the individual sites and instead allocated the cost of program, project, and design management to Program Management (central office) (**Exhibit FI4-08** includes an example of these invoices).
- **General Conditions Reimbursements (GCR):** These invoices included certain types of SGI employee labor such as Bond Program office support as well as other reimbursable expenses.²³⁵ As discussed above, the GCR invoices included a 10% mark-up. The positions listed under the GCR section in the SGI 2004 contract and

²³⁵ Not all of the invoice numbers for GCR were structured in the same manner; however, GCR invoices always included "GCR" within the invoice number. The GCR invoices in addition to including SGI employee labor also included expenses incurred by SGI for the use of subcontractors' services as well as various office expenses.

contract amendments were no longer listed under the GCR section in the SGI 2013 contract and instead were listed under the Program Management.²³⁶

Sample of SGI Invoices

The District's disbursement ledger for the Bond Program (Fund 21) listed 207 checks (warrants) issued to SGI for the fiscal years 2008/09 to 2014/15. These 207 warrants were issued in payment for 2,304 separate SGI invoices from 112 different purchase order numbers. VLS judgmentally selected a sample of 145 invoices from 83 different purchase orders paid with 103 different warrants. VLS used a judgmental sample selection process to ensure that all invoice types (Construction Management; Program Management, Project Management, Design Management; and GCR) and a variety of District projects were selected in order to test the following:

1. The amount of the SGI invoice reflected the amount the District had paid for this invoice.
2. SGI employees' labor was billed at the appropriate hourly rate for the employee title or position.

Results of Testing of SGI Invoices

Below is a detailed summary of the results of the testing for this work step:²³⁷

1. All of the SGI invoices tested reflected the amount the District had paid for said invoices.
2. The following limitations or exceptions were noticed related to testing the appropriateness of hourly rates:
 - Limitation: Three invoices tested did not contain sufficient support, which presented a limitation. Three of the invoices tested did not include detail listing the employee names or titles, as the only documentation provided was the invoice itself listing the amount of the invoice and the project name. As a result, VLS was not able to verify that the appropriate hourly rates were billed for employees for these three invoices. This is a finding of

²³⁶ The rest of the GCR categories remained unchanged. The only change was that none of the SGI labor was considered to be part of GCR.

²³⁷ The invoices presented by SGI to the District for Construction Management; Program and Project Management; and Design Management through September 2013 listed the name of the SGI employee but did not list the employee's title or position. VLS relied on a schedule provided by SGI that listed the names of SGI employees and their titles or positions. Starting with October 2013, the titles of employees appeared to be included with the SGI invoice.

insufficient support that is discussed in the FI (3) section. However, for the purposes of testing the appropriateness of hourly rates billed for employee positions, the insufficient support presents a limitation.

- Limitation: VLS was unable to test four invoices, as the hourly rates were not stated for GCR. As stated previously, the 2004 contract listed three positions within GCR: Network Systems Administrator, Receptionist, and PS2 Administrator. These positions were Bond Program office support staff. An hourly rate was not stated in the contract for these positions; instead, a total amount was listed for a specific period (refer to Figure 10 for SGI staff listed in GCR plan).
 - The position of Network Administrator was listed at \$744,200 for the period 11/1/2004 through 12/31/2008 at one full-time equivalent (FTE).²³⁸ If a calculation is performed, it appears that this position should have been billed at an hourly rate of approximately \$85.87.²³⁹ Per a review of the SGI invoices for July 2008 to December 2008, the period that falls within the scope of VLS’s investigation, it appears that the billing rate used for this position was \$43.75 per hour to which a 10% mark-up was added for a total of \$48.13.²⁴⁰
 - The position of Receptionist was listed at \$358,300 for the same period at one FTE. Performing the same calculation, this position should have been billed at an hourly rate of approximately \$41.34. Per a review of SGI invoices for July 2008 through December 2008, this position was billed as “Admin. Office Manager/Support” and “Admin. Support/Receptionist” interchangeably at the rate of \$29.23 per hour to which a 10% mark-up was added for a total of \$32.15 per hour.
 - The position of PS2 Administrator was listed at \$716,600 for the same period at one FTE. Performing the same calculation, this position should have been billed at an hourly rate of approximately

²³⁸ One FTE equals one full-time employee. Based on the total dollar amount listed for the entire period and the hourly rate actually billed, it appears that two FTE was probably intended instead of one FTE.

²³⁹ The calculation is $\$744,200 \div 50 \text{ months} = \$14,884 \text{ per month}$; $\$14,884 \text{ per month} \times 12 \text{ months} = \$178,608 \text{ annually}$; $\$178,608 \div 2,080 \text{ hours in one year} = \85.87 . This amount is calculated without taking into account any annual increase or escalation in the rate. Additionally, the assumption that there are 2,080 hours available in a year excludes holidays, vacations, etc.

²⁴⁰ See **Exhibit F14-09** for a copy of a GCR invoice including these positions for SGI labor billed under GCR.

\$82.68. Per a review of SGI invoices for July 2008 through December 2008, this position was billed as “Controls Specialist” at the hourly rate of \$34.08 to which a 10% mark-up was added for a total of \$37.48.

Because an hourly billing rate was not identified in the contract, and these positions were listed with a total cost for 11/1/2004 through 12/31/2008, VLS is unable to verify that the appropriate rates were billed for four of the 145 invoices tested.²⁴¹ However, based on the recalculations performed above, the rates billed appear appropriate.

- Limitation: VLS was unable to verify that the positions and rates billed were appropriate for 31 of the 145 invoices tested. As stated above, the 2004 SGI contract listed the three positions within GCR for the period from 11/1/2004 through 12/31/2008 with only a total cost identified without providing an hourly rate. For the period 12/31/2008 through 6/30/2013, there were amendments to SGI’s contract, which were approved by the Board, which listed these positions without providing either an hourly rate or even a total cost. SGI contract amendments submitted to the Board did not include staffing plans listing the positions and hourly rates for the positions that composed the amount of the amendment. Refer to **Exhibit F14-06**, which includes amendment #3 where these positions are listed. According to the District, these amendments would have included proposals that listed the hourly billing rates per position. However, the proposals that would have been part of the amendments could not be located by the District, and, therefore, were not provided to VLS for review in order for VLS to test the appropriateness of hourly rates billed under GCR.

The billing rates for the three positions included in GCR increased in July 2009 by 2% for Network Administrator and PS2 Administrator and 11% for Receptionist. After this increase in July, 2009 no other increase was noticed until the effective date of the 2013 contract. Additionally, in the later part of fiscal year 2011/12, additional positions started to be billed within the GCR.²⁴²

²⁴¹ The period under review by VLS began on 7/1/2008. Thus, for the period stated for these GCR charges (11/1/2004 to 12/31/2008) only 7/1/2008 through 12/31/2008, were reviewed by VLS.

²⁴² These additional positions were GCR Office Engineer I, Office Engineer, and Assistant Administration. Additional positions were later added incrementally.

Because the proposals related to the amendments could not be located by the District, VLS was unable to verify that the positions and rates billed were appropriate for 31 of the 145 invoices tested.

- Exception: VLS identified differences between the hourly and total GCR rates billed compared to the hourly and total GCR rates stated in the SGI proposal. Although the District could not locate the proposals that would have accompanied amendments to the 2004 contract for the period prior to 6/30/13, a proposal that accompanied an amendment and listed GCR labor was located by the District for July 2013 through December 2013.²⁴³ This proposal listed five positions at one FTE each within GCR for Program office support positions.²⁴⁴ However, the invoice for GCR labor for July 2013 included billings for fourteen individuals, for a total of twelve FTE. The only title and hourly rate in the July 2013 invoice that was reflective of the titles and rates listed in the proposal for July 2013 was Network Administrator. The total amount included in the proposal for the month of July 2013 for Bond Program office support-type positions was \$35,466 while the actual amount billed for July 2013 for these positions was \$88,268, a difference of \$52,802. Table 28 includes the details from the proposal effective for July 2013 and Table 29 includes the detail from the July 2013 billings for GCR.

Table 28: GCR Positions Listed in Proposal Effective 7/1/2013 – 6/30/2014

No.	Position	Amount	Amount with 10% Mark-Up	Hours	Amount	Amount with 10% Mark-Up
1	Network Administrator	\$ 44.51	\$ 48.96	176	\$ 7,834	\$ 8,617
2	Project Controls Specialist	34.67	38.14	176	6,102	6,712
3	Receptionist	34.67	38.14	176	6,102	6,712
4	Administrative Assistant	34.67	38.14	176	6,102	6,712
5	Contracts Manager	34.67	38.14	176	6,102	6,712
Total					\$ 32,241	\$ 35,466

²⁴³ Because the District was unable to locate other SGI proposals, it is a possibility that an additional proposal existed for this period that would have included the positions.

²⁴⁴ **Exhibit FI4-10** includes the proposal. The positions listed in 1-5 of the GCR positions are office-type positions, while the positions listed in 6-12 (in the proposal) are positions such as Master Scheduler, Estimator, and Programmer. These were not office support-type positions but instead were positions for which SGI used subcontractors.

Table 29: GCR Positions Listed in SGI July 2013 Invoice for GCR Labor

No.	Position	Amount	Amount with 10% Mark-Up	Hours	Amount	Amount with 10% Mark-Up
1	Receptionist	\$ 40.91	\$ 45.00	176	\$ 7,200	\$ 7,920
2	Office Engineer	40.91	45.00	148	6,055	6,660
3	Admin. Support/Receptionist	32.41	35.65	162	5,250	5,775
4	Admin. Support/Receptionist	32.41	35.65	153	4,959	5,455
5	Admin. Support/Receptionist	32.41	35.65	24	778	856
6	Admin. Support/Receptionist	32.41	35.65	160	5,186	5,704
7	Admin. Support/Receptionist	32.41	35.65	152	4,926	5,419
8	GCR Office Engineer I	63.64	70.00	168	10,692	11,761
9	Admin. Support/Receptionist	32.41	35.65	160	5,186	5,704
10	GCR Office Engineer I	63.64	70.00	48	3,055	3,360
11	Office Engineer	40.91	45.00	164	6,709	7,380
12	Network Administrator	44.51	48.96	169	7,522	8,274
13	Assistant Administrator	40.91	45.00	176	7,200	7,920
14	Office Engineer	36.36	40.00	152	5,527	6,079
Total					\$ 80,244	\$ 88,268

Because of this finding, VLS tested the GCR billings for the period of 8/1/2013 through 9/30/2013, the period before the 2013 SGI contract was effective.²⁴⁵ Similar issues were noticed in the GCR billings for SGI labor in August 2013 and September 2013.

For August 2013, the Proposal listed the same five positions for a total of \$31,792 (\$34,971 with the 10% mark-up). The invoice for GCR labor for August 2013 was \$91,643 inclusive of the 10% mark-up. This is a difference of \$56,663.

For September 2013, the Proposal listed the same five positions for a total of \$29,310 (\$32,241 with the 10% mark-up). The invoice for GCR labor for September 2013 was \$86,107 inclusive of the 10% mark-up. This is a difference of \$53,866.

²⁴⁵ As stated in section "Other Items Related to the 2013 Contract," the 2013 SGI contract listed within Program Management, the positions that had been billed under GCR previously. These positions were no longer included in GCR invoices.

- Inconsistency in “Apprentice” Rates: Two of the 145 invoices tested, contained instances where the billing rates matched the title listed in the 2013 contract, however, the invoice listed this title followed by the word “apprentice.” For example, the title Office Engineer III was listed at \$78 per hour in the contract, while the invoice for the same title followed by the word “apprentice” was billed at \$78 per hour, the same hourly rate listed in the contract. Other similar invoices had specified a title followed by the word “apprentice” and the billing rate was lower than the title listed in the contract. It appeared reasonable to VLS that if the title were followed by the word “apprentice,” the hourly rate would have been lower than the rate listed for that title in the SGI 2013 contract.²⁴⁶ **Exhibit FI4-11** includes an example of these billings. The titles or positions listing the word apprentice but displaying a reduced rate were not considered exceptions by VLS. For example, the title Contracts Engineer was listed as \$65 per hour in the contract, while the invoice for the same title followed by the word “apprentice” was billed at a reduced hourly rate of \$58.²⁴⁷ SGI did not consistently discount the rates billed when the “apprentice” classification was added to a position.

Additionally, one of these same invoices billed in excess of the contracted rate plus appropriate escalation.²⁴⁸ This invoice included billings for 14 different SGI employees. All employees who did not have the word apprentice following their title displayed the appropriate escalation rate. For example, the title “Program Engineer” was listed as \$149.70 per hour in the contract effective 10/1/13, and, in the invoice for June 2015, this rate was increased to \$154 per hour, thus appropriately including a one-year escalation ($\$149.70 \times 3\% \text{ increase} = \154.19).²⁴⁹ However, for the seven employees whose title was followed by “apprentice,” four did not have a discounted rate (for the “apprentice” classification), and the rate was higher than the original contract rate plus a one-year escalation. For example, the

²⁴⁶ For those positions or titles that were followed by the word “apprentice,” VLS noticed a 10% to 20% discount from the title without the word “apprentice.”

²⁴⁷ According to industry standards, only skilled labor (such as electrician, carpenter, plumber, etc.) includes “apprentice” level employees. One would generally see apprentice-level positions billed at a discount of 10% to 35% compared to a licensed laborer. However, it is unusual for office administrative staff, such as an Office Engineer (which is an administrative staff position and not a licensed engineer), to include titles followed by the word “apprentice.”

²⁴⁸ The 2004 contract specified a 2.5% annual escalation rate and the 2013 contract listed a 3% escalation rate.

²⁴⁹ The period from 10/1/2013 to 9/30/2014 should reflect the rates as stated in the contract. The period from 10/1/2014 to 9/30/2015 should reflect the rates stated in the contract plus a three percent increase.

title of “Office Engineer III” listed an hourly rate of \$78 per hour in the 10/1/2013 contract. An appropriate one-year escalation would have provided for an hourly rate of \$80.34.²⁵⁰ However, the billing rate included in this invoice for the same title followed by the word “apprentice” was listed at \$84, which is more than a one-year escalation rate for this title and displays no discount for the word “apprentice.” **Exhibit FI4-12** includes an example of these billings.

Conclusion

- All of the SGI invoices tested reflected the amount the District had paid for said invoice.
- The 2004 contract did not list hourly rates for SGI staff listed under GCR; therefore, the District could not verify that the hourly rates billed were in line with the 2004 contract.
- SGI contract amendments submitted to the Board did not include staffing plans listing the positions and hourly rates for the positions that composed the amount of the amendment. Furthermore, the District was unable to provide VLS with this information in order for VLS to test the appropriateness of hourly rates billed under GCR.
- SGI appears to have billed the District in excess of what SGI had included in its proposals for GCR labor for 7/1/2013 through 9/30/2013. The excess billings identified through this review amount to \$163,331.²⁵¹
- SGI billed the District within two invoices for employees whose titles were followed by the word “apprentice” without providing a discount or reduction to the contract rate. VLS did not quantify a difference, as VLS is not in a position to assign the appropriate discount for the “apprentice” classification added to employee titles. In addition, one invoice included rates that were higher than the original contract rate plus a one-year escalation for four individuals whose title included the word apprentice. Billing the contract rate plus a one-year escalation was appropriate; however, the rate used for these four individuals exceeded the appropriate escalation by a range of \$3 to \$6 per hour. The total amount due to this excess increase for these four individuals amounted to \$2,634 for this invoice.

Vertical Analysis of Construction Projects

This second step included a vertical analysis of construction projects that compared the size and completion status of construction projects to the hours billed for SGI employee labor for the

²⁵⁰ This calculation is as follows: $\$78 \times 1.03 = \80.34 .

²⁵¹ \$52,802 for July 2013, \$56,663 for August 2013, and \$53,866 for September 2013. Calculation is as follows: $\$52,802 + \$56,663 + \$53,866 = \$163,331$.

corresponding month. This analysis is based solely on the hours billed compared to the construction/project activity at the time and is NOT based on a review of time cards or other supporting documentation. VLS assessed the efficiency and staffing levels of SGI and not the validity of the hours billed. Any conclusions reached do NOT assess whether those hours were actually worked and should have been billed to the District.

For this vertical analysis, VLS used the monthly construction Project Status Reports and the invoices SGI submitted to the District for payment.²⁵² The invoices include the number of hours billed for the month and describe the location of the work performed. The months of November 2008, September 2010, May 2012, June 2014, and February 2016 were selected to perform this analysis.

Project Status Reports

The Project Status Reports list the location and name of the construction project, the scope, construction status, contract status, period progress, anticipated progress for next period, duration of project, and percentage of work completed. As an example, **Exhibit FI4-13** includes the report for period ending 2/29/2016. Starting with September 2015, the Project Status Reports included a budget status that listed the project contract amount and approved change orders to provide an adjusted contract amount. For the months prior, VLS obtained total contract amount information from the District.

SGI Invoices

The types of invoices SGI presented to the District are discussed at the beginning of this section (see Work Step C – Analysis of SGI Invoices). As mentioned, the SGI invoices contained sufficient details to identify the construction projects corresponding to the invoices.

Analysis

The Project Status Reports listed the active projects at different percentages of completion. For all the months tested, except for June 2014, the SGI invoices included labor hours allocated to projects that were not listed on the Project Status Reports. According to the District, these reports list only active construction projects. If a project is in the design phase or has been completed, it is not reported in the Project Status Reports. These projects require additional work mostly within Program Management; however, they may require some minimal work related to Construction Management as well.

Invoices that included hours for projects that were in the design (or pre-construction) phase or had recently been completed were considered appropriate if limited hours were billed. For these projects, the contract values were included in the total contract value of work taking place

²⁵² The Project Status reports are located in the WCCUSD Bond Program website and are the same that are submitted to the Board as part of the Engineering Report in the Board agenda packets.

(Source: <http://www.wccusdbondprogram.com/index.php?name=Content&pid=11>)

for the months selected for testing.²⁵³ Table 30 includes details for each of the months selected for testing.²⁵⁴ A description for each row of Table 30 is explained below.

1. **Construction Management:** This row lists the number of hours billed by SGI for Construction Management.
2. **Program/Project Management:** This row lists the number of hours billed by SGI for Program, Project, and Design Management.
3. **GCR (Bond Program Office Support):** This row lists the number of hours billed by SGI for GCR (Bond Program office support staff).
4. **Total Hours Billed:** This row lists the total number of hours billed for the month by SGI.
5. **Number of Staff CM:** This row lists the number of Construction Management staff billed for in the month.
6. **Number of Staff PM:** This row lists the number of Project, Program, and Design Management staff billed for in the month.
7. **Number of Staff GCR:** This row lists the number of GCR (Bond Program office support staff) billed for in the month.
8. **Total Number of Staff:** This row lists the total number of staff billed for in the month.
9. **Number of Active Construction Projects:** This row lists the number of active construction projects. These projects were reported in the Project Status Reports for the month analyzed.²⁵⁵ Additionally, it also includes some projects that were not reported in the Project Status Reports because of what appears to be an oversight by SGI. The projects were included by VLS because they were in the pre-construction phase and construction was started soon after or they were completed in the few months prior to the month analyzed.²⁵⁶
10. **Number of Other Construction Projects:** This row lists projects that were not reported in Project Status Reports being analyzed, and they did not appear to be projects that had recent construction activity in the months preceding or succeeding the month analyzed. For the September 2010 month, these projects were never reported in a monthly Project Status Report, but were listed in a Weekly Status Report, which was a District’s internal document as these projects were very small

²⁵³ The contract value of the projects represents the entire construction cost for the life of the project. This provides a perspective as to the overall size of the project.

²⁵⁴ The contract value of the work taking place for the months selected was rounded to the nearest \$100,000 if the project was over \$1 million. Because the amount was not stated in the Project Status Reports, VLS obtained this information from the District.

²⁵⁵ The Project Status Reports were monthly construction project status reports that detailed the active construction projects

²⁵⁶ For these projects, VLS reviewed the Project Status reports for the four months prior and after the month analyzed.

in size and duration. For the May 2012 month, these projects were reported at 0% completion in September 2012, which was four months after the month analyzed.

11. **Total Number of Construction Projects:** This row lists the total number of construction projects taking place during the month as explained in numbers 9 and 10 above.
12. **Contract Value for Active Construction Projects:** This row lists the total construction contract value for the projects stated in number 9 above.
13. **Contract Value for Other Construction Projects:** This row lists the total construction contract value for the projects stated in number 10 above.
14. **Total Contract Value:** This row lists the total construction contract value for the projects listed in 12 and 13 above.
15. **Contract Value per Hour Billed by SGI:** This row is a calculation that divides the total contract value by the total hours billed by SGI for the month.

Table 30: Contract Value of Work Taking Place per Hour Billed by SGI for Months Selected

Row Number	Description	November 2008	September 2010	May 2012	June 2014	February 2016
1	Construction Management (CM)	952	2,122	2,415	2,673	784
2	Program/Project Management (PM)	735	1,161	1,309	1,116	861
3	GCR (Bond Program Office Support) ²⁵⁷	483	528	1,280	2,483	974
4	Total Hours Billed	2,170	3,811	5,004	6,272	2,619
5	Number of Staff CM	8	14	16	18	7
6	Number of Staff PM	6	8	9	8	6
7	Number of Staff GCR ²⁵⁷	3	3	7	17	7
8	Total Number of Staff	17	25	32	43	20
9	Number of Active Construction Projects	13	14	17	14	6
10	Number of Other Construction Projects	1	5	2	0	0
11	Total Number of Construction Project	14	19	19	14	6
12	Contract Value for Active Construction Projects	\$189,200,000	\$213,000,000	\$154,100,000	\$189,100,000	\$103,000,000
13	Contract Value for Other Construction Projects	-	1,000,000	69,900,000	-	-

²⁵⁷ In June 2014, SGI no longer included labor hours within GCR, as discussed in subsection “Hourly Rates Change for GCR Labor before and after the 2013 Contract.” However, for clarity in this analysis, the hours billed for individuals billed under GCR before the 2013 contract, continued to be separated in the June 2014 and February 2016 analysis. These individuals were identified by the individuals’ names.

Row Number	Description	November 2008	September 2010	May 2012	June 2014	February 2016
14	Total Contract Value	189,200,000	214,000,000	224,000,000	189,100,000	103,000,000
15	Contract Value per Hour Billed by SGI	\$ 87,189	\$ 56,153	\$ 44,764	\$ 30,150	\$ 39,328

Analysis for November 2008

Table 31 is a high-level summary of the extensive analysis performed for the month of November 2008. The complete analysis is too detailed to include in this report. Each of the other months analyzed are discussed in summary only. The November 2008 high-level summary is included in this report to provide an example of the process undertaken to analyze the efficiency of SGI based on the number of hours billed for the months selected.

Included below is a description of each column in Table 31:

- **No.:** This number was assigned by VLS for ease of reference in this report.
- **Name of Project:** This column represents the name of the project.
- **Contract Value:** This column represents the contract value of the project rounded to the nearest \$100,000 if the project was over one million dollars. Because the amount was not stated in the monthly construction Project Status Report, VLS obtained this information from the District.
- **Percent of Construction Completed:** This column represents the percentage of completion as of the date of the monthly construction Project Status Report for this month.
- **Days Duration of Project:** This column represents the total days scheduled for the project.
- **Days Used of Construction Duration:** These column represents the days used in construction as of the date of the monthly construction Project Status Report.
- **Hours Billed for CM:** This column represents the hours SGI billed for Construction Management Services. These are billings for SGI staff working directly at the construction site.
- **Hours Billed for PM:** This column represents the hours SGI billed for Program Management and Project Management. These are billings for SGI staff working at the central office and not working directly at the construction sites.
- **Total Hours:** This column represents the total hours billed for the project.

Table 31: High-Level Summary of Analysis Performed to Compare Staffing Levels to Work Performed – November 2008

From Construction Project Status Reports						From SGI Invoices		
No.	Name of Project	Contract Value	Percent of Construction Completed	Days Duration of Project	Days Used of Construction Duration	Hours Billed for CM	Hours Billed for PM	Total Hours Billed
1	De Anza HS - New Field Houses	\$ 3,500,000	80%	270	260	208	225	433
2	De Anza HS - Utilities, Gym, Demo and Site Work	2,700,000	85%	180	141	-	-	-
3	Downer ES - New Construction	23,100,000	92%	874	855	121	-	121
4	El Cerrito HS - Phase 1, Five Buildings - Classrooms, Etc.	57,300,000	97%	780	786	288	-	288
5	El Cerrito HS - Phase 2, One Building - 600 Seat Theater Etc.	23,600,000	83%	720	575	-	-	-
6	Ford ES - Transitional Housing Project @ Downer	1,100,000	40%	90	41	-	114	114
7	Kennedy HS - Painting of Exterior Walls and Canopy	18,000	80%	135	48	72	-	72
8	Richmond HS - New Bleacher & Field House Facilities	6,000,000	18%	372	195	80	10	90
9	King ES - Site Work	484,000	50%	120	66	-	115	115

From Construction Project Status Reports						From SGI Invoices		
No.	Name of Project	Contract Value	Percent of Construction Completed	Days Duration of Project	Days Used of Construction Duration	Hours Billed for CM	Hours Billed for PM	Total Hours Billed
10	Pinole MS ²⁵⁸	20,000,000	98%	540	646	31	-	31
11	Helms ²⁵⁹	50,100,000	55%	780	560	152	-	152
12	Dover ²⁶⁰	446,918	95%	122	135	-	157	157
13	Nystrom ²⁶¹	21,100,000	0%		0	-	102	102
14	Richmond College Prep ²⁵⁹	888,000	95%	85	89	-	13	13
Sub Total		\$210,336,918				952	735	1,687
						Hours Billed for GCR		483
						Total Hours Billed		<u>2,170</u>

November 2008 had nine active projects reported in the Project Status Report. However, there were SGI billings associated with four other projects that were not listed in the Project Status Report for November 2008 but were active and reported in other reports as explained in this section. One project had billings for Program and Project management, although this project did not commence until the year 2014. The total contract value of the construction projects taking place in November 2008 was just over \$210 million and the total hours billed was 2,170. Table 32 is a summary of hours billed by category for the month of November 2008.

Table 32: Summary of Hours Billed for November 2008

Category Billed	Hours Billed
Construction Management	952
Program/Project Management	735
GCR (Program Office Support)	483
Total Hours Billed	<u>2,170</u>

²⁵⁸ This project was not reported in the November 2008 Project Status Report as it had been nearly completed. This project was reported in the August 2008 report. VLS used the information provided in the August 2008 report.

²⁵⁹ This project was not reported in the November 2008 Project Status Report. This project was reported in the December 2008 report, because this project was reported only one month later at a 55% completion, it appears that it was not listed in the report as a result of an oversight. VLS used the information provided in the December 2008 report.

²⁶⁰ This project was not reported in the November 2008 Project Status Report. This project was reported in the December 2008 report. VLS used the information provided in the December 2008 report.

²⁶¹ This project was not reported in the November 2008 Project Status Report. This project was not started until July 2014 (over six years later). Per discussion with the District, although this project was not started until six years later, the work performed by SGI at that time related to the long-term master planning for this project.

Construction Management – November 2008

A total of 952 hours were billed for Construction Management for November 2008 as discussed in detail below.

1. De Anza High School had two projects, No. 1, and No. 2, as listed in Table 31. The SGI invoices included billings for 208 hours for this site (combining each of the projects taking place at the time). These 208 hours were composed of 95 hours for a Construction Manager Sr., 72 hours for a Construction Manager II, and 41 hours for a Construction Manager I. The number of hours billed for this site appears reasonable for the contract value of the two projects and the percentage of completion at the time.
2. See number 1 above.
3. Downer Elementary School New Construction project had 121 hours billed for Construction Management. These 121 hours were composed of 49 hours for a Construction Manager Sr. and 72 hours for a Construction Manager II. The number of hours billed for this site appears appropriate for the contract value of the project and the percentage of completion at the time.
4. El Cerrito High School had two projects taking place at this time, No. 4, and No. 5. The SGI invoices included billings for 288 hours to this site not separating between each of the projects taking place at the time for this site. These 288 hours were composed of 144 hours for a Construction Manager Sr. and 144 hours for a Project Engineer. The number of hours billed for this site appears reasonable for the contract value of the two projects taking place and the percentage of completion at the time.
5. See number 4 above.
6. Ford Elementary School Transitional Housing project did not have any billings for the month for Construction Management. However, it does have billings for Project Management, which appears reasonable because this is a small project.
7. Kennedy High School Painting project had 72 hours for Construction Management for a Construction Manger I. This is a small project, and the number of hours billed for this site appears reasonable for the contract value of the project and the percentage of completion at the time.
8. Richmond High School project had 80 hours billed for Construction Management for a Construction Manager II. The number of hours billed for this site appears

reasonable for the contract value of the project and the percentage of completion at the time.

9. King Elementary School project does not have any billings for the month for Construction Management. However, it does have billings for Project Management, which appears reasonable because this is a small project.
10. Pinole Middle School project was not reported in the November 2008 Project Status Report as it had been nearly completed. The last time this project had been reported was in the August 2008 report at 98% completion. A total of 31 hours were billed this month for Construction Management for a Construction Manager I. This appears appropriate since it is a small number of hours, and it is expected that, after the completion of a project, there are certain items that may need to be addressed by the Construction Manager. The number of hours billed for Construction Management for this site appears reasonable.
11. Helms Middle School New Construction project was not reported in the November 2008 Project Status Report. However, this project was reported in the prior month's and following month's reports at 44% and 55% completion, respectively. It appears that the failure to report this project in the November 2008 report was an oversight and construction work was in fact taking place in the month of November 2008. Thus, it appears reasonable that 152 hours were billed for Construction Management. These 152 hours were composed of 144 hours for a Construction Manager and 8 hours for a Construction Manager I.
12. Dover Elementary School New Construction was not reported in the November 2008 report. However, this project was reported in the prior month's and following month's reports at 85% and 95% completion, respectively. It appears that the failure to report this project in the November 2008 report was an oversight and some minimal work may have been taking place in the month of November 2008. There were no billings for Construction Management; however, there were billings for Project Management, which appears reasonable for a project nearing completion.
13. Nystrom project was not reported in the November 2008 report. However, it did not have any billings for Construction Management, which appears appropriate. This project was not reported as started until July 2016, which is nearly six years later. Billings for Project Management are discussed in the Program and Project Management section below.
14. Richmond College Prep project was not reported in the November 2008 report. However, this project was reported in the following month's report at 95% completion. It appears that the failure to report this project in the November 2008

report was an oversight and some minimal work may have been taking place in the month of November 2008. This project did not have any billings for Construction Management; however, there were billings for Project Management, which appears reasonable for a project nearing completion.

Program and Project Management – November 2008

A total of 735 hours were billed for Program and Project Management for November 2008 as discussed in detail below.

1. De Anza High School had two projects, No. 1, and No. 2, as listed in Table 31. The SGI invoices listed billings for 225 hours for Program and Project Management. The total hours for Program Manager, Program Director, Program Engineer, Deputy Program Manager, Controls Engineer, and Project Controls, were allocated to this and other projects based on a percentage. Not all active projects had Program and Project Management hours allocated to them. It is unclear how this allocation took place. However, for the combined number of projects taking place at the time and the percentage of completion, the total billings for Program and Project Management appear reasonable for November 2008. This information is referenced as a footnote for the rest of the projects taking place for this month.
2. See number 1 above.
3. Downer Elementary School New Construction project had zero hours billed for Program and Project Management.²⁶²
4. El Cerrito High School had zero hours billed for Program and Project Management.²⁶²
5. See number 4 above.
6. Ford Elementary School Transitional Housing project had 114 hours billed for Program and Project Management.²⁶³

²⁶² The total hours for Program Manager, Program Director, Program Engineer, Deputy Program Manager, Controls Engineer, and Project Controls were allocated to other projects based on a percentage and there were no hours were allocated to this project. Not all active projects had Program and Project Management hours allocated to them. It is unclear how this allocation took place. However, for the combined number of projects taking place and the percentage of completion, the total billings for Program and Project Management appear reasonable for November 2008.

²⁶³ The total hours for Program Manager, Program Director, Program Engineer, Deputy Program Manager, Controls Engineer, and Project Controls, were allocated to this and other projects based on a percentage. Not all active projects had Program and Project Management hours allocated to them. It is unclear how this allocation took place. However, for the combined number of projects taking place at the time and the

7. Kennedy High School Painting project had zero hours billed for Program and Project Management.²⁶²
8. Richmond High School project had 10 hours billed for Program and Project Management.²⁶³
9. King Elementary School project had 115 hours billed for Program and Project Management I.²⁶³
10. Pinole Middle School project had zero hours billed for Program and Project Management.²⁶²
11. Helms Middle School New Construction project had zero hours billed for Program and Project Management.²⁶²
12. Dover Elementary School New Construction had 157 hours billed for Program and Project Management.²⁶³
13. Nystrom project was not reported in the November 2008 report, as previously stated in the section above. However, although it did not have any billings for Construction Management, it had 102 hours billed for Program and Project Management. This project was not reported as started until November 2014, which is nearly six years later. According to the District, these billings may have been for the long-term master planning taking place at that time. This appears reasonable as for the same time an architect firm was performing design services for this site, as was confirmed by review of the architect's time and activity summary provided to VLS by the architect Firm.
14. Richmond College Prep project had 13 hours billed for Program and Project Management.²⁶³

General Conditions Reimbursements (Labor Hours Only) – November 2008

A total of 483 hours were billed for labor under GCR. These are positions that provide Bond Program office support to Construction, Project, and Program Management. These 483 hours were composed of 163 hours for Network Administrator, 160 hours for Controls Specialist, and 160 hours for Administrative Office Manager/Support. As included in Table 31, the hours for GCR were listed in the SGI invoice as a total and not allocated in the invoice to a specific construction site. The hours billed for GCR are listed after the subtotal in Table 31, and before the total hours billed. VLS believes that having three full-time individuals provide Bond Program

percentage of completion, the total billings for Program and Project Management appear reasonable for November 2008.

office support to Construction, Project and Program Management for the number of projects ongoing and the percentage of completion of those project is reasonable for November 2008.

However, although the maximum number of billable hours for the month of November 2008 was 144, each of these employees was billed at hours exceeding 144. This was the result of billings for 16 hours of holiday (Thanksgiving Day and the day after Thanksgiving Day) for each of these three employees plus an additional three hours for the Network Administrator. This issue is discussed and quantified as part of “Billings for Sick and Vacation Time” in the FI (3) section.

Conclusion for November 2008 Analysis

The number of hours billed for November 2008 for Construction Management, Program and Project Management, and GCR labor (program office support staff) appears appropriate and is in line with industry standards for the size of the projects taking place and the percentage of completion of the projects at the time.

Analysis for September 2010

As stated at the beginning of this section, the analysis for the months of September 2010 through February 2016 are provided in high-level summary only. September 2010 had ten different active projects reported in the Project Status Report. However, there were SGI billings associated with nine other projects that were not listed in the Project Status Report for September 2010, but were active and reported in the months following September 2010, or were in the final stages of completion or in pre-construction stages.²⁶⁴ It is expected to see some billings for projects at these stages. The total value of the construction projects taking place in September 2010 was just over \$214 million, and the total number of hours billed by SGI was 3,811. Table 33 provides a summary of the hours billed by category for the month of September 2010.

Table 33: Summary of Hours Billed for September 2010

Category Billed	Hours Billed
Construction Management	2,122
Program/Project/Design Management	1,161
GCR (Program Office Support)	528
Total Hours Billed	3,811

²⁶⁴ VLS obtained this information from the Project Status Report for October 2010 for one project. For seven other projects, VLS obtained the information from a weekly project status report dated 9/28/2010, as these projects were not reported in the Project Status Report.

Construction Management - September 2010

Billings for Construction Management were 2,122 hours for the fourteen²⁶⁵ active projects and the five other projects that were not listed in the Project Status Report for September 2010, but were in the final stages of completion or in the pre-construction stage. There were fourteen different individuals listed in the billings for Construction Management for this month. The number of hours billed for Construction Management more than doubled from the hours billed in November 2008. However, more projects were in the mid-point of construction, which requires additional Construction Management hours. Additionally, in 2008 six active projects had no billings for Construction Management.²⁶⁶ Based on the number of construction projects taking place for September 2010 (refer to Table 30) and the percentage of completion for these projects, the billings for each project appeared reasonable. Overall, the total hours billed for Construction Management is within industry standards based on the contract value of the projects billed for in this month and the percentage of completion of those projects in September 2010.

Program and Project Management - September 2010

Billings for Program Management, Project Management, and Design Management were 1,161 hours.²⁶⁷ There were eight different individuals listed in the billings for Program Management, Project Management, and Design Management for this month. The total number of hours billed for this area increased by 426 from the hours billed in November 2008. Taking into account that Design Management was an added service beginning in July 2010; that hours for Design Management were 164 for this month; and the increase in construction projects, billings for this month appear to be within industry standards. This assessment is based on the contract value of the projects taking place and the percentage of completion of those projects in September 2010. Of the 164 hours billed for Design Management, there were some billings for Design Management allocated to four other projects that as of 2016 had not been started and are currently in the pre-construction stage or are currently included in the Facilities Master Plan approved in 2016 (less than 18 hours for each project).²⁶⁸ Per a review of Board Minutes, the Board approved master planning contracts for three of these four projects on 6/22/2010.

²⁶⁵ Of these fourteen active projects, ten had been reported in the Project Status Report for September 2010 and one had been reported in the October 2010 report, and three had been reported in the weekly Status Report on 9/28/2010.

²⁶⁶ It is not clear the reason why these six projects had zero hours billed for Construction Management in November 2008. The projects with zero hours billed for Construction Management in November 2008 were discussed in the Construction Management – November 2008 section in numbers 2, 5, 9, 12, 13, and 14.

²⁶⁷ Design Management was not included in the November 2008 project billings. SGI had not been responsible for providing Design Management in the years prior to fiscal year 2010/11. The first full-time Design Manager started on 7/1/2010.

²⁶⁸ These billings were for Fairmont at 13 hours, Wilson Elementary School at 15 hours, Pinole Valley High School at 4 hours, and Stege Elementary School at 18 hours. A total of 50 hours billings for all four locations combined.

Additionally, per a review of Board Minutes for 10/6/2010, the fourth project was approved for master planning by the Board in the spring of 2010. Therefore, the 50 hours for Design Management for these four projects appear reasonable.²⁶⁹

Overall, VLS believes that the number of hours billed for Program Management, Project Management, and Design Management appears appropriate for the contract value of the projects taking place and the percentage of completion in September 2010.

General Conditions Reimbursements (Labor Hours Only) - September 2010

Billings for labor hours within General Conditions Reimbursements were 528 hours. There were three different individuals listed in the billings for GCR labor hours. Although the billings for Construction Management and Program and Project Management hours increased from November 2008, the billings for hours in the GCR labor remained relatively close to those of November 2008. It is VLS's opinion that the number of hours billed for GCR labor hours appears reasonable for the contract value of the projects taking place and the percentage of completion of those projects in September 2010.

Conclusion for September 2010 Analysis

The number of hours billed for September 2010 for Construction Management, Program, and Project Management, Design Management, and GCR labor (program office support) appears reasonable and in line with industry standards for size of the projects taking place and the percentage of completion at the time.

Analysis for May 2012

May 2012 had nine different active projects reported in the Project Status Report. However, there were SGI billings associated with ten other projects that were not listed in the Project Status Report for May 2012, but were active and reported in the months following May 2012, or were in the final stages of completion or in pre-construction stages.²⁷⁰ As stated at the beginning of this section, it is expected to see some billings for projects at these stages. The total value of the construction projects taking place in May 2012 was just over \$224 million and the total number of hours billed was 5,004. Table 34 is a summary of hours billed by category for the month of May 2012.

²⁶⁹ VLS identified that Design Management had been an added scope of services through review of the audit report for year ended 6/30/2011. However, VLS was not provided with an SGI contract amendment listing this added service.

²⁷⁰ VLS obtained this information from the Project Status Report for April 2012 and September 2012.

Table 34: Summary of Hours Billed for May 2012

Category Billed	Hours Billed
Construction Management	2,415
Program/Project/Design Management	1,309
GCR (Program Office Support)	1,280
Total Hours Billed	5,004

Construction Management - May 2012

Billings for Construction Management for May 2012 were 2,415 hours for the seventeen²⁷¹ active projects and two other projects that were not listed in the Project Status Report for May 2012, but were in the final stages of completion or in pre-construction stages. There were sixteen different individuals listed in the billings for Construction Management for this month. The number of hours billed for Construction Management increased by close to 300 hours. The number of active construction projects increased by three. The number of hours billed for September 2010 is within industry standards based on the contract value of the projects taking place and the percentage of completion of those projects in May 2012.

Program and Project Management - May 2012

Billings for Program Management, Project Management, and Design Management were 1,309 hours. There were nine different individuals listed in the billings for Program Management, Project Management, and Design Management for this month. The number of hours billed for this category was close to the number of hours billed for September 2010, which is within industry standards based on the contract value of the projects taking place and the percentage of completion of those projects in May 2012. There were some billings (less than 18 hours for each project) for Design Management allocated to four other projects for which construction had not been started as of June 2016 and which are currently included in the Facilities Master Plan approved in 2016.²⁷² Per a review of Board Minutes, the Board approved master planning contracts for these sites on 6/22/2010. Therefore, it is reasonable that some hours were billed for Design Management.

It is VLS's opinion that the number of hours billed for Program Management, Project Management, and Design Management appears reasonable for the contract value and the percentage of completion of the projects taking place in May 2012.

²⁷¹ Nine of these projects were reported in the May 2012 Project Status report, the other eight had been reported in January 2012, April 2012, and September 2012 at more than 0%, but less than 100% completion.

²⁷² These billings were for Fairmont Elementary School at 15 hours, Wilson Elementary School at 18 hours, Stege Elementary School at 18 hours, and Valley View Elementary School at 18 hours. A total of 69 hours were billed by SGI for all four locations.

General Conditions Reimbursements (Labor Hours Only) - May 2012

Billings for labor hours within GCR were 1,280 hours. There were seven different individuals listed in the billings for GCR labor hours. In the analysis for November 2008 and September 2010, only three individuals were billed for full-time hours; however, in May 2012, this increased by four individuals and 752 hours. The total cost of the ongoing projects was \$224 million in May 2012, while the projects taking place in November 2008 and September 2010 had a total cost of \$210 million and \$214 million, respectively. The number of hours billed for GCR labor hours appears to be excessive for the contract value of the projects taking place and the percentage of completion of the projects in September 2010. Additionally, as mentioned in the Results of Testing SGI Invoices section, the proposal that complemented contract amendments and would have listed these additional positions within GCR, were not located by the District. The titles listed for three of the four new positions added to GCR was Office Engineer.²⁷³ The title for the other additional position was Office Engineer I.

Conclusion for May 2012 Analysis

The number of hours billed for May 2012 for Construction Management, Program and Project Management, and Design Management appear reasonable and within industry standards for the size of the projects taking place and the percentage of completion of those projects at the time. However, billings for GCR labor (program office support staff) appears to be excessive for the size of the projects based on the hours billed for the other categories (Construction Management, Program and Project Management, and Design Management) and the total contract value of the projects taking place and the percentage of completion at the time. Although there was a small increase in construction activity (up \$10 million from the prior month tested), this additional activity would not justify these additional positions. The positions added were all Office Engineers, which would indicate that they all performed similar functions. This may suggest that there were inefficiencies within SGI staffing.

Analysis for June 2014

June 2014 had fourteen different active projects reported in the Project Status Report. For this month, there were no billings associated with other projects that were not listed in the Project Status Report for June 2014. The total value of the construction projects taking place in June 2014 was just under \$190 million and the total number of hours billed was 6,272. In June 2014, SGI no longer included labor hours within GCR, as discussed in subsection “*Hourly Rates Change for GCR Labor before and after the 2013 Contract.*” Table 35 provides a summary of hours billed by category for the month of June 2014.

²⁷³ Office engineer is an entry-level position that can be considered an administrative-type position. These individuals may act as assistants to Program or Project Managers.

Table 35: Summary of Hours Billed for June 2014

Category Billed	Hours Billed
Construction Management	2,673
Program/Project/Design Management	1,116
GCR (Program Office Support) ²⁷⁴	2,483
Total Hours Billed	6,272

Construction Management - June 2014

Billings for Construction Management for June 2014 were 2,673 hours for the 14 active projects that were listed in the Project Status Report for June 2014. The number of hours billed at the Construction Management was slightly higher than the number of hours billed for May 2012; however, the percentage of completion for most of these projects was at the midpoint (10% to 90% of completion), which would have required additional construction management hours.²⁷⁵ The number of hours billed for this category is within industry standards based on the contract value of the projects taking place and the percentage of completion in June 2014.

Program and Project Management - June 2014

As stated at the beginning of this section, GCR no longer included any labor hours, and instead the individuals previously billed under GCR were billed under Program Management. However, to simplify the analysis, these two areas are discussed separately below. The total number of hours for June 2014 is 3,599 for this area, which includes 1,116 hours for the positions originally listed as Program and Project Management and 2,483 for positions previously listed under GCR.

Billings for Program Management, Project Management, and Design Management were 1,116 hours. There were eight different individuals listed in the billings for Program Management, Project Management, and Design Management for this month.²⁷⁶ The number of hours billed for this category was slightly lower than the number of hours billed for May 2012. As stated in the analysis for Construction Management for May 2012, the percentage of completion for most of these projects was at the midpoint. Construction projects normally require more hours in this

²⁷⁴ In June 2014, SGI no longer included labor hours within GCR, as discussed in subsection “Hourly Rates Change for GCR Labor before and after the 2013 Contract.” However, for clarity in this analysis, the hours billed for individuals billed under GCR before the 2013 contract, continued to be separated in the June 2014 and February 2016 analysis. These individuals were identified by the individuals’ names.

²⁷⁵ A project in the ending stages of construction (over 90% completion) normally requires less construction management hours, while a construction project that is in the beginning or middle stages of completion normally requires a greater number of construction management hours.

²⁷⁶ In the prior months analyzed for Program, Project, and Design management, the SGI invoices had allocated the hours billed for this category to individual projects. Beginning in June 2014, the SGI invoices did not allocate these hours by project and reported them all as “central office account.” This was not considered an issue by VLS.

category at the beginning and end of a project.²⁷⁷ Because most of this projects were at the midpoint it appears reasonable that hours billed for this category would have been lower. The number of hour billed for this category was within industry standards based on the contract value and completion of projects taking place and the percentage of completion in June 2014.

General Conditions Reimbursements (Labor Hours) - June 2014²⁷⁸

Billings for labor hours for positions that had previously been billed under GCR were 2,483 hours. There were seventeen different individuals listed in this area. The analysis for November 2008 and September 2010 show only three individuals were billed for full-time hours. In May 2012, this increased to seven full-time individuals, and in June 2014 this increased by an additional 10 individuals and 1,203 hours. The total cost of the ongoing projects was just over \$189 million, which was lower than the total cost for construction from May 2012. Table 36 displays the titles or positions billed for this moth for positions previously included in GCR. It also includes the number of individuals billed for each of the positions.

Table 36: Positions and Count of Labor

Position	Count
Office Engineer (I – Apprentice and III Apprentice)	7
Project Engineer (Apprentice)	2
Contracts Engineer (Apprentice)	1
Network System Administrator	1
Compliance Enforcement Engineer	1
Cost Estimator	1
Program Engineer	1
Construction Manager	1
Deputy Program Manager	1
Administration	1
Total	17

The position of Office Engineer increased to seven individuals from zero in November 2008 and September 2010 and four in May 2012. Recall that the position of Office Engineer is an entry-

²⁷⁷ At the beginning and the end of a project there is more work to be done at the program and project management category because of the number of items that need to be addressed at this point of the construction process. For example, at the beginning of a project several construction permits need to be secured, construction contract front end documents need to be completed, and overall planning needs to take place. At the end of construction, there are end of project inspections that need to be scheduled and coordinated, and a number of construction close out documents that need to be completed. For this reason, there is additional work at the Project Management level that takes place at the beginning and end of a construction project.

²⁷⁸ In June 2014, SGI no longer included labor hours within GCR, as discussed in subsection “*Hourly Rates Change for GCR Labor before and after the 2013 Contract.*” However, for clarity in this analysis, the hours billed for individuals billed under GCR before the 2013 contract, continued to be separated in the June 2014 and February 2016 analysis. These individuals were identified by the individuals’ names.

level administrative type position. Some of the positions included in this category may have been related to added services SGI was providing at the time, such as the positions of Contracts Engineer and Cost Estimator. However, it appears excessive to have such a large number of individuals and hours charged to this category when the number of construction projects had decreased by three and the contract value for these projects had increased only slightly.

Conclusion for June 2014 Analysis

The number of hours billed for June 2014 for Construction Management, Program and Project Management, and Design Management appear reasonable and within industry standards for the size of the projects taking place and the percentage of completion of those projects at the time. However, billings for program office support staff, which were included in Program Management, appear to be excessive for the size of the projects. The size of the program had not changed significantly from 2012 (it actually got slightly smaller) and some positions billed appeared duplicative (such as the Office Engineer). Furthermore, it appears that the District could have instead hired for some of these positions directly at a lower cost to the District. Therefore, based on the hours billed for Construction Management and based on the total contract value of the projects taking place and the percentage of completion at the time, it appears that billings for program office support staff was excessive.

Analysis for February 2016

February 2016 had six different active projects reported in the Project Status Report. For this month, there were some billings associated with two other projects that were not listed in the Project Status Report for February 2016. These projects were reported at 99% completion at the end of August 2015 (five months before). Because these two projects had been completed more than four months prior to February 2016, the contract value of these two construction projects is not included in the total contract value of construction projects taking place in February 2016. Therefore, the total contract value of the construction projects taking place in February 2016 was just under \$103 million. The total number of hours billed for February 2016 was 2,619. Table 37 provides a summary of hours billed by category for February 2016.

Table 37: Summary of Hours Billed for February 2016

Category Billed	Hours Billed
Construction Management	784
Program/Project/Design Management and Program Support Office Staff	861
GCR (Program Office Support) ²⁷⁹	974
Total Hours Billed	<u>2,619</u>

²⁷⁹ In June 2014, SGI no longer included labor hours within GCR, as discussed in subsection “Hourly Rates Change for GCR Labor before and after the 2013 Contract.” However, for clarity in this analysis, the hours billed for individuals billed under GCR before the 2013 contract, continued to be separated in the June 2014 and February 2016 analysis. These individuals were identified by the individuals' names.

Construction Management - February 2016

Billings for Construction Management for February 2016 were 784 hours for the six active projects that were listed in the Project Status Report for February 2016. The number of hours billed for Construction Management decreased from June 2014, which coincided with the fact that there were fewer active construction projects with a lower total contract value, thus a lower number of individuals billed for Construction Management appears reasonable. There were six active projects for which seven individuals were billed under Construction Management, which appears reasonable. The hours billed for Construction Management appear reasonable and within industry standards based on the contract value of the projects taking place and the percentage of completion of those projects in February 2016.

Program and Project Management - February 2016

Billings for positions originally in Program Management, Project Management, and Design Management were 861 hours for six individuals. The number of hours billed as well as the number of individuals billed to this area is lower than those billed in September 2010, May 2012, and June 2014. This decrease appears reasonable, as there were only six active construction projects, which is significantly lower than the number of construction projects in the previous years. For the number of projects taking place during February 2016, it appears that the number of employees within this category should have decreased since there were fewer projects, and the hours billed for Construction Management had declined. However, because many of these projects were nearing the end of construction (average construction completion for these six projects was 94%), it appears reasonable that the number of hours billed for this area for February 2016 was 861 hours. Nearing the end of construction projects there is typically added work at the Project Management category as at the end of construction, there are end of project inspections that need to be scheduled and coordinated, and a number of construction close out documents that need to be completed.

General Conditions Reimbursements (Labor Hours) – February 2016²⁸⁰

Billings for labor hours for positions that had previously been billed under GCR were 974 hours for seven individuals. This was a significant decrease from June 2014. Although the number of individuals and hours billed are significantly lower than what was billed in May 2012 and June 2014, it appears that for the number of active projects the billings for the Program Office support staff should have been lower as the number of active projects had decreased to its lowest levels. This is also accounting for the fact that most of the projects were nearing the end of construction. The number of hours and employees billed to this area should have been similar to (or less than) those seen back in November 2008.²⁸¹ Table 38 includes the positions billed for

²⁸⁰ In June 2014, SGI no longer included labor hours within GCR, as discussed in subsection “*Hourly Rates Change for GCR Labor before and after the 2013 Contract.*” However, for clarity in this analysis, the hours billed for individuals billed under GCR before the 2013 contract, continued to be separated in the June 2014 and February 2016 analysis. These individuals were identified by the individuals’ names.

²⁸¹ In November 2008, three positions were billed for this area at a total of 483 hours.

this month for what used to be the GCR category. It also includes the number of individuals billed for each position.

Table 38: Positions and Count of Employees Previously Listed as GCR

Position	Count
Office Engineer I	1
Office Engineer II	1
Office Engineer III DISC Apprentice	1
Cost Estimator II	1
Office Manager III Apprentice	1
Controls Engineer Apprentice	1
Network System Administrator	1
Total	7

Conclusion for February 2016 Analysis

The number of hours billed for February 2016 for Construction Management, Program and Project Management, and Design Management appear reasonable and within industry standards for the size of the projects taking place and the percentage of completion of those projects at the time. However, billings for program office support staff (previously billed under GCR), which were included in Program Management, appear to be excessive for the size of the projects even though all the projects were near completion. Therefore, based on the hours billed for Construction Management and based on the total contract value of the projects taking place and the percentage of completion at the time, it appears that billings for program office support staff was excessive.

Conclusion

This analysis is based solely on the hours billed compared to the construction/project activity at the time and is NOT based on a review of time cards or other supporting documentation. VLS assessed the efficiency and staffing levels of SGI and not the validity of the hours billed. Any conclusions reached does NOT assess whether those hours were actually worked and should have been billed to the District. The following are the conclusions reached for this vertical analysis.

- The number of hours billed for Construction Management appears reasonable and within industry standards for all of the months reviewed.
- The number of hours billed for Program Management, Project Management, and Design Management services appear reasonable and within industry standards for November 2008, September 2010, May 2012.
- The number of hours billed for Program Management, Project Management and Design Management appear excessive for June 2014 as a the positions that had

previously been billed under GCR were in this month included under Project Management. The issue is not with the Program and Project management, instead the issue is with the positions previously billed under GCR to support the program office. These were 17 positions to support the program office (previously billed under GCR), at a time when the program had increased only slightly from May 2012. To provide a perspective, three positions were billed for GCR in November 2008 and September 2010, seven positions were billed in May 2012 while 17 positions were billed in June 2014. Billings for 17 positions for this area appear excessive based on the hours billed for Construction Management and based on the total contract value of the projects taking place and the percentage of completion at the time.

- The number of hours billed for Program Management, Project Management, and Design Management appear excessive for February 2016 as the positions that had previously been billed under GCR were in this month included under Project Management. The issue is not with the Program and Project management, instead the issue is with the positions previously billed under GCR to support the program office. For the number of projects taking place during February 2016, it appears that the number of employees within this category should have decreased to a number close to the levels seen in 2008 since there were fewer projects and the hours billed for Construction Management had declined as well. Although a significant decrease was noticed for positions previously billed under GCR, based on the total contract value of the projects taking place and the percentage of completion at the time, the number of positions and hours billed for program support staff (previously GCR) appears excessive for February 2016.
- The number of hours billed for Bond Program support office staff, which were billed within GCR, appear reasonable and within industry standard for November 2008 and September 2010. However, the number of hours billed for this category appears excessive in May 2012, extremely excessive in June 2014, and excessive in February 2016 as discussed in the two previous bullet points.

The issue of excessive hours billed for Program Office support staff was raised in the performance audit report for fiscal year 2012/13. The audit included an observation stating that in the 2011/12 performance audit, it was reported that Program and Construction Management staff had increased significantly and increases were observed again in the 2012/13 audit year. It further stated that these increases did not appear to correlate to the workload as indicated in the Program Expenditure Report.

SGI requested, and the Board had approved, several amendments to the 2004 contract and the 2013 contract that increased staffing levels. Furthermore, the 2013 contract allowed SGI to perform the assigned work scope based on a time and material basis without stating a total contract amount. Some of Bond Program support office staff, such as Office Engineers were

positions that the District may have been able to hire directly at a lower cost. The structure of the 2013 contract was such that SGI did not have an incentive to be efficient in the performance of its work. This is evidenced by the excessive hours billed for GCR staff in May 2012, June 2014, and, to some extent, February 2016.

Recommendations

- FI 4-1. Ensure that a comprehensive analysis is performed, which includes a review by legal counsel prior to entering into contract negotiations to ensure that the terms of the contract are competitive and reflective of industry standards, includes the necessary contract language, and is in the best interest of the District. Additionally, any RFP process should include a review of costs, rates, and qualifications. Additionally, the District should perform a cost analysis prior to allowing vendors to add certain office support staff to evaluate if these positions can be filled directly by the District at a lower cost.
- FI 4-2. Ensure that all contracts contain a clause specifying the duration of the contract, which includes a specific start and end date as well as a not-to-exceed contract amount. Under no circumstance should the District enter into a contract that does not clearly state an end date and a contract amount. If a contract includes hourly labor rates, ensure that these rates are clearly specified in the contract and never stated simply as a total amount over a period of time. In addition, prior to paying an invoice, review the invoice to ensure that the hourly billing rates included in the invoice are reflective of the terms stated in the contract, which may include escalation rates.

Response by District

The District agrees with the recommendations.

VLS's Assessment of Response by District

VLS has reviewed the District response to VLS's recommendations and acknowledges the District's agreement with the recommendations provided.