

Performance Audit

City College of San Francisco
Proposition 39 Bond Program for the Period
Ended June 30, 2008



Prepared By:



MGT of America, Inc.
2001 P Street, Suite 200
Sacramento, California 95811

Contact:

Tyler Covey, Partner-in-Charge

916-443-3411

MGT Sacramento
2001 P Street
Suite 200
Sacramento, CA 95811
p: (916) 443-3411
f: (916) 443-1766
www.mgtofamerica.com



September 15, 2009

Dr. Don Q. Griffin
Chancellor
City College of San Francisco
50 Phelan Avenue
San Francisco, California 94112

Dear Chancellor Griffin:

This report summarizes the results of our performance audit of the City College of San Francisco's capital outlay program funded with bonds approved by the local electorate in 2001 and 2005. This audit covers the period from July 1, 2007 to June 30, 2008.

During the last several months, MGT of America, Inc. researched, analyzed, and evaluated data pertaining to the use of funds generated through Proposition 39 and the construction projects funded by the 2001 and 2005 bonds. We have applied due care and diligence, ensuring that the audit meets its objectives. We conducted this audit to meet the requirements of a performance audit in accordance with Article XIII of the California State Constitution, and the audit team followed generally accepted government auditing standards. Any known significant weaknesses and substantial noncompliance items have been reported to the district's management. This performance audit is not a fraud audit, which would be much broader in scope and have a different set of objectives than those developed for this engagement.

The readers of this report are encouraged to review it in conjunction with the independent auditor's report of the district's financial statements before forming opinions and drawing conclusions about the overall operations of the bond program. This report is intended solely for the use of district administration, the Citizens' Oversight Committee, and the District Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank district staff for their cooperation and willingness to provide information and data throughout this performance audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Tyler Covey".

Tyler Covey
Principal

Enclosures

TABLE OF CONTENTS

Executive Summary	1
Introduction	2
Background.....	2
CSSF 2001 and 2005 Bond Projects Status.....	4
Advanced Tech and Bio/Stem Cell Technology Training Project (On Hold).....	5
Balboa Reservoir Project (Ongoing)	6
Chinatown/North Beach Project (Ongoing)	7
Community Health and Wellness Center Project (Essentially Complete).....	8
Community Performing, Cultural, and Media Arts Center Project (On Hold)	9
Computer Network and Energy Conservation Project (Essentially Complete).....	10
Evans Campus Project (Ongoing).....	11
John Adams Campus Project (Ongoing)	12
Joint Use Facility Project (Ongoing)	13
The Mission Campus Project (Essentially Complete).....	14
New Student Development Center Project (On Hold)	15
Parcel Adjacent to Phelan Campus (Essentially Complete).....	16
Renovation/Remodel/ADA Access/Child-Care Project (Ongoing).....	17
Scope and Methodology	18
Information Gathering.....	20
Audit Standards.....	21
Audit Team.....	22
Audit Results	23
<u>Appendices</u>	
Appendix A—The California Division of State Architect Project Closeout Process	A-1
Appendix B—The City College of San Francisco’s Response to MGT’s Audit Report.....	B-1

EXECUTIVE SUMMARY

The City College of San Francisco (CCSF) consists of 12 campuses located throughout San Francisco. Each of the sites offers educational programs and services to students who are preparing to transfer to a baccalaureate institution, studying to achieve an associate degree in arts or in science, acquiring new career skills, or completing the requirements for the adult high school diploma.

In 2001 and 2005, the voters of San Francisco approved general obligation bond measures to renovate CCSF's existing facilities, construct new facilities, install a computer network system, and perform other upgrades. In November 2001, the voters approved a \$195 million general obligation bond, and in August 2005, they approved an additional \$246.3 million in general obligation bonds to continue additional work to ensure that the campus complies with applicable codes and regulations. The CCSF contracted with MGT of America, Inc. (the audit team) to conduct a performance audit of its facility bond program.

This report contains 11 findings and 12 recommendations resulting from the audit team's performance audit of the CCSF facilities bond program pursuant to Article XIII A of the Constitution of the State of California and Title I, Division 1, Part 10, Chapter 1 of the Education Code of the State of California (Proposition 39). The audit team presents its findings in the following 12 sections of this report.

1. Compliance with Ballot, Bond, State, and Other Funding Source Requirements
2. Regulatory Compliance
3. Communication and Fulfillment of Expectations
4. Facilities Programming and Master Plan Approach
5. Procurement Controls and Contract Administration
6. Contractor Liens, Claims, and Contract Administration
7. Cost, Schedule, and Budgetary Management and Reporting
8. Program Staffing
9. Change Management and Control
10. Expenditure Review
11. Follow-Up on Previous Audit Recommendations
12. Identification/Recommendations Related to Effective Practices and Opportunities for Improvement

INTRODUCTION

BACKGROUND

The San Francisco Community College District (district) was established in 1935 as part of the San Francisco Unified School District. In the early 1970's the college separated from the San Francisco Unified School District and became its own district. Since that time, CCSF has grown significantly and now offers classes at 12 campus locations and more than 100 instructional sites throughout San Francisco. The Ocean Avenue Campus occupies a comparatively large 67-acre site in the southwest San Francisco area, while the other 11 are smaller sites located throughout the city. Each site serves students who are preparing to transfer to a four-year institution, studying for an associate degree in Arts or in Science, acquiring new career skills, or completing the requirements for the Adult High School Diploma. The CCSF has an enrollment of almost 37,000 full-time equivalent students, and it employs more than 700 full-time faculty members, and nearly 100 part-time faculty instructors.

In November 2000, California voters approved Proposition 39, a constitutional initiative—to allow communities to issue general obligation bonds for improvements to school and community college districts, if approved by 55 percent of voters. Districts issuing these bonds must undergo an annual independent performance audit

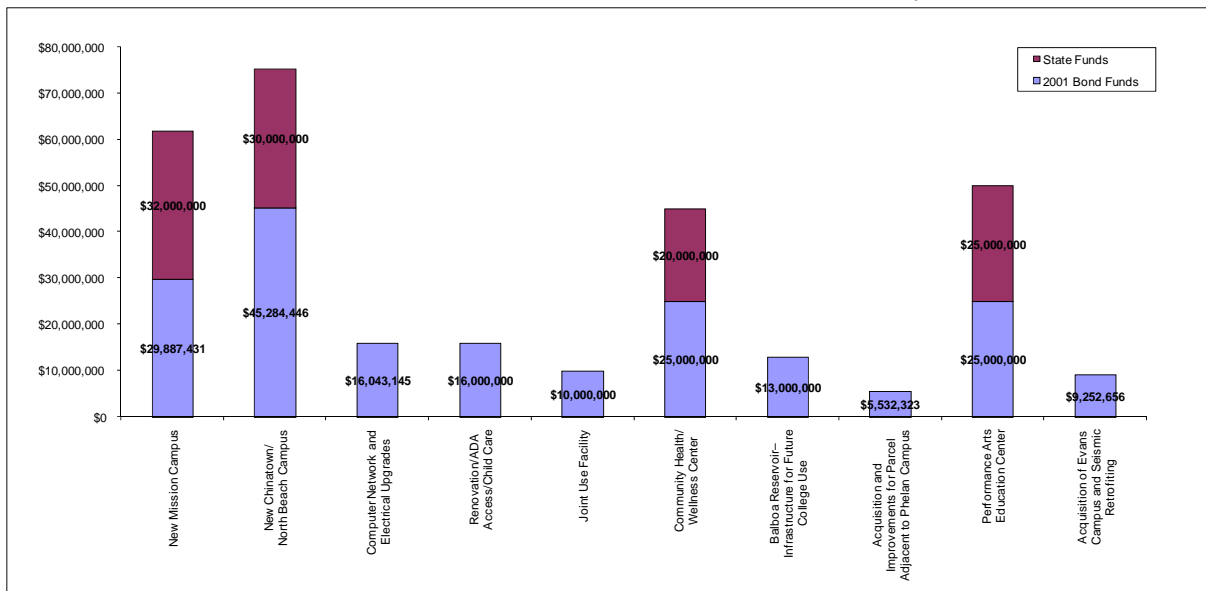
to ensure that they expend funds only on the specific projects included in the bond measure and approved by their Board of Trustees. Further, the performance audit must validate that the district is not using funds for salaries or other operating expenses.

The voters of the City and County of San Francisco approved two series of bonds. The first, a \$195 million general obligation bond issue, was approved on November 6, 2001. The CCSF received net proceeds of \$38 million, \$110 million, and \$47 million respectively from the Bond Series A, B, and C issuance. The CCSF used these bond proceeds for new facility construction, renovations, technology infrastructure, and seismic upgrades for approved projects which are detailed in Exhibit 1. The CCSF estimates to complete the projects under the 2001 bond, it will cost \$244.1 million, that is \$49.1 million more than the original bond issuance.

DISTRICT CAMPUSES AND FACILITIES

- ◆ Ocean Avenue Campus
- ◆ Downtown Campus
- ◆ Evans Campus
- ◆ Fort Mason Campus
- ◆ Airport Campus
- ◆ Chinatown/North Beach Campus
- ◆ John Adams Campus
- ◆ Alemany Campus
- ◆ Southeast Campus
- ◆ Castro/Valencia Campus
- ◆ Mission Campus
- ◆ 31 Gough Street

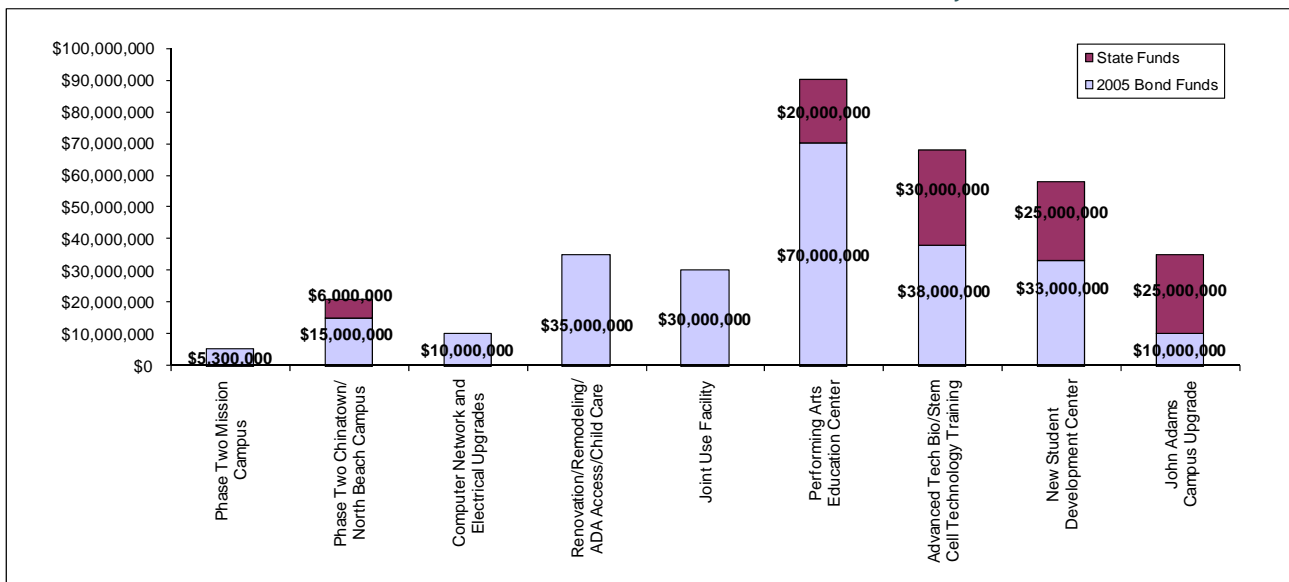
EXHIBIT 1
ORIGINAL ESTIMATED COSTS FOR 2001 BOND PROJECTS



Source: The 2001 Bond Project Reports.

Voters approved the second series of \$246.3 million in bonds on November 8, 2005. As of June 2008, the CCSF expenditures and encumbrances to date were over \$103 million in proceeds from this 2005 bond series for construction, renovation, and land acquisition for the projects detailed in Exhibit 2.

EXHIBIT 2
ORIGINAL ESTIMATED COSTS FOR 2005 BOND PROJECTS



Source: The 2005 Bond Project Reports.

In addition to bond funds, CCSF receives additional revenue to complete its projects; it does not solely rely on the 2001 and 2005 bond funds. Examples of additional funds are matching state funds, a sale of land, interest from bond funds, and local money. However, CCSF generally applies these funds by project; thus, some bond projects may not receive these additional funds. In addition, the college may receive other local grants or donations to augment the project budget as shown in the following exhibits by project when applicable.

CCSF 2001 AND 2005 BOND PROJECTS STATUS

The CCSF estimates that by 2011 it will have completed the 2001 and all but two 2005 bond projects. The two 2005 bond projects are currently on hold and completion is contingent on additional funding. To complete these projects, the CCSF estimates it will need an additional \$46.3 million as reported in its budget summary Appendix A as of June 30, 2008. The CCSF projects, primarily funded by the 2001 and 2005 bonds are at various milestones in the project lifecycle. As of June 30, 2008, some CCSF projects are still in progress, while other projects the Facilities Office considers complete.

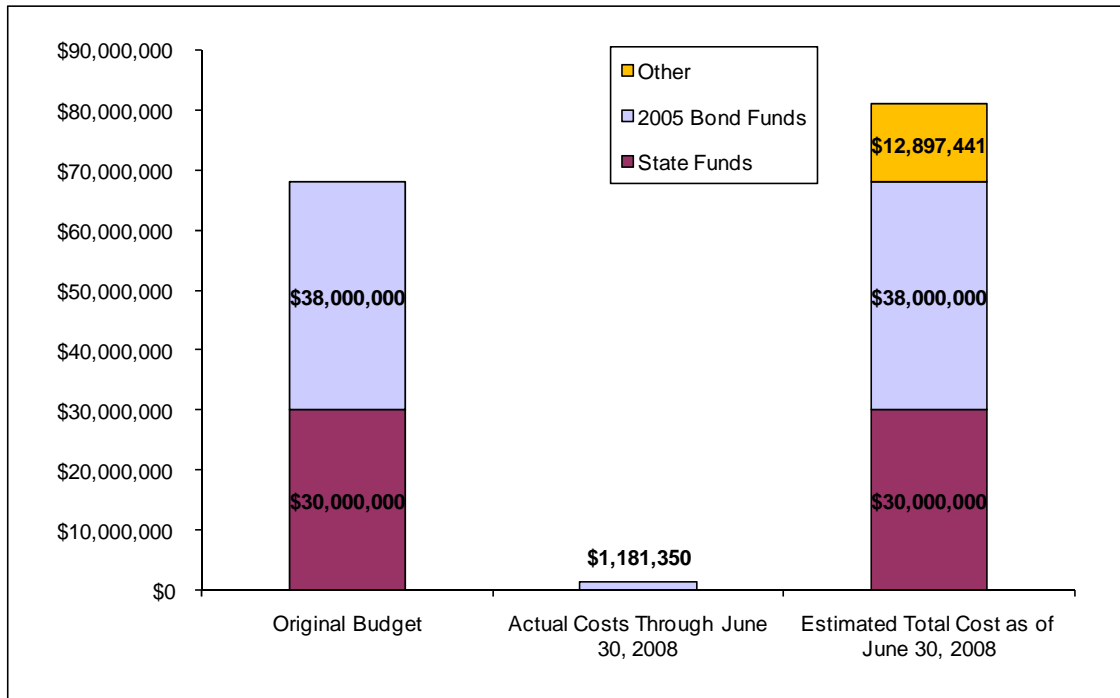
The following section describes the 2001 and 2005 bond projects that are on hold, essentially complete, or ongoing for the year ending, June 30, 2008. The following exhibits provide the reader with the following information:

- ◆ The CCSF original budget, reported in the 2001 and 2005 Bond Projects Reports, including state funds that CCSF qualified or were seeking at those points in time.
- ◆ The CCSF's actual costs expended related to the projects as of June 30, 2008. In some instances the actual costs exceed the project estimated cost to complete. According to the associate vice chancellor of facilities management, this can occur because bond audit costs are allocated to the various projects, but these audit costs are not part of the project estimates.
- ◆ The CCSF's current estimated costs to complete each project as of June 30, 2008.

ADVANCED TECH AND BIO/STEM CELL TECHNOLOGY TRAINING PROJECT (ON HOLD)

Exhibit 3 shows that \$68 million of 2005 bond and state funds were budgeted for the Advanced Tech Bio/Stem Cell Technology Training project. However, CCSF has not been awarded the \$30 million in state funds. This project will relocate classrooms and labs to a more convenient location and allow for future expansion. New state-of-the-art learning centers equipped with high-tech equipment will enhance the educational environment to better prepare students for related careers. As of June 30, 2008, CCSF allocated \$7.9 million to the project. However, this project is on hold and on November 2008, CCSF reallocated \$6.74 million from this project to the China Town/North Beach project. The completion of the Advanced Tech Bio project is contingent on future funding opportunities for the college.

**EXHIBIT 3
ADVANCED TECH BIO/STEM CELL TECHNOLOGY TRAINING PROJECT COSTS**



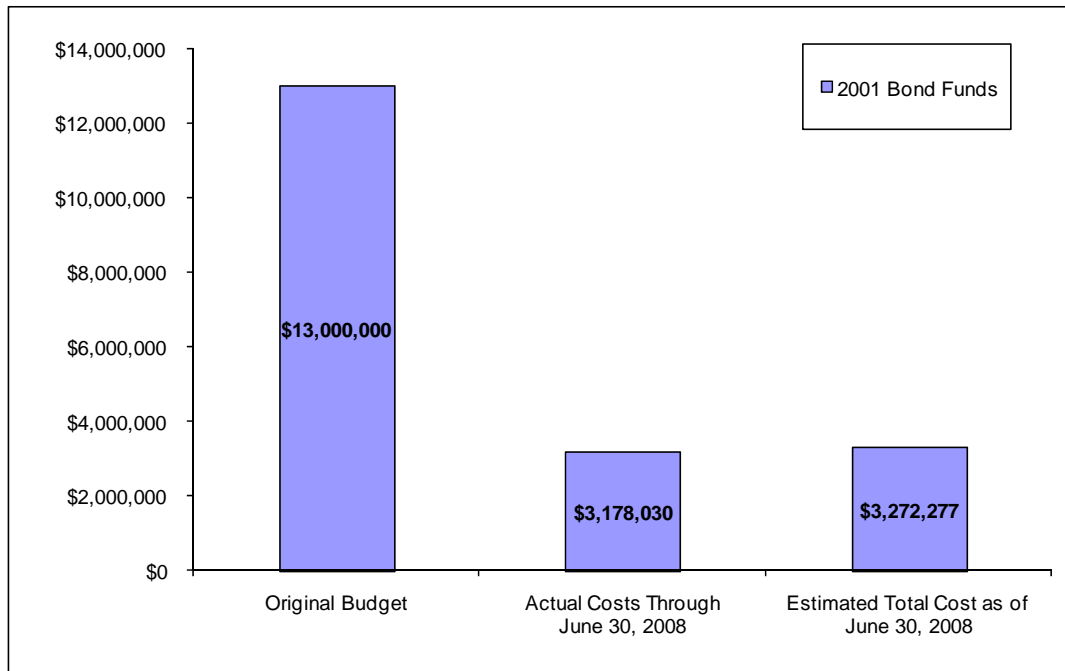
Sources: The 2005 Bond Project Reports and CCSF General Obligation Bond Project Summary as of June 30, 2008.

Note: The CCSF approved capital outlay project budget is only \$7,950,000; therefore, CCSF will need to obtain additional funding of \$72,947,441 to complete the project.

BALBOA RESERVOIR PROJECT (ONGOING)

The CCSF used 2001 bond funds for the Balboa Reservoir—Infrastructure for Future College Use project. The project was initially established to reconfigure the Balboa Reservoir and to prepare the large piece of undeveloped land for future long-term projects, such as a student development center and an advanced technology learning center. The CCSF modified its plans to prep the site for future construction resulting in an almost \$10 million reduction of the estimate to complete the project, as shown in Exhibit 4. The CCSF completed the parking lot renovation as of March 2005. According to CCSF staff, the site preparation will now be part of the construction process for future projects utilizing that piece of land, which include a new community performing, cultural and media arts center; a student development services center; and an advanced technology learning center. The cost to complete the site preparation of this land will be part of these individual projects.

EXHIBIT 4
BALBOA RESERVOIR PROJECT



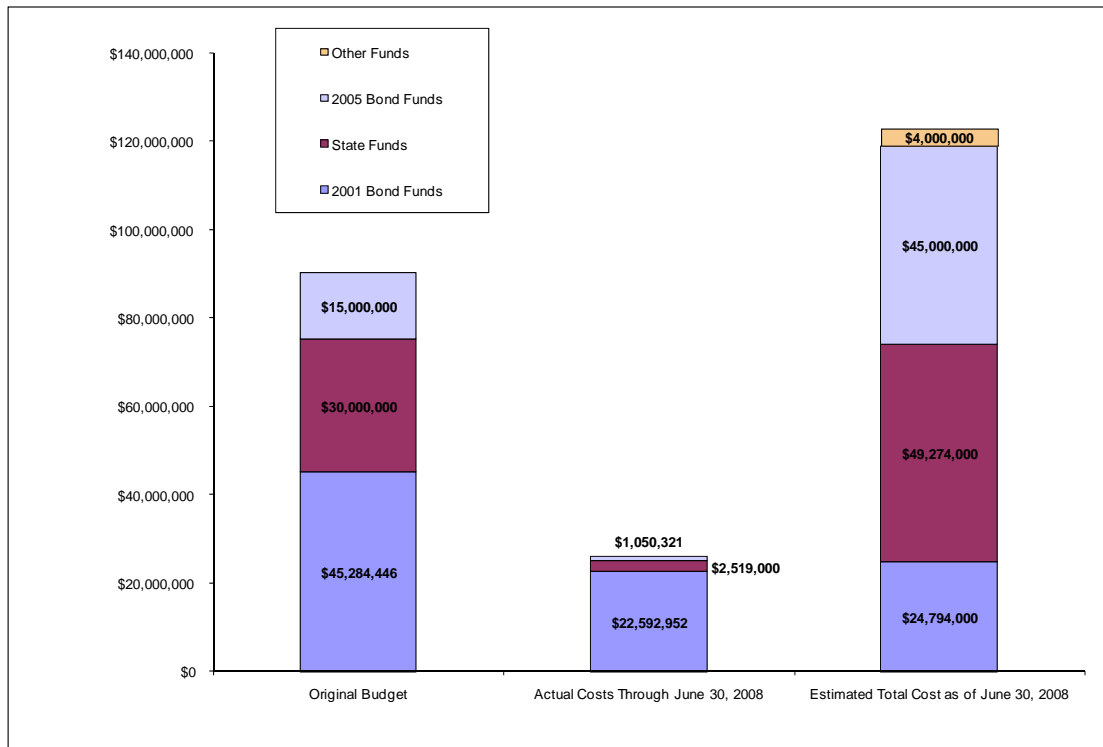
Sources: The 2005 Bond Project Reports and CCSF General Obligation Bond Project Summary as of June 30, 2008.

CHINATOWN/NORTH BEACH PROJECT (ONGOING)

The Chinatown/North Beach Campus was allocated approximately \$90.2 million of 2001 and 2005 bond and state funds to construct a new campus. This campus is currently housed in a substandard, leased grammar school built in 1911. The CCSF has purchased two vacant sites for the new campus and reported to the board on May 24, 2007, that the Chinatown/North Beach Campus costs increased due to a change in site and the increased cost of land and design work. In addition, a lengthy approval process for the redesign added to associated costs, such as legal costs due to a lawsuit related to the originally planned site, and consulting fees. The delay in the start date for construction greatly extended the project time line, and construction cost inflation further impacted estimated expenses.

As of June 30, 2008, the Chinatown/North Beach project's estimated cost to complete is \$123,068,000 as shown in Exhibit 5; however, at the November 20, 2008 Board of Trustees meeting it increased the estimate to \$139,334,634. At that board meeting, the board allocated an additional \$16.26 million in bond funds to the project; \$6.74 million was reallocated from the Advanced Technology project and \$9.52 million was reallocated from the Student Development Center, which is on hold because of uncertainty regarding the necessary state funds. The CCSF is expecting to complete this project in March 2011.

**EXHIBIT 5
CHINATOWN/NORTH BEACH PROJECT COSTS**



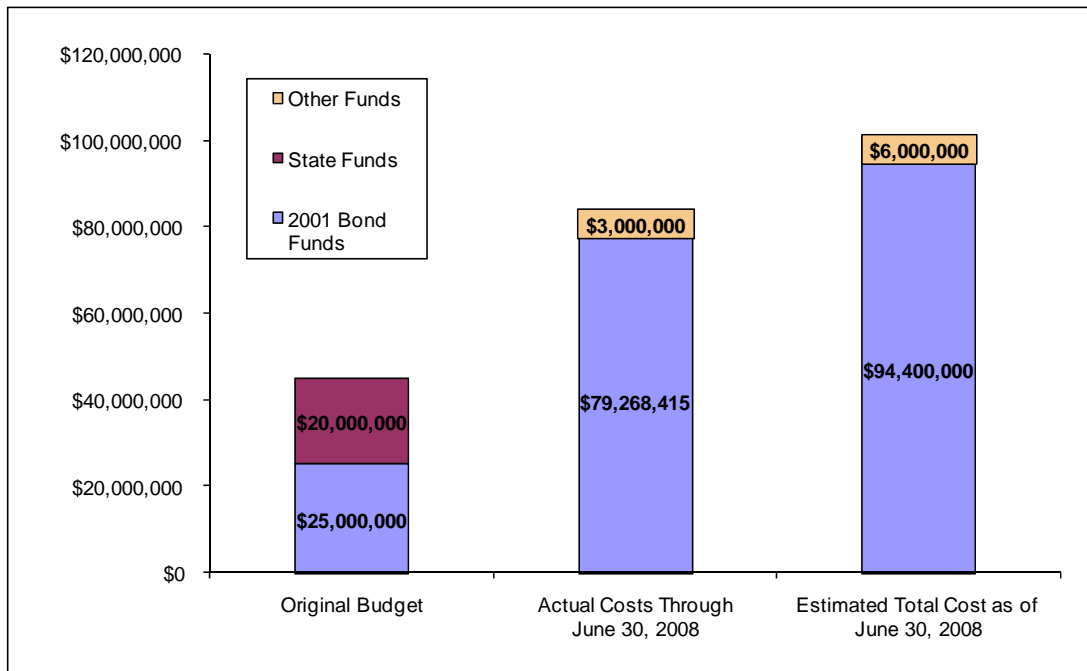
Sources: The 2001 and 2005 Bond Project Report and CCSF General Obligation Bond Project Summary as of June 30, 2008.

COMMUNITY HEALTH AND WELLNESS CENTER PROJECT (ESSENTIALLY COMPLETE)

As shown in Exhibit 6, CCSF used \$82.3 million of 2001 bond and state funds to construct a Community Health and Wellness Center. This center replaces two existing physical education buildings, which were constructed in 1935 and are too small to serve the current student population. This project included the Student Health Services Center and the Child Developmental Center. The CCSF completed the Student Health Services Building in July 2006 and completed the Community Health and Wellness Building in April 2008, and the Child Developmental Center in January 2008.

As of June 30, 2008, the CCSF estimates completion costs to be \$85 million. The significant increase in the cost of this project is due to several factors. For example, the state of California, Division of the State Architect (DSA) required structure changes during the design phase—including additional fire and smoke control equipment requirements—weather delays, and final claims by the subcontractors. Although the project is essentially completed, it has not formally closed. According to the Facilities Office, the architect of record is preparing the final documentation, the delay is due to issues with the solar panels manufacturer for the Child Development Center and the DSA requiring revisions to the Health and Wellness Center’s approved design plans.

**EXHIBIT 6
COMMUNITY HEALTH AND WELLNESS CENTER PROJECT COSTS**



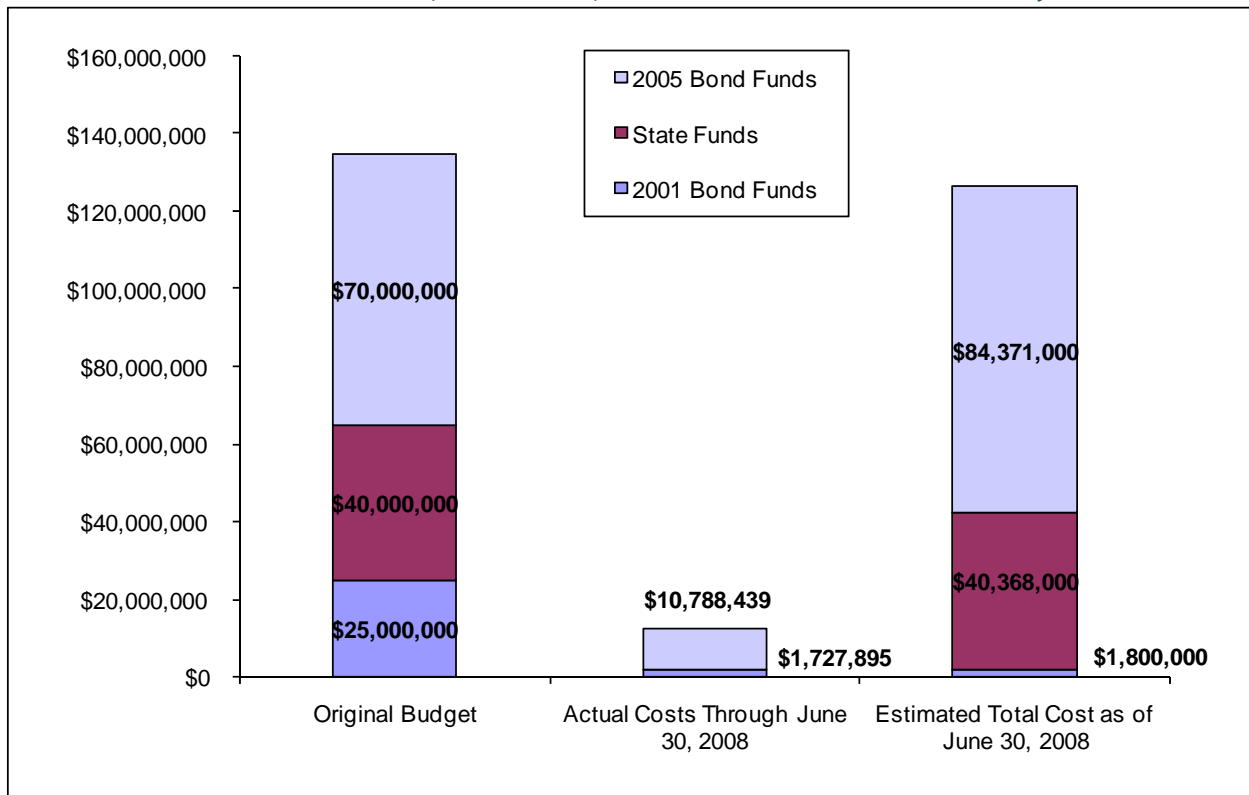
Sources: The 2001 Bond Project Reports and CCSF General Obligation Bond Project Summary as of June 30, 2008.

COMMUNITY PERFORMING, CULTURAL, AND MEDIA ARTS CENTER PROJECT (ON HOLD)

As shown in Exhibit 7, the 2001 and 2005 bond and state funds originally earmarked \$120 million for a Community Performing, Cultural and Media Arts Center project. This project located on the Ocean Avenue Campus, will provide additional facilities for music, theatre arts, and film. The current facility used by CCSF is overcrowded due to enrollment increases. The CCSF estimates a total cost to complete this project of \$126.5 million. As of June 30, 2008, project costs incurred and encumbered were \$12.5 million. The increase in cost for this project is due to the inflation costs of construction. This project has been designed, applicable permits have been obtained, and CCSF has hired a construction management at risk (CMAR) contractor. However, this project is on hold and construction is contingent upon future funding opportunities for the college.

EXHIBIT 7

COMMUNITY PERFORMING, CULTURAL, AND MEDIA ARTS CENTER PROJECT COSTS

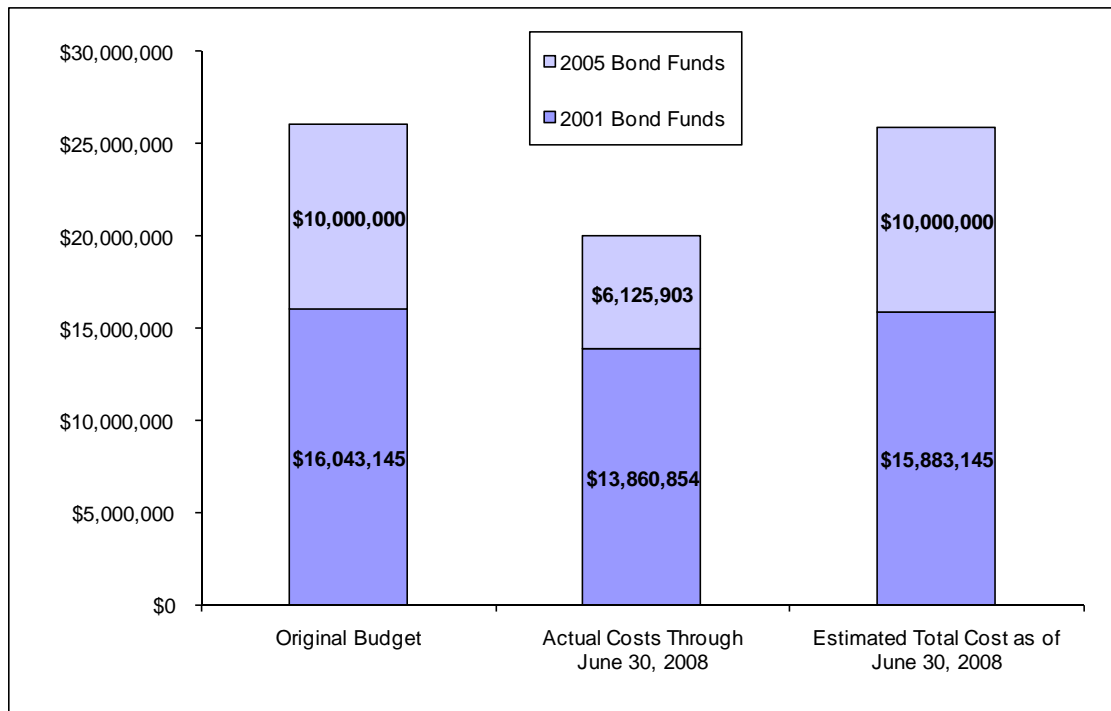


Sources: The 2001 and 2005 Bond Project Reports and CCSF General Obligation Bond Project Summary as of June 30, 2008.

COMPUTER NETWORK AND ENERGY CONSERVATION PROJECT (ESSENTIALLY COMPLETE)

As shown in Exhibit 8, the CCSF used 2001 and 2005 bond funds to upgrade its computer network and improve energy conservation. Other intended benefits include an integrated academic and student application online process to enhance instruction; improved access to technology resources; and upgraded electrical systems, digital infrastructure, and computing facilities to support the increased demand for technology services. The CCSF completed the computer network upgrades and the analytical portion of the energy project on January 1, 2008 for a cost of \$19.9 million. Total estimated costs as of June 30, 2008 were \$25.8 million.

EXHIBIT 8
COMPUTER NETWORK AND ENERGY CONSERVATION PROJECT

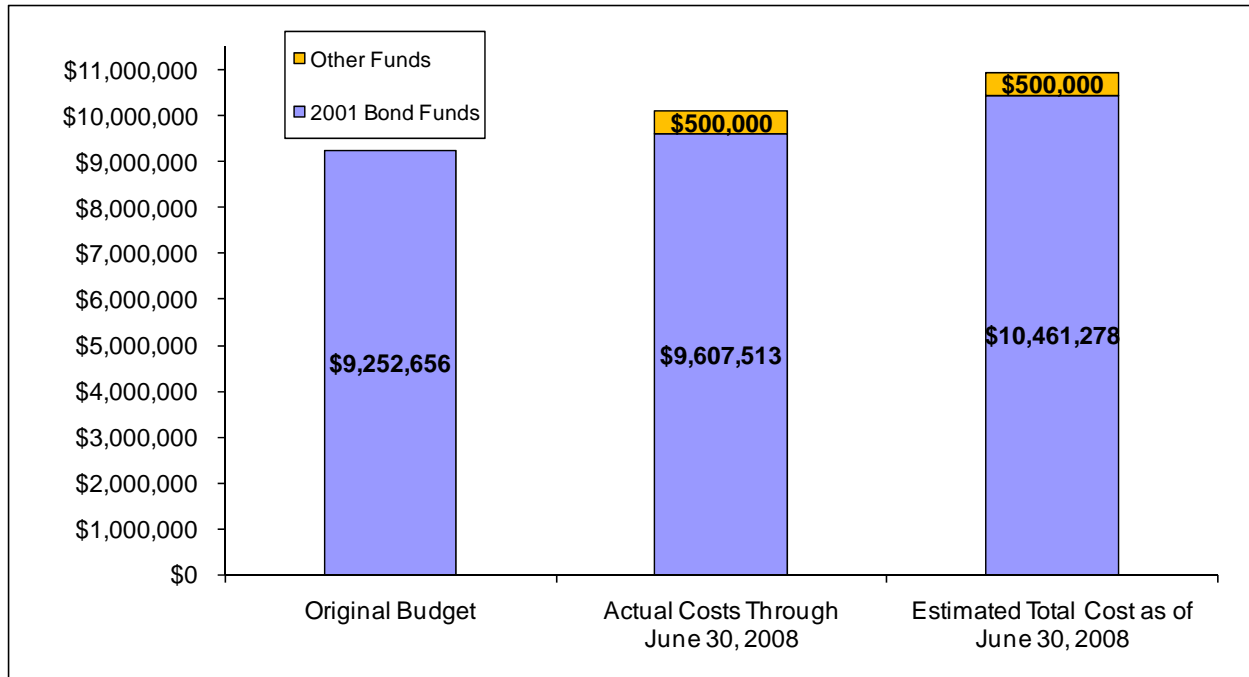


Sources: The 2001 and 2005 Bond Project Reports and CCSF General Obligation Bond Project Summary as of June 30, 2008.

EVANS CAMPUS PROJECT (ONGOING)

As shown in Exhibit 9, the 2001 bond funds allocated \$9.3 million for the acquisition and seismic retrofitting of the CCSF Evans Campus. This facility offers classes in automotive repair, construction trades training, garment making, and welding. This project required additional seismic work to strengthen the facility, which increased construction costs. The CCSF estimates completion costs of about \$10.9 million. The CCSF filed a Notice of Completion for this project in June 2005. Although reported as complete, the project is not formally closed. The project's architect has repeatedly reported to CCSF that project closeout documents cannot be filed and the permit work is not complete because the welding and the automotive program functions are not safely separated within the building. According to the associate vice chancellor of facilities, the architect of record has prepared drawings to provide code-approved conditions within the building and expects the changes to be completed by the CCSF fall semester before the welding classes resume.

EXHIBIT 9
ACQUISITION OF EVANS CAMPUS AND SEISMIC RETROFITTING PROJECT



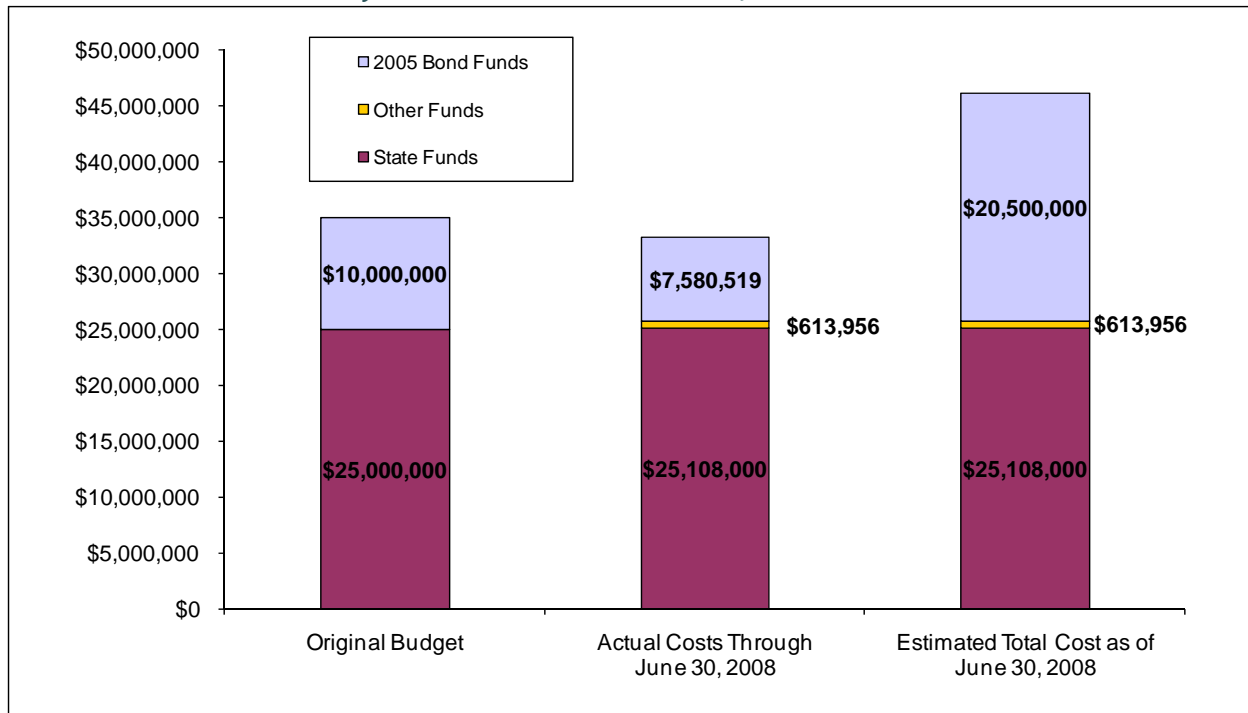
Sources: The 2001 and 2005 Bond Project Reports and CCSF General Obligation Bond Project Summary as of June 30, 2008.

JOHN ADAMS CAMPUS PROJECT (ONGOING)

The John Adams Campus received an estimated \$10 million of 2005 bond funds as shown in Exhibit 10 to repair, remodel, and seismically upgrade its existing building, which was constructed in 1911. The planned repairs and upgrades should provide at least 40 more years of use. As of June 30, 2008, the CCSF has expended \$7.5 million of the 2005 bond funds and more than \$25 million in state and other funds to remodel the John Adams Campus.

The CCSF reported to the board on May 24, 2007, that estimated increases for the John Adams Campus project are due to structural changes required by the DSA during the design phase, which resulted in significantly higher construction costs. Structural inspections of the facility and leasing costs for a temporary location added unanticipated additional costs as well. The seismic upgrade of the main building began in 2007. As of June 30, 2008, project costs were \$33.3 million. The CCSF is expecting to complete this project in August 2009 and estimates a total cost to complete of \$46.2 million.

**EXHIBIT 10
JOHN ADAMS CAMPUS PROJECT COSTS**



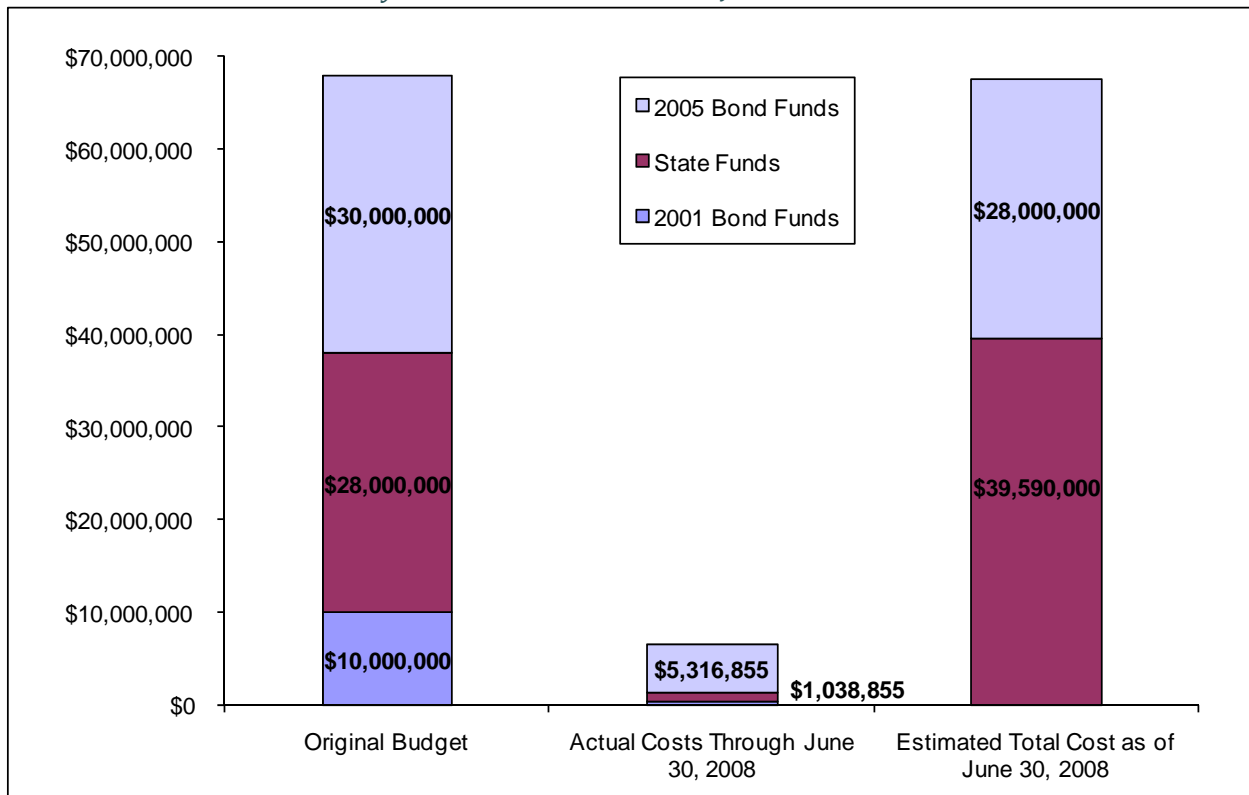
Sources: The 2005 Bond Project Report and CCSF General Obligation Bond Project Summary as of June 30, 2008.

JOINT USE FACILITY PROJECT (ONGOING)

Sixty-eight million dollars of 2001 and 2005 bond and state funds were originally earmarked for the Joint Use Facility project, a new facility on the Ocean Avenue Campus to be shared with San Francisco State University. This structure will enable students to complete an associate degree and bachelor degree in one location and will stimulate collaborations among departments and increase educational opportunities for students.

As of June 30, 2008, the CCSF has expended and encumbered \$6.5 million for this project. To complete this project the CCSF estimates the total cost to be \$67.5 million, below the original estimated budget as shown in Exhibit 11. Construction began in 2008 for this project and the CCSF estimate of completion is June 2010.

EXHIBIT 11
JOINT USE FACILITY PROJECT COSTS



Sources: The 2001 and 2005 Bond Project Reports and CCSF General Obligation Bond Project Summary as of June 30, 2008.

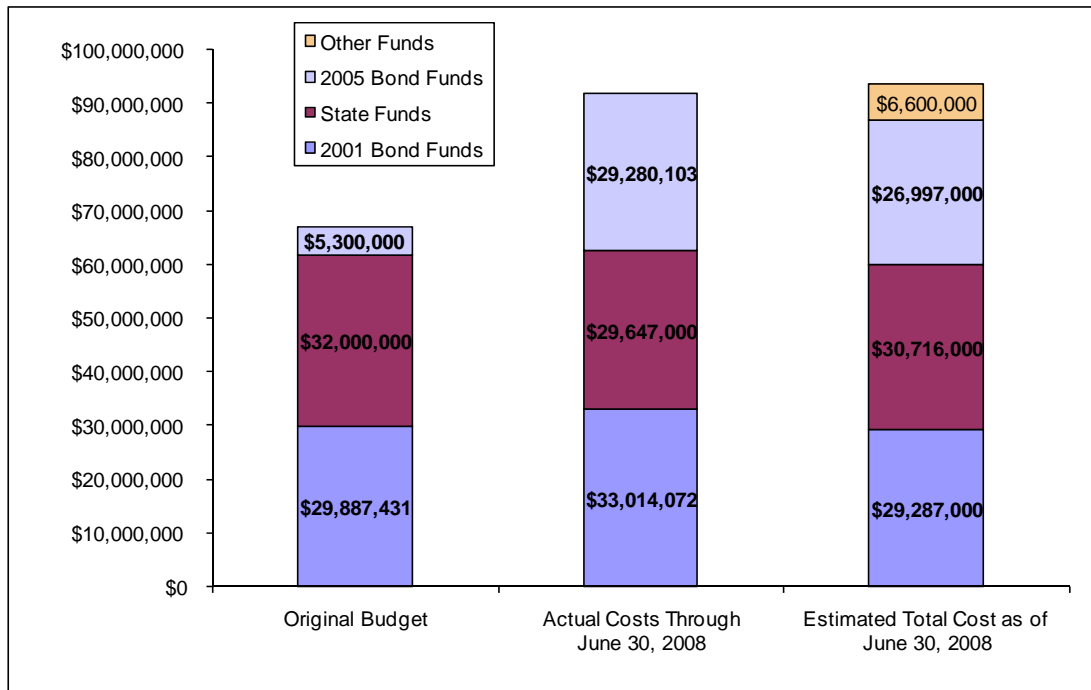
Note: Actual costs through June 30, 2008 also include \$296,301 in 2001 bond funds.

THE MISSION CAMPUS PROJECT (ESSENTIALLY COMPLETE)

An estimated \$67.1 million of 2001 and 2005 bond and state funds is allocated for a new Mission Campus facility as shown in Exhibit 12, to be used to consolidate campus courses at one location and support future student growth. At its December 13, 2007 meeting, the CCSF Board of Trustees allocated an additional \$600,000 to complete funding for the project. As of June 30, 2008, the estimated total project cost was \$93,381,854. The increase in cost from the original budget is due to CCSF administration opting for a more comprehensive upgrade to the existing 1939 building, which added 40,000 square feet to the campus. Adding to increased project costs were unforeseen costs related to the crumbling concrete exterior and a decision to accelerate construction work to allow the campus to open in August 2007.

The CCSF opened the Mission Center Campus for occupancy in August 2007 and completed the project December 1, 2007. However, as of April 2009, CCSF has not completed the closeout procedures, which is further discussed in the Audit Results, Section 2. One reason is a payment dispute between CCSF and the design firm. In February 2009, the CCSF settled with the design firm for an additional \$950,000.

**EXHIBIT 12
THE MISSION CAMPUS PROJECT COSTS**



Sources: The 2001 and 2005 Bond Project Report and CCSF General Obligation Bond Project Summary as of June 30, 2008.

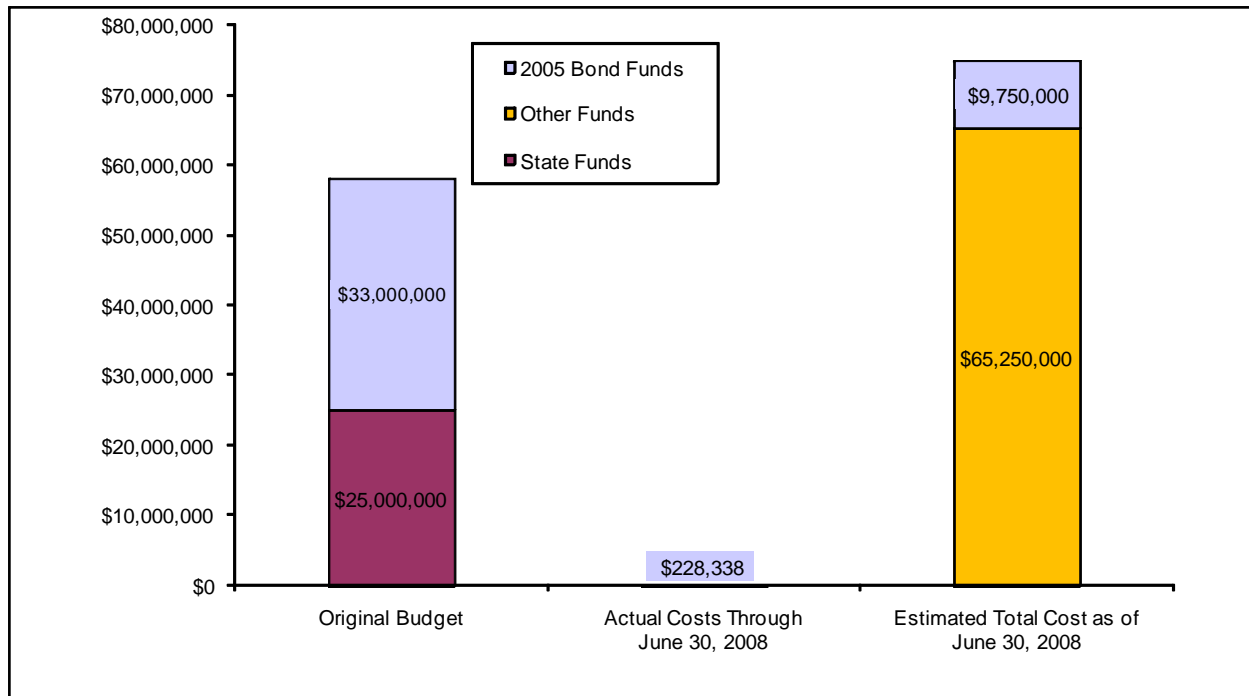
NEW STUDENT DEVELOPMENT CENTER PROJECT (ON HOLD)

The 2005 bond measure earmarked \$33 million for the New Student Development Center project. This new center on the Ocean Avenue Campus will consolidate student services, including admissions, registration, financial aid, and matriculation offices to serve the needs of new and readmitted students for counseling, advising, and career planning in a one-stop service center.

As of June 30, 2008, CCSF put this project on hold because funding from the state is unavailable and current financial conditions in the state continue to delay the project. The CCSF preliminarily estimates it will cost \$75 million as shown in Exhibit 13, to complete the new Student Development Center. However, should this project go forward, CCSF will need to design and generate new estimates for this project.

As of June 30, 2008, CCSF allocated \$9.7 million to the project, but, in November 2008, the college reallocated \$9.52 million of this \$9.7 million funding allocation to the Chinatown/North Beach project. The completion of the New Student Development project is contingent on future funding opportunities for the college.

EXHIBIT 13
NEW STUDENT DEVELOPMENT CENTER PROJECT COSTS



Sources: The 2005 Bond Project Report and CCSF General Obligation Bond Project Summary as of June 30, 2008.

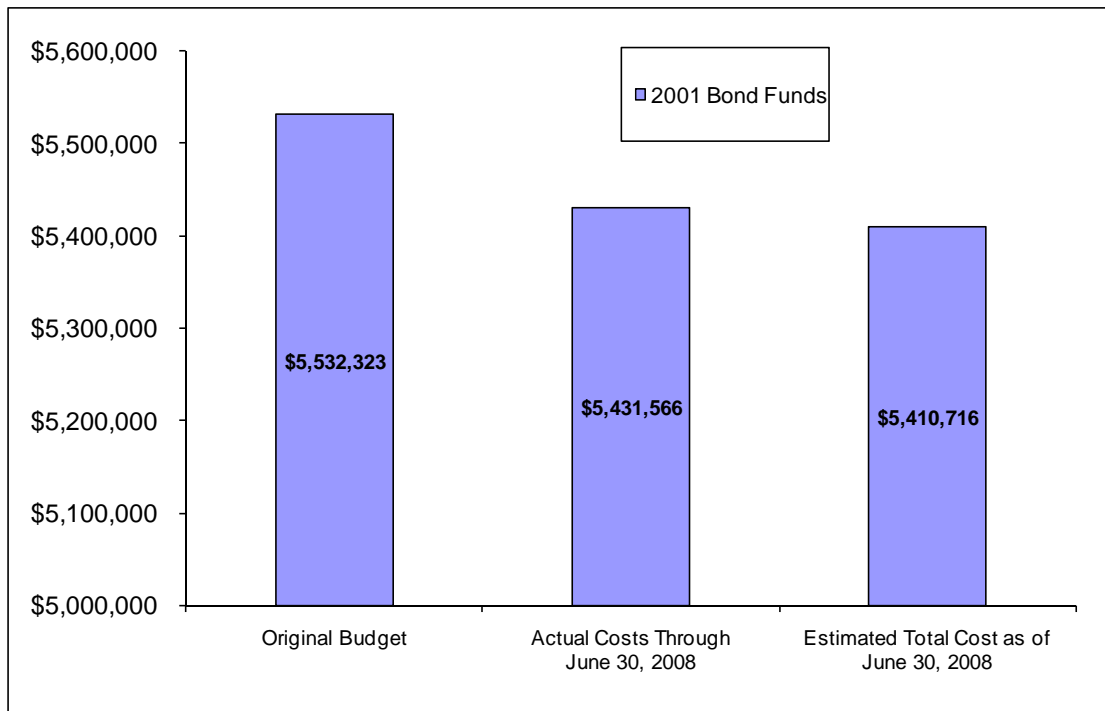
Note: The CCSF approved capital outlay budget is only \$9,750,000; therefore, CCSF will need to obtain additional funding of \$65,250,000 to complete the project.

PARCEL ADJACENT TO PHELAN CAMPUS (ESSENTIALLY COMPLETE)

The 2001 bond funds allocated about \$5.5 million for the acquisition and improvement of the parcel adjacent to Phelan Campus. This project included the demolition of old classroom space and temporary placement of modular units in order to maintain the existing course offering at the campus.

The CCSF completed the site work for this project in September 2005 and added the modular units in February 2006, for approximately \$5.4 million. However, the CCSF has not formally closed this project, which is further discussed in the Audit Results, Section 2.

EXHIBIT 14
ACQUISITION AND IMPROVEMENT PARCEL ADJACENT TO PHELAN CAMPUS

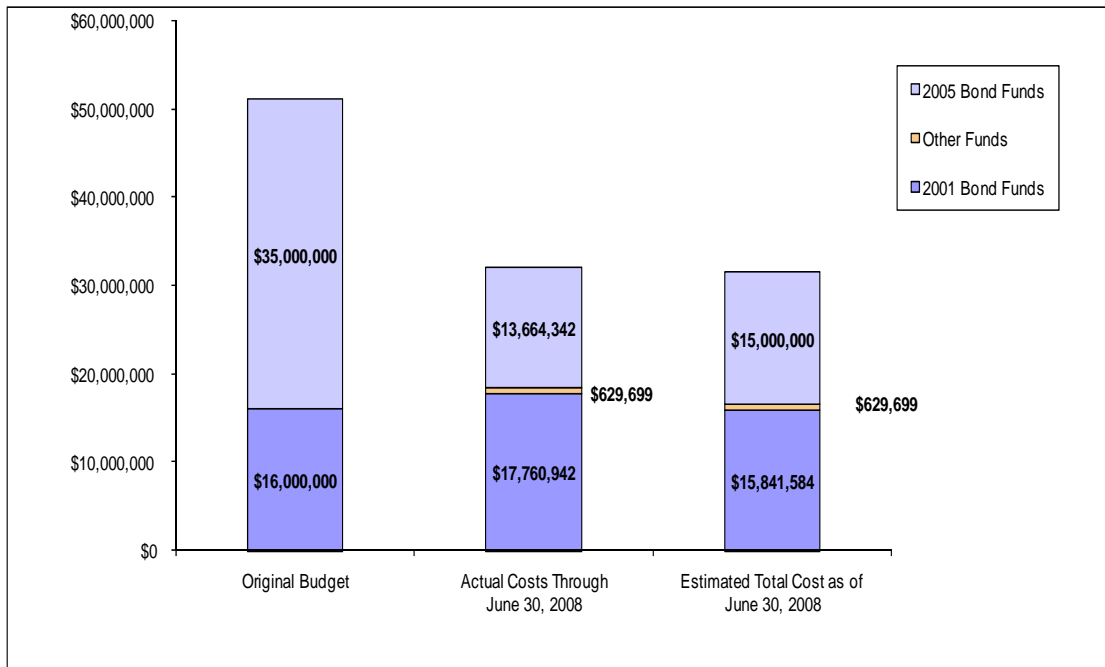


Sources: The 2005 Bond Project Report and CCSF General Obligation Bond Project Summary as of June 30, 2008.

RENOVATION/REMODEL/ADA ACCESS/CHILD-CARE PROJECT (ONGOING)

As shown in Exhibit 15, the CCSF is using 2001 and 2005 bond funds to renovate and modernize all CCSF’s aging buildings to improve disability access, meet seismic standards, and improve child-care facilities. These buildings and site improvements contribute directly to functional and positive learning and working environments for CCSF students and employees. There are several subprojects to this project and the CCSF is expecting to complete this project under the original budget estimate in December 2009, and estimates a total cost to complete of \$31.4 million, which is \$19.6 million less than original budget estimate

EXHIBIT 15
RENOVATION/REMODEL/ADA ACCESS/CHILD-CARE PROJECT COSTS



Sources: The 2001 and 2005 Bond Project Reports and CCSF General Obligation Bond Project Summary as of June 30, 2008.

Note: The \$629,699 includes \$619,462 in state funds and \$10,237 in other funds.

SCOPE AND METHODOLOGY

The CCSF contracted with MGT of America, Inc. to conduct a performance audit of its facility bond program. Specifically, CCSF requested that the audit team review the following 12 areas:

- 1. Compliance with Ballot, Bond, State, and Other Funding Source Requirements**
 - ◆ Review/evaluate bond program financial records and expenditure cost support to verify that funds were used for approved bond program purposes as set forth in the ballot.
 - ◆ Review and assess contracting policies, procedures, and practices to determine if they comply with laws and regulations.
- 2. Regulatory Compliance**
 - ◆ Review/evaluate compliance with selected federal, state, and local requirements as well as relevant Proposition 39 requirements.
- 3. Communication and Fulfillment of Expectations**
 - ◆ Assess whether adequate communication is maintained between stakeholders regarding the bond projects and facilities program.
- 4. Facilities Programming and Master Plan Approach**
 - ◆ Evaluate prior year audit recommendations that addressed the following:
 - Processes used to identify facility needs, programming, and coordination to comprehensively address site requirements and coordination with various user groups and stakeholders.
 - Determine whether the facilities programming and master plan processes seek input from student groups, employee organizations, or other interested or affected individuals or groups, and to what extent CCSF collaborates with San Francisco State University for determining future facility needs.
 - Evaluate the processes used to identify Facilities Office needs, programming, and coordination to comprehensively address site requirements and coordination with various user groups and stakeholders.
 - Determine and assess how CCSF developed these expansion plans. Determine whether and how it identified the needs of the entire geographic area it serves and if those needs are included in the expansion plans.
 - ◆ Determine the status of CCSF projects, including, the milestones reached, time lines, and total costs spent to date, relative to the original estimates for those projects.
- 5. Procurement Controls and Contract Administration**
 - ◆ Review and assess procurement controls for consistency, adherence to district purchasing policies, and application of competitive and fair subcontracting policies.

- ◆ Review a sample of contracts entered into between January 2001 and July 2008 to determine if the contracts were awarded in compliance with laws, regulations, and policies.
- 6. Contractor Liens, Claims, and Contract Administration**
- ◆ Evaluate the district's policies, procedures, and practices to obtain lien releases, avoid claims, and project closeout issues, and compare to other bond project practices for conformity.
- 7. Cost, Schedule, and Budgetary Management and Reporting**
- ◆ Evaluate bond program reporting to ensure current, accurate, and complete cost, schedule, and budget information is provided to program stakeholders.
 - ◆ Examine prior year audit recommendations regarding how CCSF's process for developing and monitoring the budget for allocating the bond fund expenditures support the CCSF strategic plan, planned capital projects, and other priorities set by the Board of Trustees and administration.
 - ◆ Determine how CCSF ensures the proper and prudent use of any state and federal funding received to augment local bond funds.
- 8. Program Staffing**
- ◆ Evaluate bond program staffing patterns/plans, program work flow, and analysis of relevant expenditures relative to need.
- 9. Change Management and Control**
- ◆ Evaluate district policies, procedures, and practices for ongoing management of change orders and related costs.
- 10. Expenditure Review (Testing/Analysis)**
- ◆ Evaluate expenditures on a test basis to ensure conformity with general and accepted practices and consistency with terms and conditions of bond program.
 - ◆ Review policies, procedures, and practices to determine whether the expenditures comply with bond provisions, funds are used only for allowable practices, and the Citizens' Oversight Committee requirements of Section 1, Article XIII A of Proposition 39 have been implemented.
- 11. Follow-Up on Previous Audit Recommendations (Financial and Performance)**
- ◆ Follow-up on the audit team's recommendations for the prior year's audit report issued June 30, 2008 that covered fiscal year 2006-07.
- 12. Identification/Recommendations Related to Effective Practices and Opportunities for Improvement**
- ◆ Identify effective practices and those needing improvement within each major scope area identified above.

INFORMATION GATHERING

In general, the audit team applied a number of approaches to obtain the information necessary to complete this audit. The audit team searched and identified federal, state, and local requirements; Proposition 39 requirements, California Code of Regulations sections, ballot measures, bond documents, and State Administrative Manual sections relevant to bond programs, procurements, and expenditures. To develop an in-depth understanding of the issues and potential outcomes pertaining to each task, the audit team interviewed CCSF management and staff; reviewed documents such as contracts, board resolutions, purchase orders, and reports; and examined project and expenditure files. To gain an industry perspective the audit team reviewed Internet resources, national standards, and news articles for areas that fell within the scope of the audit.

To understand the functional activities related to bond administration, the audit team reviewed CCSF's policies for the bond programs and identified the procedures used in contracting, subcontracting, and purchasing goods and services for the bond program. The audit team assessed whether CCSF practices complied with these policies by examining purchases made under the bond program in conjunction with the expenditure testing.

To understand and evaluate CCSF's policies, procedures, and practices to obtain lien releases and prevent claims, the audit team reviewed the procedures and practices used to manage contracts within the bond program and to address liens and lien releases, project closeout, and claims avoidance. The CCSF had no formal claims or stop notices filed during fiscal year 2007-08.

In addition, the audit team reviewed contractors' safety procedures. The audit team noted no significant exceptions to the contractors' process nor did they observe safety violations when touring the properties.

In order to evaluate whether CCSF's reporting procedures ensure current, accurate, and complete cost, schedule, and budget information is provided to bond program stakeholders, the audit team obtained reports prepared and issued to CCSF's Board of Trustees and the public by CCSF regarding financial and construction activities. The audit team interviewed recipients of the reports to determine the effectiveness of the reports for decision making and planning.

To determine if positions, duties, and activities were appropriately funded in accordance with the program, the audit team conducted a follow-up review of all employees and associated salary and benefit costs funded by the bond program for fiscal year 2007-08. Although CCSF Facilities Office staff who work on the bond program are not directly affected by a recent CCSF hiring freeze, the Facilities Office did not hire staff during the audit period.

To determine whether CCSF complied with relevant bond terms, the audit team reviewed and tested samples of 69 expenditures totaling \$50 million; twelve construction contracts, which had payments totaling \$18.5 million during fiscal year 2007-08; and two information technology contracts.

To determine whether CCSF had implemented prior audit recommendations, the audit team interviewed CCSF staff and obtained applicable documentation regarding progress on implementing prior-year audit recommendations. Section 11 of this report contains a summary of the status of those recommendations.

To understand the facilities programming and master plan approach, the audit team reviewed the Facilities Master Plan and any related CCSF policies or procedures. The audit team conducted interviews of CCSF facility planning personnel and compared the Facilities Master Plan with to state guidelines, CCSF policies and procedures, and industry standards.

To develop an understanding of CCSF's change management and control, the audit team reviewed relevant policies, procedures, and practices. The audit team prepared an attribute testing worksheet for relevant items, tested a sample of 46 change orders, and documented the time line and amounts of individual change orders including management and the CCSF Board of Trustees' approvals.

To determine CCSF's process for developing and monitoring the budget as well as how it supports the strategic planned capital projects and other priorities set by the Board of Trustees and administration, the audit team assessed whether the bond program budget reflects the costs for capital projects, including the expansion of projects. The audit team reviewed detailed analyses of all reported budget changes, revisions, and actual costs for each project for fiscal year 2007-08.

To determine the status of projects, the audit team reviewed time lines detailing the activity, milestones, and completion date or estimated completion date for each project starting with voter approval and continuing through June 30, 2008.

To determine how CCSF identified its needs and ensured it considered those needs in its expansion plans, the audit team reviewed the Facilities Master Plan and CCSF policies and procedures relating to the plan. The audit team also interviewed CCSF facility planning personnel and compared state guidelines and industry standards to the components of the Facilities Master Plan that address capacity and utilization.

To assess whether CCSF maintained an adequate level of communication regarding the capital projects and program, the audit team reviewed a wide range of evidence, including numerous planning documents, periodic reports to the board and the public, as well as agenda materials and official notes of meetings of the facility review committee, the Citizens' Oversight Committee, and the Board of Trustees. The audit team observed meetings of these three bodies and interviewed their members. The audit team also interviewed staff from the following vice chancellors' offices: Finance and Administration, Institutional Advancement, and Academic Affairs in addition to management and staff of various units including Facilities Planning and Construction, Maintenance, Buildings and Grounds, Administrative Services, and Business Services. Finally, the audit team reviewed the CCSF Web site.

AUDIT STANDARDS

We conducted the audit in accordance with generally accepted government auditing standards promulgated by the Comptroller General of the United States. These standards pertain to the auditors' professional qualifications, the quality of the audit effort, and the characteristics of professional and meaningful audit reports. By following these standards, the audit team ensured the independence and objectivity of team members, the analysis, and the resulting findings and recommendations offered in this report. The audit team limited its review to the areas specified in the scope section.

AUDIT TEAM

Tyler Covey, CPA, CMA, CFM

Loretta Hall, CISA, CISSP

Celina Knippling, CPA

Faye Borton, CCSA

Michael Hearn

Jessica Atkins

Michael Beebe, Ph.D.

David Teater, M.Ed.

AUDIT RESULTS

The audit team identified the following findings and recommendations during the performance audit of CCSF facilities bond program pursuant to Article XIII A of the Constitution of the State of California and Title I, Division 1, Part 10, Chapter 1 of the Education Code of the State of California (Proposition 39). The audit team organized the findings into the following 12 sections based on the scope of the audit.

1. Compliance with Ballot, Bond, State, and Other Funding Source Requirements
2. Regulatory Compliance
3. Communication and Fulfillment of Expectations
4. Facilities Programming and Master Plan Approach
5. Procurement Controls and Contract Administration
6. Contractor Liens, Claims, and Contract Administration
7. Cost, Schedule, Budgetary Management, and Reporting
8. Program Staffing
9. Change Management and Control
10. Expenditure Review
11. Follow-Up on Previous Audit Recommendations
12. Identification/Recommendations Related to Effective Practices and Opportunities for Improvement

1. COMPLIANCE WITH BALLOT, BOND, STATE, AND OTHER FUNDING SOURCE REQUIREMENTS

Ballot, bond, state, and other funding sources for capital outlay projects require CCSF to use bond proceeds for specific purposes. The CCSF Master Plan outlines the capital outlay projects funded by the 2001 and 2005 bond measures presented to voters, and approved by the Board of Trustees. In addition, CCSF must comply with bond terms and requirements of other funding sources for these capital outlay projects including state grants, state matching funds, and local grants. The CCSF must have adequate internal controls in place to ensure it uses bond funds and other funds for approved bond construction purposes as set forth in the ballot measures, bond documents, and state and local requirements. Good internal controls protect against misuse of funds and help to ensure that funds expended for bond projects adhere to funding requirements.

FINDING 1.1 THE CCSF DOES NOT ALWAYS COMPLETE REQUIRED CONTRACT TRANSMITTAL DOCUMENTS.

The CCSF Facilities Office developed a series of internal checklists to track required project file documents. These checklists require completion of a requisition form, contract approval transmittal form, budget summary, and an approved board resolution and signed contract. The CCSF requires completion of these forms for all service and construction-related contracts and

contract modifications (change orders). The contract approval transmittal form is an important part of the project file as the Accounting Office uses this form to track the movement of a contract package between the various requesting departments. The purpose of an approver's signature is to signify review and approval of the contract package for encumbrance. During its fieldwork, the audit team provided the CCSF Facilities Office with a list of documents and forms missing from project files. For example, the audit team found that 6 out of 12 sampled contracts tested lacked completed contract transmittal forms, and requested the Facilities Office staff to locate the missing information, where possible. In one instance, a staff person could not locate three contract approval transmittal forms, so he then prepared the forms and requested approval signatures. However, the managers who signed the forms did not date them. This omission allowed the staff person to backdate the form to make it appear as if the file had been completed earlier. Because the Accounting Office had paid for services under the contract, it is unclear whether these three transmittal forms were lost or not completed.

Regardless of the intent or reason, backdating required forms can be a mechanism for circumventing an organization's internal controls. The CCSF Accounting Office and management responded to this instance immediately by notifying the audit team of the issue and by providing counseling to the staff involved.

RECOMMENDATION 1.1 THE CCSF SHOULD ENSURE THAT STAFF COMPLETE REQUIRED TRANSMITTAL FORMS TIMELY AND FOLLOW EXISTING CCSF INTERNAL CONTROLS FOR TRACKING THE FLOW OF CONTRACTS.

The CCSF should work to strengthen its controls over the flow and approval of contract packages. Staff should adhere to internal controls set in place by CCSF's Accounting Office to protect against the risk of noncompliant activities.

2. REGULATORY COMPLIANCE

Federal, state, and local laws set forth various requirements for community colleges capital outlay projects. For example, several state agencies, such as the California Building Standards Commission, administer building codes. The commission's responsibilities include adopting, approving, publishing, and implementing codes and standards. One important provision in the codes requires colleges to send completed construction documents to the DSA for approval of compliance with structural safety, handicap access, and fire safety regulations.

Although the process is more cumbersome than explained here (see Appendix B for an explanation of the entire process), in brief, the DSA requires completion of the following:

- ◆ Documentation of DSA's approval of plans and specifications prior to construction (DSA-1 form).
- ◆ Attestation by a certified inspector of compliance with DSA-approved documents (plans and specifications) at various phases of a project (DSA-5 and Inspector Qualification form).
- ◆ Attestation by project design professionals, including a structural engineer, a mechanical engineer, and/or an electrical engineer, if applicable, "...that all construction has, in

every material respect, been performed in compliance with the DSA-approved documents...” (DSA-6 form).

FINDING 2.1 THE FACILITIES OFFICE DOES NOT CLEARLY COMMUNICATE THE CLOSE-OUT STATUS FOR COMPLETED PROJECTS TO ITS STAKEHOLDERS.

The audit team reviewed seven CCSF projects the Facilities Office reported as complete and found that the DSA has not certified that these projects comply with building codes and regulations governing school construction, as seen on Exhibit 16.

**EXHIBIT 16
THE CCSF DID NOT ALWAYS FILE CLOSE-OUT FORMS FOR
PROJECTS REPORTED AS COMPLETED**

PROJECT	DATE ESSENTIALLY COMPLETE	DATE OF NOTICE OF COMPLETION (NOC) TO THE CITY OF SAN FRANCISCO	COMPLIED WITH CALIFORNIA CIVIL CODE, SECTION 3093 (FILE NOC 10 DAYS AFTER COMPLETION).	FINAL DSA-6— DATE FILED WITH THE STATE
Acquisition and Improvements for Parcel Adjacent to Phelan Campus Project—Bungalow Addition	February 28, 2006	May 22, 2006	NO	Not Filed
Acquisition of Evans Campus and Seismic Retrofitting Project	October 28, 2004	June 10, 2005	NO	Not Filed
Balboa—Parking Lot Renovations Only	March 17, 2005	May 5, 2005	NO	Not Filed
Child Development Center	January 15, 2008	April 15, 2009	NO	November 21, 2008 Reported as 99 Percent Completed
Community Health and Wellness Center (Excluding Child Development and Student Health Centers)	March 23, 2008	October 10, 2008	NO	Not Filed
New Mission Campus	May 28, 2008	Not Filed	NO	Not Filed
Student Health Center	July 17, 2006	November 21, 2006	NO	November 21, 2008

Source: The CCSF, Facilities Office management.

According to the DSA project certificate guide, board members may be personally liable until these projects are certified. Additionally, DSA will not be able to approve any plans affecting uncertified construction at any time in the future. It is important to track and report both the completion date and closeout date to stakeholders because delays in the closeout process can indicate that the project does not meet state regulatory compliance requirements and/or indicate that there are potential issues with the project and/or the contractors. For example, the audit team found the following:

- ◆ According to the associate vice chancellor of facilities, the Child Development Center project is not closed because of a manufacturing issue with the solar panels that are part of the scope of the project.
- ◆ The Evans Campus and Seismic Retrofitting project is not closed because of safety issues related to the welding program and until resolved the architect will not submit the necessary closure forms.
- ◆ The New Mission Campus DSA-6 form and the Notice of Completion were not filed due to a contract dispute. The CCSF settled the dispute in February 2009 for an additional \$950,000 awarded to the design firm.

RECOMMENDATION 2.1 THE CCSF SHOULD TRACK AND MORE ACCURATELY REPORT COMPLETED PROJECT CLOSEOUT STATUS TO BOARD MEMBERS AND RELEVANT STAKEHOLDERS.

The CCSF should ensure that it promptly and accurately reports to its board members and relevant stakeholders, the completion dates of projects and the status of the closeout process—as board members may be liable for these projects until the DSA certifies compliance with building codes and regulations governing school construction.

FINDING 2.2 THE CCSF DOES NOT COMPLY WITH STATE LAW REGARDING THE FILING OF NOTICES OF COMPLETION TO THE COUNTY OF SAN FRANCISCO.

California Civil Code Section 3093 requires a Notice of Completion be submitted to the County of San Francisco ten days after the completion of a project. As noted in Exhibit 16, CCSF failed to file Notices of Completion timely, and in one case, not at all.

RECOMMENDATION 2.2 THE CCSF SHOULD ENSURE THAT IT FILES NOTICES OF COMPLETION TIMELY TO COMPLY WITH STATE LAW.

The CCSF should ensure that it complies with state law by filing the project Notices of Completion timely. Otherwise, it subjects the college to a greater risk of litigation and potential liens.

3. COMMUNICATION AND FULFILLMENT OF EXPECTATIONS

California law requires that districts issuing bonds under the provisions of Proposition 39 appoint citizens' oversight committees to inform the public of capital outlay programs. The CCSF Citizens' Oversight Committee issues reports on the results of CCSF activities, monitors the

bond construction program, and posts minutes of its proceedings on a public Web site maintained by the CCSF Board of Trustees.

California Education Code Section 15278 states: “The purpose of the citizens’ oversight committee shall be to inform the public concerning the expenditure of bond revenues. The citizens’ oversight committee shall actively review and report on the proper expenditure of taxpayers’ money for school construction.” The code further states that “...in furtherance of its purpose” the citizens’ oversight committee may engage in specified activities, including “reviewing efforts by the...community college district to maximize bond revenues by implementing cost-saving measures.”

The audit team’s findings and recommendations related to CCSF’s communication and fulfillment of expectations are listed below.

FINDING 3.1 THE CCSF BOARD CONTINUES TO DELIBERATE OVER THE ROLE OF THE CITIZENS’ OVERSIGHT COMMITTEE.

The Citizens’ Oversight Committee can serve an important monitoring function for a bond program. Although the law gives examples of tasks the committee must complete and other potential roles, the law does not specify or define the appropriate level of monitoring that is needed for the bond program. Although the prior-year performance audit recommended that the committee work with the board to take a more active role in monitoring, as of April 2009 the CCSF Board continues to discuss the extent of that role and has not yet formally defined the committee’s role. The lack of clarity over the role of the Citizens’ Oversight Committee could lead to duplication of monitoring efforts by the Board of Trustees and the Citizens’ Oversight Committee and diminish the committee’s effectiveness, thereby exposing the college to public criticism.

It is important to point out that the Citizens’ Oversight Committee has no formal authority to make decisions on behalf of CCSF, and its members, who are volunteers, are not covered by directors’ and officers’ liability insurance. Some oversight committee members may be limited in the time and effort they can expend to monitor the bond funds and projects, so the committee must rely on other resources to assist in this effort. Potential resources currently available to support the committee include the recently filled internal auditor position as well as the independent annual financial and performance auditors.

RECOMMENDATION 3.1 THE CCSF BOARD SHOULD FORMALLY DEFINE THE ROLE OF THE CITIZENS’ OVERSIGHT COMMITTEE AND IDENTIFY ADDITIONAL RESOURCES TO AID THE COMMITTEE IN ITS ROLE.

To better ensure that the Citizens’ Oversight Committee is effective, the CCSF board should determine what information it needs from the committee to make effective operational decisions for bond fund projects.

4. FACILITIES PROGRAMMING AND MASTER PLAN APPROACH

The CCSF performs facilities programming and planning using the requirements and guidelines set forth by the California Community Colleges Chancellor’s Office (CCCCO) in its *California Community Colleges Facilities Planning Manual* and other publications, as well as

recommendations published by the Council of Educational Facility Planners International (CEFPI).

The CCSF has a five-year master plan governing the organization, phasing, and charters of short- and long-term campus development. The plan provides guidelines for site, building, and landscape design for the preparation of future facility proposals and directs the CCSF's decision making regarding facilities and the supporting infrastructure.

Implementation of the audit team's recommendations for the prior-year audit regarding the master plan are in progress, as noted in Section 11. The audit team's review for fiscal year 2007-08 resulted in no exceptions or additional recommendations.

5. PROCUREMENT CONTROLS AND CONTRACT ADMINISTRATION

California Public Contract Code provisions, CCCCCO guidelines, and CCSF policy and bid provisions outline specific requirements for procurement control and contract administration. Best practices recommend that administrators monitor procurements and contract administration to ensure fiscal responsibility and adequate performance of contract provisions.

The audit team selected a sample of 12 contracts with payments totaling more than \$18.5 million of about \$70 million expended for bond projects during fiscal year 2007-08¹. The CCSF requires contractors to submit invoices and project managers review the invoice expenditures for compliance with bond terms, contract provisions, and any associated change order provisions.

FINDING 5.1 THE CCSF AWARDED TWO CONTRACTS WITHOUT A COMPETITIVE BIDDING PROCESS, AS REQUIRED BY STATE LAW.

The California Public Contract Code Section 20651(b) requires that the CCSF board award any contracts for public works projects exceeding \$15,000 to the lowest responsible bidder through a competitive bidding process.

The CCSF utilizes a construction management at risk (CMAR) approach to manage some of its construction projects. In the CMAR mode, CCSF selects a construction management firm based on the firm's expertise in providing services for a project throughout the design and construction phases. These services may include preparation and coordination of bid packages, scheduling, cost control, evaluation, and construction administration. The CMAR contractor solicits bids on behalf of CCSF and hires subcontractors for the project. The CCSF approves the subcontractors and processes the payments to the CMAR contractor through its change order process.

The audit team found that one CMAR contractor only received two bids for a portion of a construction project. The CCSF project manager identified a third bidder that was less expensive. However, the CMAR contractor was unable to contract with this third bidder because the bidder was not a signatory to the carpenters' union, which was a requirement for this particular CMAR contractor. As a result, the CCSF contracted separately and directly with the lowest bidder. Although this action saved CCSF money, CCSF failed to provide an opportunity

¹ Amount expended for the year is prior to year-end audit adjustments.

for others who were not signatory to the union to bid and therefore, may not have received the best price.

In the second example, the CCSF advertised for a pool of qualified vendors for construction services and performed reference checks on five contractors who met the request for qualifications. All five became the pool of vendors. However, the CCSF awarded a contract to perform services of more than \$400,000 to a sixth vendor that was not a part of this pool of qualified candidates. At least one report to the Board of Trustees indicated that this sixth vendor was part of the approved pool of candidates, and the board ratified the contract. However, the audit team found that the only documentation sent to the Facilities Office regarding this sixth vendor's qualifications was an e-mail from the vendor. According to the vice chancellor of facilities, this vendor was recommended by the architect of record for one of its projects and this decision saved CCSF money.

One cause of these issues may be that the Facilities Office does not process its requests for proposals or qualifications through the Purchasing Office as do other CCSF offices. Leading practices suggest that the identification of procurement needs and procurement specifications should remain with those that understand them best, such as the Facilities Office. However, procurement planning, solicitation of offers, and communication should be done by human resources staff, so that no offeror could gain an advantage or apparent advantage over another.

RECOMMENDATION 5.1A THE CCSF SHOULD ENSURE THAT ALL CONTRACTS IN EXCESS OF \$15,000 ARE BID COMPETITIVELY.

To ensure that the CCSF obtains the maximum monetary value for its purchase of supplies, equipment, and services, the college should comply with state laws governing the competitive bidding process.

RECOMMENDATION 5.1B THE CCSF SHOULD REVIEW ITS PROCUREMENT PROCESSES BETWEEN THE FACILITIES OFFICE AND THE PROCUREMENT OFFICE AND DEVELOP MANAGEMENT CONTROLS TO ENSURE COMPLIANCE WITH REQUIRED BIDDING LAWS.

By not complying with state bidding requirements, CCSF is jeopardizing public trust in its contracting practices and exposes itself to the potential for contract challenges and legal disputes. An organization's procurement function should be designed to obtain the best price and value, comply with federal, state, local, and agency procurement requirements, ensure understanding of the authority of organization team members in dealing with suppliers, and control the possibility of corruption or unethical practices.

FINDING 5.2 THE CCSF DOES NOT MAINTAIN ADEQUATE BIDDING DOCUMENTS ON FILE.

The CCSF purchasing document retention schedule requires that staff maintain documentation for winning bidders for equipment or services, at minimum, for five years from the date awarded and maintain the documents for unsuccessful bidders for only two years. The audit team reviewed 12 contract files and tested the adequacy of retention practices and found that five lacked sufficient documentation, such as proof of advertisement and standard bid responses to

support that the Facilities Office complied with applicable bidding requirements. Without adequate documentation to support the awarding of bids to the selected contractor, the CCSF may not be able to adequately defend itself from costly challenges to its contractor selection process and opens itself to potential claims of inappropriate purchasing and contracting activities.

RECOMMENDATION 5.2 THE FACILITIES OFFICE SHOULD ENSURE THAT IT MAINTAINS SUFFICIENT BID DOCUMENTS IN COMPLIANCE WITH THE CCSF DOCUMENT RETENTION SCHEDULE.

To ensure that the Facilities Office is maintaining adequate documents, it needs to develop an internal retention schedule that aligns with CCSF retention policies. For the five years following the contract board approval date, the files should contain proof of projects advertised for bid, proposals, proposal criteria reviews, and scoring worksheets. For two years following the contract award date, unsuccessful proposals should also be on file.

6. CONTRACTOR LIENS, CLAIMS, AND CONTRACT ADMINISTRATION

For payments of \$375,000 or less, California law and CCSF general contract terms typically require contractors to submit claims with sufficient supporting documentation and resolve the claim within a specified period. If the district does not respond or disputes the contractor's claim, then the two parties must proceed to a meet-and-confer process to attempt to resolve the matter collaboratively. Following the meet-and-confer process, if the claim or any portion remains in dispute the contractor can file a claim with the Board of Trustees. Should the Board of Trustees reject the claim in whole or in part, the contractor can file a court action within six months. This process is required before the contractor can file a lawsuit. The CCSF resolves claims exceeding \$375,000 through judicial proceedings.

Subcontractors and contractors' suppliers can use the "Stop Notice" process when there is a dispute over payment. The process first requires the submittal of a written preliminary notice. Specifically, a contractor serves the district with a Stop Notice, requiring the district to withhold from the contractor, an amount equal to the amount of the Stop Notice and any additional fees necessary to cover litigation costs. State law provides the use of the Stop Notice procedures as a means for subcontractors and contractors' suppliers to resolve disputes over payments, an industry practice, which the City of San Francisco also uses.

According to the associate vice chancellor of facilities management, there were no formal claims or Stop Notices currently pending or filed by contractors during fiscal year 2007-08. The absence of claims filed could be due to the practice for a CCSF project manager to attend project meetings to assist in identifying issues or potential issues early, instead of waiting until the issues compound. Judicial claims have affected bond projects as evidenced by one example in February 2009 in which the Board of Trustees authorized \$950,000 to settle pending litigation. The CCSF will pay this settlement with interest earned from the bond fund. The impact of judicial claims on financial reporting is the responsibility of the financial auditor and will not be addressed in this report. The audit teams' review in this area resulted in no formal findings or recommendations for fiscal year 2007-08.

7. COST, SCHEDULE, AND BUDGETARY MANAGEMENT AND REPORTING

California law and the CCCCCO require community college districts to adopt a preliminary budget for the ensuing fiscal year on or before June 30, and require certain information within the annual budgets. The CCSF Planning and Budgeting Council has 20 members representing faculty, classified staff, administrators, and students and is led by the Chancellor as its chairperson. The council meets bimonthly and provides guidance for each of the major activities that comprise the process, including development of the annual plan for the ensuing fiscal year. The council meets prior to June 30, at which time the vice chancellor of finance and administration presents and the council approves a preliminary budget. The CCSF Board of Trustees is required to adopt a final budget on or before September 15.

FINDING 7.1 CERTAIN CCSF REPORTS DO NOT PROPERLY IDENTIFY THEIR SOURCES OF INFORMATION.

The Facilities and Accounting Offices prepare various reports for the bond program to present to the board. The audit team reviewed the bond-specific reports and the project master budget report and expected to find cost, schedule, and budget and performance reports that are clear, accurate, relevant, and timely—to effectively aid management and board members decision-making process. The reports prepared by the CCSF Accounting and Facilities Offices are generally good, but can be improved. Specifically:

- ◆ The bond-specific reports for the 2001 and 2005 bonds list funds budgeted, encumbered, expended, and anticipated by project. However, the reports fail to indicate that each project depends on other local and state funds for its successful completion and do not include these other funds either in the budget or in funds expended.
- ◆ The project master budget report is a useful report that includes all projects and all budgeted revenues and expenses, such as all funds received and anticipated, and all expenses incurred, encumbered, and anticipated—including state and local funds. The report contains both general ledger data and management estimates but does not indicate which amounts are estimates or which are from the general ledger. Furthermore, some budgeted funding that is reported is merely anticipated. Reporting anticipated funding is acceptable depending upon the degree of certainty, but these uncertainties should be disclosed. Finally, several of the funding sources are not made suitably clear in the report to be understandable to readers unfamiliar with the development of the projects. The reports include notes, but lack the detailed information described above to facilitate a better understanding of the projects' financial status.

RECOMMENDATION 7.1 THE CCSF SHOULD ENSURE THAT NOTES IN BUDGET REPORTS CLEARLY IDENTIFY THE SOURCE OF DATA PRESENTED, INCLUDING THE METHODOLOGY USED FOR MANAGEMENT ESTIMATIONS.

Management is responsible for maintaining an adequate system of internal controls, and communication is paramount to this system. Internal controls ensure that management and key stakeholders are presented with accurate, timely, and complete information in order to plan, monitor, and report on business operations.

FINDING 7.2 THE CCSF BUDGET REPORTS DO NOT INCLUDE DSA REVIEW FEES RESULTING FROM CONTRACT AMENDMENTS AND CHANGE ORDERS.

The audit team found that budget reports do not include all DSA review fees. The DSA calculates review fees on estimated costs, actual costs of contracts, and change orders and requires CCSF to pay fees when it submits a project for approval, and at project closeout if there are changes to the contract. The DSA fees and amounts are noted in Exhibit 17 below.

**EXHIBIT 17
DSA REVIEW FEES**

DSA REVIEW FEES	FEES
Structural/Fire & Life Safety	The filing fee for project applications is 0.7 percent of the first \$1 million of estimated construction cost and 0.5 percent on the excess of the estimated cost over \$1 million. The minimum fee is \$250.
Access Compliance	The filing fee for project applications is 0.2 percent of the first \$500,000 of estimated construction cost, plus 0.1 percent of the estimated cost between \$500,000 to \$2,000,000, plus 0.01 percent of the estimated cost over \$2,000,000. The minimum fee in any case is \$200.

Source: The DSA Web site.

Because CCSF's final cost for projects often exceed its original estimates, the failure to budget for DSA's additional fees could result in significant unbudgeted additional costs. One example is the CCSF Student Health Center and Classrooms project. The CCSF originally reported the estimated project cost of \$4.8 million; however, the final contracted amount was more than \$9 million, including \$613,000 in change orders. This estimate overrun resulted in an additional \$25,000 unbudgeted in DSA fees.

RECOMMENDATION 7.2 THE CCSF SHOULD INCLUDE ADDITIONAL DSA REVIEW FEES IN THE PROJECT BUDGETS TO MORE ACCURATELY REFLECT POTENTIAL PROJECT COSTS.

To ensure that actual project budgets include all expected known costs, CCSF should calculate any additional review fees from the DSA to include in the estimated cost of the project. The DSA's Web site provides a review fee calculator to calculate these costs.

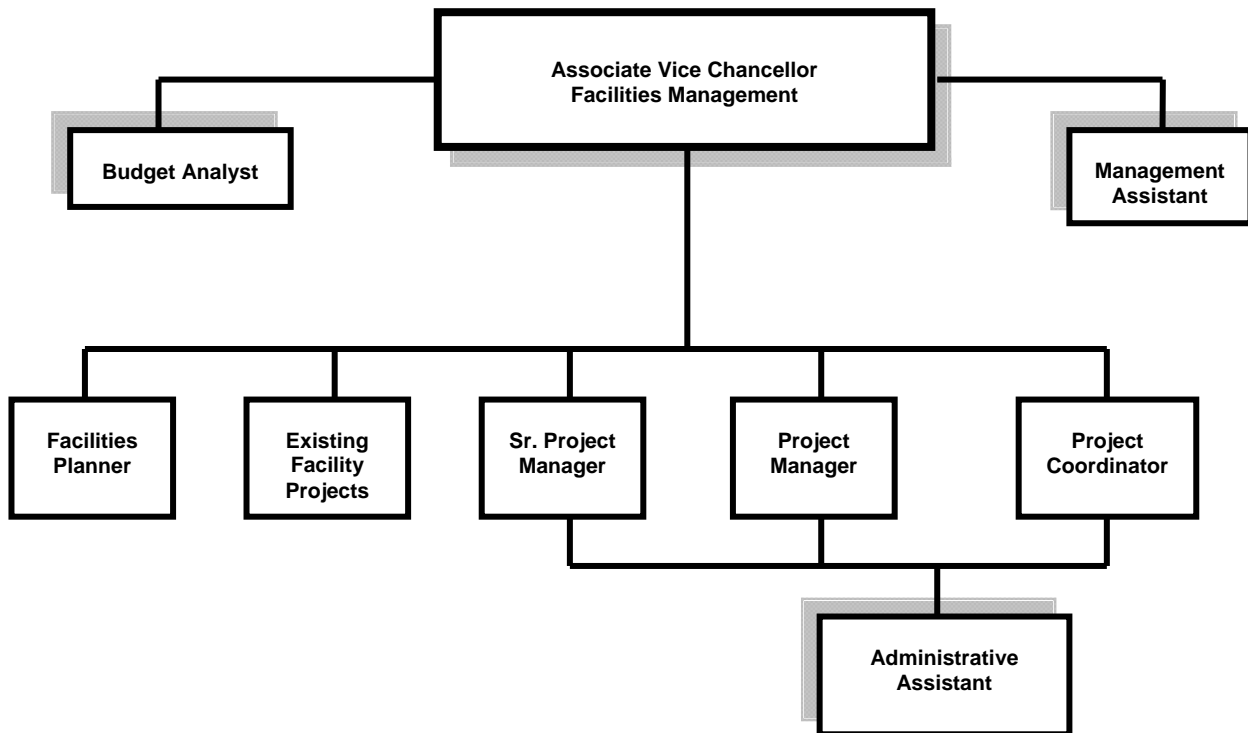
8. PROGRAM STAFFING

State law allows CCSF to expend bond funds on salaries related to construction, renovation, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities and the acquisition or lease of real property for school facilities. However, it does not allow expenditures of bond funds for teacher or administrator salaries or operating expenses.

The Facilities Office is responsible for the management, planning, design, and construction of CCSF facilities. The office is under the supervision of the vice chancellor of finance and Administration, and the employees report to the associate vice chancellor for facilities Management. As shown in Exhibit 18, the Facilities Office has nine employees, including an

analyst, a facilities planner, a project coordinator, and project managers. Each staff person plus an associate vice chancellor carries out duties in support of CCSF's facilities planning and construction work.

EXHIBIT 18
ORGANIZATION CHART
CCSF OFFICE OF FACILITIES PLANNING AND CONSTRUCTION



Source: Organization chart prepared by the associate vice chancellor of facilities management.

The Facilities Office chose not to implement the audit team's prior-year recommendation to eliminate two specific professional staff positions. Currently, the Facilities Office has vacant project management positions; however, according to the associate vice chancellor; he has no plans to fill them as project workload is decreasing. In fact, the Facilities Office did not hire any additional staff to work on the bond projects during fiscal year 2007-08. The audit team's review resulted in no additional exceptions or recommendations for fiscal year 2007-08.

9. CHANGE MANAGEMENT AND CONTROL

When CCSF changes the scope or price of an existing signed contract, its policies require staff to complete a change order form and obtain authorizing signatures from the appropriate CCSF administrators and the contractor. The CCSF policy also requires the board to approve the change order if it exceeds 10 percent of the original contract amount. The CCSF contract provisions require that all change orders contain specific information regarding the scope and price of the additional project work. The audit team tested 46 CCSF change orders for contractors who received payment in fiscal year 2007-08.

Contract amendments for Community Colleges are governed by Public Contract Code Section 20659. This code section provides that if any change or alteration of a contract governed by the provisions of this article is ordered by the governing board of the community college district, such change or alteration shall be specified in writing and the cost agreed upon between the governing board and the contractor. The board may then authorize the contractor to proceed with the performance of the change or alteration without the formality of securing bids, if the cost so agreed upon does not exceed the greater of:

- a. The amount specified in Section 20651 or 20655, whichever is applicable to the original contract;² or
- b. Ten percent of the original contract price.

FINDING 9.1 THE CCSF CHANGE ORDER POLICY IS INCONSISTENT WITH STATE LAW.

The CCSF's policy does not appear to comply with state law. The CCSF's policy states that when staff needs to change the scope or price of an existing contract, staff must use a change order form that specifies scope and price information related to the change, obtain the signatures of the appropriate CCSF administrators and the contractor, and seek board approval in advance if the change order exceeds \$50,000. State law, however, requires board approval for all contract changes—not just those in excess of specified amounts. In addition, state law requires that change orders that exceed 10 percent of the original contract price, or the specified thresholds, must be rebid. The CCSF policy does not contain a provision for rebidding.

RECOMMENDATION 9.1 THE CCSF BOARD OF TRUSTEES SHOULD AMEND ITS CHANGE ORDER POLICIES TO COMPLY WITH STATE LAW.

The CCSF should develop and implement policies related to change order approval and the need to seek competitive bids that align with the requirements in California Public Contract Code. The policy should provide for evaluation of each change order for appropriateness as a sole-source procurement. Legal advice should be sought when needed.

FINDING 9.2 THE CCSF MANAGEMENT WAS INCONSISTENT IN FOLLOWING ITS OWN CHANGE ORDER POLICY.

The audit team found that CCSF has not sought board approval for all change orders, even those exceeding the amounts specified in CCSF's policies. The audit team reviewed 46 change orders for contractors that CCSF paid in fiscal year 2007-08 to determine if staff brought these changes to the board for its approval. Fifteen of the change orders tested (totaling \$13.9 million), included the required information and were approved by the board in advance. The remaining 31 change orders (totaling more than \$75 million) pertained to a single CMAR contractor. As discussed in Section 5, a CMAR contractor may perform bidding services on an entity's behalf. The CCSF uses the change order process to approve contracts and to authorize payment to subcontractors recommended by the CMAR contractor. However, the CCSF board is still required to approve all change orders prior to contract execution. Furthermore, CCSF is required to seek bids for change orders exceeding the greater of 10 percent of the original

² These limits are \$15,000 for public works projects, \$21,000 for repairs and maintenance, and \$50,000 for all other goods and services.

contract price or the amounts specified in Public Contract Code Section in Section 20651 or 20655, whichever is applicable to the original contract.³

The audit team limited its review to determining whether the CCSF staff sought board approval for change orders prior to executing the agreements. The 31 change orders reviewed by the audit team contained a total of 339 line items. The team found that 110 of the line items fell below the 10 percent threshold and that the CCSF staff, based on the district’s policies, did not believe they were required to seek board approval for these items. Of the remaining 229 items, the audit team found the following:

DETERMINATION	CHANGE ORDER LINE ITEMS	
	NUMBER	DOLLAR AMOUNT
Board approved the change order prior to contract execution	64	\$35,931,380
Board approved the change order after contract execution	18	\$25,979,816
Board never approved the change order	144	\$13,543,728
Board approved a change order, but the contract amount exceeded the amount approved by the Board	3	\$917,862

Note: The totals add up to more than \$75 million because the 110 change orders that fell below the 10 percent threshold included negative dollar change orders.

For items presented to the board after the contract execution date, the number of days from contract execution until board approval ranged from 2 days to 266 days, with an average of 41 days. More concerning, however, are the 144 line items totaling more than \$13.5 million that the CCSF never presented to the board for review and approval despite its own policies and the requirements in state law.

The audit team also found that in one instance, the associate vice chancellor of facilities management signed a change order on behalf of the vice chancellor, essentially executing this \$7.5 million change order on behalf of CCSF, prior to board approval. In addition, several change orders were signed but not dated. Finally, in one instance, the team could not find any signature from the CCSF associate vice-chancellor or vice-chancellor. Some of the errors apparently occurred due to a staff misinterpretation of CCSF policies and the state laws. Nevertheless, these instances represent serious breaches of internal controls and state laws and warrant immediate attention and action by CCSF.

RECOMMENDATION 9.2 THE CCSF BOARD OF TRUSTEES SHOULD STRENGTHEN ITS CONTROLS OVER THE CHANGE ORDER PROCESS.

The CCSF should develop and implement stronger monitoring policies, processes, and controls over the CMAR contract processes to ensure that it complies with state public contract laws and its own policies related to contract change orders. In addition, management should wait until it receives board approval to execute the change orders and should be sure to sign and date all

³ These limits are \$15,000 for public works projects, \$21,000 for repairs and maintenance, and \$50,000 for all other goods and services.

documents. One way to improve controls is to revise the change order form to include the board resolution number as evidence of the board's approval—as needed.

10. EXPENDITURE REVIEW

The CCSF processes payments using purchase requisitions, purchase orders, or contract orders that require management approval. The CCSF project managers and accounting staff reconcile contractor invoices with approved requisitions or orders before paying the invoices. The Facilities Office monitors expenditures and assigns each expenditure with a payment source code entered into the CCSF accounting system to track bond and state and local funding expenditures.

The audit team tested a sample of 69 expenditures totaling more than \$59 million for compliance with bond terms and verified that transaction amounts matched supporting documentation and bank statements. Specifically, the audit team verified documents for required signatures, vendor information, expenditure amounts, project coding, and clear documentation for allocation of expenditures to various bond funds. In addition, the audit team traced expenditures to CCSF bank statements. For the most part, supporting documents and bank statements contained appropriate information. However, the CCSF Facilities and Accounting Offices can improve their supporting documents for expenditures. The audit team's review of expenditures for fiscal year ending in June 30, 2008, revealed that several invoices lacked clear support for payment allocation between bond funds accounting codes. This issue is reported in the audit team's prior year performance audit and a follow-up of the CCSF's progress in implementing our prior year recommendations is included in Section 11 of this report. The audit team's review resulted in no additional findings or recommendations for fiscal year 2007-08.

11. FOLLOW-UP ON PREVIOUS MGT AUDIT RECOMMENDATIONS

The CCSF is addressing the following 23 recommendations from MGT's prior audit dated June 2008, for the period ended June 30, 2007. Because the prior audit report was issued in June 2008, CCSF had less than one month to react to the recommendations during the period covered by this audit report. Therefore, we extended our review period for this area and the following statuses and notes were confirmed by CCSF as accurate through April 14, 2009. Even with the additional time, many of these recommendations are not yet implemented. However, CCSF continues to modify existing policies and procedures in a concerted effort to address the recommendations.

RECOMMENDATION	STATUS	NOTES
1.1 Create, Implement, and Periodically Update board Policies and Administrative Regulations for the Bond Program.	Not Implemented	The CCSF's legal council has developed draft policies for the Board of Trustees; however, it has not yet addressed the need for administrative regulations.
2.1 Implement Policies and Procedures to Ensure Compliance with Competitive Bidding Laws and Closely Monitor Project Scope.	Partially Implemented	The CCSF has developed a tracking spreadsheet that documents all vendor payments, the Board of Trustees' resolution number, and amount approved. The associate vice chancellor screens all small construction contracts and the "information only" section of the monthly board agenda. The CCSF's legal council has developed draft policies for the Board of Trustees; however, the board has yet to adopt them. The CCSF appeared to continue splitting contracts in 2007-08, and are not in compliance with Public Contract Code, Section 206577. Because CCSF did not have time to implement changes that would positively affect 2007-08, we did not test further during this audit.
3.1 Adopt Formal Policies Regarding the Citizens' Oversight Committee.	Not Implemented	The CCSF's legal council has developed draft policies for the Board of Trustees; however, the board has yet to adopt them.
3.2 Assign a More Extensive Role to the Citizens' Oversight Committee.	Not Implemented	The CCSF Board of Trustees has yet to formally define the Citizens' Oversight Committee's role for monitoring the bond funds.
3.3 Adopt a Policy Regarding Capital Planning Collaboration with San Francisco State University.	Not Implemented	The CCSF's legal council has developed draft board policies; however, the Board of Trustees has yet to adopt them.
3.4.1 Improve Access to Information about Bond Projects and the Citizens' Oversight Committee on the CCSF Web Site.	Partially Implemented	The CCSF's Web site includes the meeting schedule, minutes of meetings, and the required financial and performance bond audit reports. In addition, a redesign of the Web site should go online during spring 2009.
3.4.2 Improve the Consistency of Useful and Timely Information to the Citizens' Oversight Committee and the Board of Trustees.	Implemented	The CCSF has set a goal of providing information to the Board of Trustees and the Citizens' Oversight Committee two weeks in advance of its meetings.
4.1.1 Adopt a Value Engineering Policy.	Not Implemented	The CCSF has drafted policy language, but the Board of Trustees has yet to adopt the policy.
4.1.2 Adopt an Improved Change Order Policy.	Not Implemented	The CCSF has drafted policy language, but the Board of Trustees has yet to adopt the policy.

Continued

RECOMMENDATION	STATUS	NOTES
4.1.3 Adopt a Post-Occupancy Review Policy.	Not Implemented	The CCSF has drafted policy language, but the Board of Trustees has yet to adopt the policy.
4.1.4 Adopt a Bid Alternates Policy.	Not Implemented	The CCSF has drafted policy language, but the Board of Trustees has yet to adopt the policy.
4.1.5 Adopt a Site Selection Criteria Policy.	Not Implemented	The CCSF has drafted policy language, but the Board of Trustees has yet to adopt the policy.
4.2 Ensure Proper Archiving and Storage of Construction Documents.	Partially Implemented	The CCSF has drafted policy language, but the Board of Trustees has yet to adopt the policy. However, the Facilities Office has electronically scanned about 100 of the approximately 300 sets of construction documents to be digitized as of October 2008.
4.3 Implement a Computerized Maintenance Management System.	Not Implemented	The CCSF plans to issue a request for proposal to find a vendor; implementation is expected by June 2009.
4.4 The CCSF Should Amend its Master Plan.	Not Implemented	The CCSF will consider MGT's audit recommendations for its next master plan, as revising the current master plan is not required.
5.1 Ensure Board Resolutions More Closely Match Contract Amounts.	Partially Implemented	The Facilities Office developed a tracking spreadsheet to monitor contract spending authority. However, this spreadsheet did not start tracking board resolution amounts until November 2008. The success of this process will be validated during the 2008-09 performance audit.
7.1 Require More Detailed Budgets and Closely Monitor Capital Outlay Projects.	Partially Implemented	The CCSF has implemented a summary of reallocation for bond fund projects report. Although this report is useful, key information is missing, see discussion in Section 7 of this report.
8.1 Update Job Duty Statements, Create a Staffing Plan, and Consider Eliminating Two Positions.	Not Implemented	The CCSF eliminated two positions, but not the two recommended and has not developed a staffing plan or formally updated job duty statements.
8.2 Analyze Personnel Duties and Adjust Salary and Benefit Charges by Funding Source Accordingly.	Chose Not to Implement	The CCSF chose not to charge additional overhead to the bond fund due to limited bond resources.
10.1 Improve Bond Expenditure Monitoring.	Partially Implemented	The audit team's review of expenditures for fiscal year ending June 30, 2008 revealed that several invoices lacked clear support for payment allocation between bond funds.

Continued

RECOMMENDATION	STATUS	NOTES
10.2 Improve Monitoring of Project Accounting Codes and the Use Of Contract Approval Transmittal Forms.	Not Implemented	The CCSF responded that this finding referred to a single occurrence that was an oversight. However, as noted in Section 1, CCSF continues to lack completed contract approval transmittal forms and the audit team's review of expenditures for fiscal year ending June 30, 2008 revealed that several invoices lacked clear support for payment allocation between bond fund accounting codes.
11.1 The CCSF Should Continue its Efforts to Implement an Internal Audit Function.	Implemented	The CCSF hired an internal auditor on October 13, 2008 to implement its internal audit function. Although the annual audit plan is in development, the audit charter, policies, and procedures have been developed.
12.1 Develop Policies, Procedures, and Tools For Maintaining Complete and Organized Files.	Partially Implemented	The CCSF has improved its management of files; however, the audit team continued to have difficulty locating complete documents during its 2007-08 audit fieldwork.

12. IDENTIFICATION/RECOMMENDATIONS RELATED TO EFFECTIVE PRACTICES AND OPPORTUNITIES FOR IMPROVEMENT

Throughout this report, the audit team evaluated CCSF policies, procedures, and practices to determine whether these compare equally or favorably with comparable bond project best practices used by other community college districts and other governmental entities. As such, the audit team makes recommendations throughout the report that address effective practices and opportunities for improvement.

FINDING 12.1 THE FACILITIES OFFICE LACKS AN OPERATIONAL POLICIES AND PROCEDURES MANUAL.

The audit team found that the Facilities Office lacks an operational policies and procedures manual for its core processes, such as project bidding, contract/construction management process practices, and the CCSF closeout process. Best practices suggest that entities should formally document their operational procedures for information management.

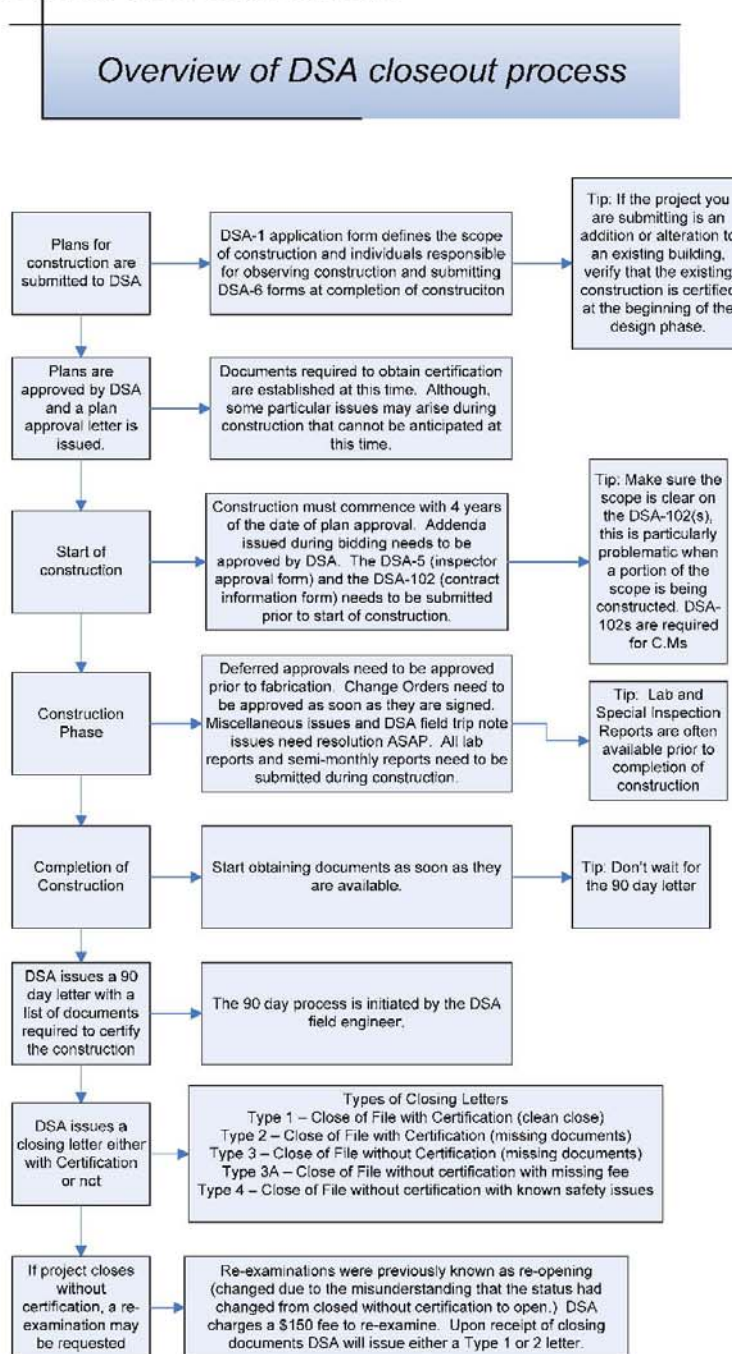
The Facilities Office staff currently use internal checklists and guidelines published by the CCCCCO and DSA. However, best practices suggest that internal operation procedures be developed. Facilities Office staff informed the audit team that at one time the Facilities Office had an internal operations manual, but staff could not locate this manual as of March 2009.

RECOMMENDATION 12.1 THE FACILITIES OFFICE SHOULD DEVELOP A FORMAL POLICIES AND PROCEDURES MANUAL.

The CCSF has developed various checklists to guide its procedures, such as the process for seeking contract approval, steps to close a project, and, recently, the process for purchasing goods. However, the Facilities Office does not appear to have a current and comprehensive internal operations manual. The audit team found that staff uses DSA and CCCCCO resources in lieu of a comprehensive manual. However, these resources do not clearly represent the Facilities Office internal operations. The CCSF should ensure that it documents its operations manuals to include all current policies, procedures, and work instructions that comprise the methodology with which the Facilities Office carries out its functions. An operating manual should contain all the information required for new and existing employees to access for training and subsequent reference.

APPENDIX A

1.8 CLOSEOUT PROCESS FLOWCHART



APPENDIX B

Appendix B: The City College of San Francisco's Response to MGT's Audit Report

September 8, 2009

Tyler Covey, CPA, CMA
MGT America Inc.
455 Capitol Mall
Sacramento Ca 95814

Dear Mr. Covey:

City College of San Francisco is appreciative of the efforts that MGT America has made to conduct a very thorough performance audit of the College's bond program. The College will now move forward and begin implementing MGT's recommendations. The schedule below shows the expected completion date for each recommendation:

RECOMMENDATION 1.1 THE CCSF SHOULD ENSURE THAT STAFF COMPLETE REQUIRED TRANSMITTAL FORMS TIMELY AND FOLLOW EXISTING CCSF INTERNAL CONTROLS FOR TRACKING THE FLOW OF CONTRACTS.

TARGET COMPLETION DATE: **IMPLEMENTED.**

STAFF HAS BEEN TRAINED; IMPROVED CONNECTIONS HAVE BEEN ESTABLISHED WITH COLLEGE PURCHASING OFFICE TO ENSURE COMPLIANCE.

RECOMMENDATION 2.1 THE CCSF SHOULD TRACK AND MORE ACCURATELY REPORT COMPLETED PROJECT CLOSEOUT STATUS TO BOARD MEMBERS AND RELEVANT STAKEHOLDERS.

TARGET COMPLETION DATE: **IMPLEMENTED BY OCTOBER 2009.**

THIS FUNCTION IS NOW ASSIGNED TO A SPECIFIC STAFF MEMBER, ALL PROJECTS REFERENCED BY THE AUDITORS FOR LACK OF NOTICE OF COMPLETION WILL HAVE ONE BY OCTOBER 2009 AND THOSE NOTICES WILL BE PROVIDED TO THE BOARD OF TRUSTEES

RECOMMENDATION 2.2 THE CCSF SHOULD ENSURE THAT IT FILES NOTICES OF COMPLETION TIMELY TO COMPLY WITH STATE LAW.

TARGET COMPLETION DATE: **IMPLEMENTED BY OCTOBER 2009.**

THIS FUNCTION IS NOW ASSIGNED TO A SPECIFIC STAFF MEMBER, ALL PROJECTS REFERENCED BY THE AUDITORS FOR LACK OF NOTICE OF COMPLETION WILL HAVE ONE BY OCTOBER 2009

RECOMMENDATION 3.1 THE CCSF BOARD SHOULD FORMALLY DEFINE THE ROLE OF THE CITIZENS'

OVERSIGHT COMMITTEE AND IDENTIFY ADDITIONAL RESOURCES TO AID THE COMMITTEE IN ITS ROLE.

TARGET COMPLETION DATE: BOARD OF TRUSTEES HAS MET WITH THE OVERSIGHT COMMITTEE AND DISCUSSED THIS ISSUE, RESOLUTION IS EXPECTED AFTER THE NEXT JOINT MEETING LATER THIS CALENDAR YEAR

RECOMMENDATION 5.1A THE CCSF SHOULD ENSURE THAT ALL CONTRACTS IN EXCESS OF \$15,000 ARE BID COMPETITIVELY.

RECOMMENDATION 5.1B THE CCSF SHOULD REVIEW ITS PROCUREMENT PROCESSES BETWEEN THE FACILITIES OFFICE AND THE PROCUREMENT OFFICE AND DEVELOP MANAGEMENT CONTROLS TO ENSURE COMPLIANCE WITH REQUIRED BIDDING LAWS.

TARGET COMPLETION DATE: **IMPLEMENTED.**

ALL CONTRACTS GREATER THAN \$15,000 ARE REVIEWED IN A 3 STEP PROCESS. FIRST, THE PROJECT MANAGER ASSEMBLES ALL THE REQUIRED DOCUMENTS. SECOND, AN INDIVIDUAL OUTSIDE THE FACILITIES DEPARTMENT REVIEWS AND SIGNS OFF A CHECKLIST INDICATING THE DOCUMENTS ARE IN ORDER, AND THIRD, THE DOCUMENTS ARE SIGNED BY THE ASSOCIATE VICE CHANCELLOR FOR FACILITIES MANAGEMENT AND THE VICE CHANCELLOR OF FINANCE AND ADMINISTRATION. A PRE-QUALIFIED CONTRACTOR POOL IS BEING ESTABLISHED TO MEET THE NEEDS FOR EMERGENCY PROJECTS.

RECOMMENDATION 5.2 THE FACILITIES OFFICE SHOULD ENSURE THAT IT MAINTAINS SUFFICIENT BID DOCUMENTS IN COMPLIANCE WITH THE CCSF DOCUMENT RETENTION SCHEDULE.

TARGET COMPLETION DATE: **IMPLEMENTED.**

THE FACILITIES OFFICE HAS MOVED ITS STORAGE LOCATION THREE TIMES IN THE PAST TWO YEARS. THIS HAS CAUSED PROBLEMS FINDING OLDER DOCUMENTS. SOME OF THE DOCUMENTS THE AUDIT TEAM WAS SEARCHING FOR HAVE BEEN FOUND, BUT UNFORTUNATELY NOT IN TIME FOR THE AUDIT WORK. STORAGE CAPACITY HAS NOW BEEN INCREASED FOR ACTIVE PROJECTS; STORAGE SPACE HAS BEEN ADDED FOR OLDER PROJECTS. WORKING DRAWINGS ARE NOW BEING STORED ELECTRONICALLY. OLDER DRAWINGS HAVE BEEN SCANNED. AN ELECTRONIC RECORD OF CONTRACTS TOGETHER WITH THE SUPPORT DOCUMENTATION (I.E., RFQ, RFP, ADVERTISEMENTS, BID TABULATIONS, BID PROPOSALS, RFQ AND RFP SCORE SHEETS, ETC.) AND THE RELATED BOARD RESOLUTION IS CREATED AS A STANDARD PROCEDURE. THE PROJECT MANAGER ASSEMBLES THE DOCUMENTATION AND ANOTHER INDIVIDUAL IN THE FACILITIES DEPARTMENT HAS BEEN ASSIGNED THE RESPONSIBILITY OF VERIFICATION OF COMPLETENESS AND THEN CREATES THE ELECTRONIC FILE.

RECOMMENDATION 7.1 THE CCSF SHOULD ENSURE THAT NOTES IN BUDGET REPORTS CLEARLY IDENTIFY THE SOURCE OF DATA PRESENTED, INCLUDING THE METHODOLOGY USED FOR MANAGEMENT ESTIMATIONS.

TARGET COMPLETION DATE: **IMPLEMENTED BY OCTOBER 2009**

SOURCES OF DATA AND ESTIMATES WILL BE IDENTIFIED AND ADDED TO FUTURE VERSION OF THE

CHARTS THAT SUMMARIZE BOND PROJECT BUDGETS

RECOMMENDATION 7.2 THE CCSF SHOULD INCLUDE ADDITIONAL DSA REVIEW FEES IN THE PROJECT BUDGETS TO MORE ACCURATELY REFLECT POTENTIAL PROJECT COSTS.

TARGET COMPLETION DATE: **IMPLEMENTED.**

IT IS NOT ALWAYS POSSIBLE TO ESTIMATE FINAL DSA REVIEW FEES EARLY IN A PROJECT, BUT WHEN BIDDING IS COMPLETE THE COLLEGE CAN AND WILL RE-ESTIMATE FINAL DSA FEES FOR EACH PROJECT

RECOMMENDATION 9.1 THE CCSF BOARD OF TRUSTEES SHOULD AMEND ITS CHANGE ORDER POLICIES TO COMPLY WITH STATE LAW.

RECOMMENDATION 9.2 THE CCSF BOARD OF TRUSTEES SHOULD STRENGTHEN ITS CONTROLS OVER THE CHANGE ORDER PROCESS.

TARGET COMPLETION DATE: **IMPLEMENTED BY OCTOBER 2009.**

THE ADMINISTRATION ACCEPTS THE AUDIT TEAM'S RECOMMENDATIONS TO AMEND CURRENT POLICY REGARDING CHANGE ORDER APPROVALS AND WILL PROPOSE NEW LANGUAGE FOR ADOPTION BY THE BOARD OF TRUSTEES AT THEIR REGULAR OCTOBER 2009 MEETING. REGARDING THE SPECIFIC FINDINGS RELATED TO THIS ITEM, THE VICE CHANCELLOR FOR FINANCE AND ADMINISTRATION WOULD LIKE TO PRODUCE COMPLETE ACCOUNTING OF ALL THE LINE ITEMS THE AUDIT TEAM REPORTS AS NOT RECEIVING BOARD APPROVAL. TO DO SO WILL REQUIRE THE SERVICES OF A FORMER STAFF MEMBER, WHO CURRENTLY WORKS FOR ANOTHER EMPLOYER. IT IS EXPECTED THAT THIS WORK CANNOT BE COMPLETED UNTIL NOVEMBER 2009, AND IT WILL BE SHARED WITH THE AUDIT TEAM FOR THEIR REVIEW AT THAT TIME.

FOLLOW-UP ON PREVIOUS MGT AUDIT RECOMMENDATIONS:

Many of the audit team's recommendation for additional policy manual sections were implemented when the Board of Trustees adopted Resolution 090430-P1 in April 2009. Additional implementation efforts related to the audit teams recommendations are presented below.

2.1 Compliance with bidding laws

Implementation is ongoing. The Facilities Management Department has held two department training sessions with the Purchasing Department, and established an oversight procedure by an individual outside the Facilities Department.

4.1.1 Value Engineering

This is a basic step in design and budgeting and is included in every project.

4.1.2 Change Orders

To add clarity to this issue, we no longer refer to novating a subcontract to the CM firm as a

change order. We use a "Contract Assignment" form to differentiate between this and the typical "Change Order" which might be caused by field conditions or design oversights.

4.1.3 Post-occupancy review: We have established a procedure utilizing an outside firm specializing in these reviews and have assigned a staff member to administer the process.

4.1.4 Bid Alternates: Including bid alternates is standard operating procedure in all of our large projects and in small ones when applicable.

4.2 Document storage: All construction documents have been scanned and are now stored on CDs. Storage has been consolidated for all paper documents to two locations.

8.1 Job duty statements: The Facilities Department is developing a department operations guide that will include Job duties, as well as all bid procedures, project flow (inception to completion), etc. This is expected to be completed by November 2009.

12.1 Maintaining organized files: This will be codified in the Department Guidelines referenced above. Additional staff time will be assigned to achieve better organization.

Sincerely,

James Blomquist, Associate Vice Chancellor for Facilities Management

Peter Goldstein, Vice Chancellor for Finance and Administration