



Corrective Action Plan Follow-up Review: Bond Program Management Audit

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Final Follow-up Report

Audit Plan Code: 20-13

Seventeen of the 18 corrective action plan (CAP) activities were implemented by management to address the findings and recommendations in the original audit report.

To address the activity not implemented, management implemented compensating controls. The activities implemented were sufficient to address the findings and recommendations in the original audit report. As such, this report represents the close-out of this CAP.



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Abbreviations

CAP	Corrective Action Plan
CRR	Constructability Review Reports
DSFO	Deputy Superintendent of Finance and Operations
EPISD	El Paso Independent School District
IIA	Institute of Internal Auditors



Background

The Institute of Internal Auditors' (IIA) International Standards for the Professional Practice of Internal Auditing, Performance Standard 2500 - Monitoring Progress, require we "...establish and maintain a system to monitor the disposition of results communicated to management." Internal Audit has established the Corrective Action Plan (CAP) process to meet this requirement. The process includes monitoring and reporting whether management has implemented corrective actions to address audit findings and recommendations.

Internal Audit issued the Bond Program Management Audit Report (original audit report) to District management and leadership on August 2, 2019. We performed the original audit as part of the Board approved 2018-2019 Internal Audit Plan. The objective of the audit was to determine whether (i) change order management, (ii) key reports, (iii) program manager's performance reviews, and (iv) staff qualification reviews were performed in accordance with the Bond Program Management Services Request for Qualifications (RFQ) No. 17-001 Agreement/Contract and District policy. The scope covered the period from the bond issuance, January 18, 2017, to December 14, 2018.

Our original audit found instances where Jacobs did not comply with the contract in the area of staff qualifications reviews. In addition, District management (i) did not obtain sufficient approvals in the area of change order management and (ii) used Jacobs' client survey process instead of creating their own performance review process to evaluate Jacobs' performance.

The original audit report included four (4) findings, four (4) observations, and eight (8) recommendations. For reference, we provided a summary of the original audit report results in **Exhibit A**. District management and administration agreed with our recommendations and developed a CAP with 18 activities to address the findings.

Objective and Scope

The objective and scope of this follow-up review was to determine whether management implemented the 18 CAP activities or took other actions to address the four (4) findings, four (4) observations, and eight (8) recommendations outlined in the Bond Program Management Audit Report.

Methodology

To achieve our follow-up review objective, we:

- Held meetings and communicated with persons responsible for carrying out the CAP activities.
- Reviewed supporting documentation maintained by management as evidence of completion of the CAP activities provided to Internal Audit.

Inherent Limitations

This follow-up review was limited in scope covering only the actions taken by management to address the original audit findings and recommendations stated in the Objective and Scope section of this report. No representations of assurance are made to other areas or periods not covered by this follow-up review.

Summary of Results

CAP Activities	Implemented	Overall CAP Status
18	17	Closed

Management implemented 17 of the 18 activities in the CAP. For the activity not implemented, management decided to perform compensating controls in the form of meetings with Jacobs staff where issues related to design issues/concerns were discussed and resolved. As such, this report represents the close-out of the CAP.

Original Recommendations and Status of CAP Activities

The original recommendations, the person(s) responsible, and the status of the CAP activities are outlined below:

1

Original Recommendation: "We recommend District management work with the Board Policy Committee to ensure Board Policy CV(Local) clearly outlines the Board's expectations for approving changes to professional services' fees and/or the scope of work."

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity one (1).

Persons Responsible: Deputy Superintendent, Finance and Operations; Executive Director, Facilities and Construction

Status of Activity: Implemented

2

Original Recommendation: "Due to factors such as (i) bond size, (ii) complexity of the bond, and (iii) the District's core beliefs of transparency and accountability, we are making the following recommendations related to the District's performance review process of Jacobs.

2.1 Develop and implement a comprehensive formal vendor performance review process in consultation with key functional departments (i.e. Procurement and Facilities and Construction) and with key 2016 Bond Program stakeholders to be in effect for the length of the 2016 Bond Program contract. We recommend the review process:

2.1.1 Identify the key 2016 Bond Program stakeholders who should be part of the performance review process and define their roles and responsibilities.

2.1.2 Define the basic performance criteria mentioned in the contract.

2.1.3 Include S.M.A.R.T. (specific, measured, attainable, relevant, timely) criteria based on facts, figures, or other measurable criteria, which is less subjective and arbitrary in nature.

2.1.4 Develop action plan(s) as part of each performance review conducted. The District could use these plans to document and communicate to Jacobs areas identified as non-compliant and/or needing improvement.

2.1.5 Follow the District's vendor performance reporting process outlined in the EPISD Procurement Services Manual in the event of continuous non-compliance.

2.2 Consider more frequent performance reviews as permitted by the contract. These reviews could be used as "progress reports" of Jacobs with the intent to recognize (i) exceptional performance, (ii) correct deficient performance, and/or (iii) address non-compliant areas identified in action plans on a more timely basis.

2.3 Develop and implement a process to share, on a timely basis, the results of performance reviews with appropriate key 2016 Bond Program stakeholders."

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activities two (2) through nine (9).

Persons Responsible: Deputy Superintendent, Finance and Operations; Executive Director, Facilities and Construction

Status of Activities: Implemented

Original Recommendation:

3

- 3.1 "Jacobs should develop a notification process to make the District aware of changes in personnel and subconsultants as early as possible to ensure continuity and avoid disruptions to their management responsibilities.
- 3.2 To ensure the best fit for the District, District management should consider developing a baseline of qualifications for Jacobs to use in their process of assigning key management positions and before assigning them to work on the 2016 Bond Program. The District could then review Jacobs screened list of proposed personnel changes before issuing their written approval."

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activities 10 and 11.

Persons Responsible: Deputy Superintendent, Finance and Operations; Executive Director, Facilities and Construction; Jacobs Deputy Program Manager

Status of Activities: Implemented

Original Recommendation:

4

"We recommend the criminal background check requirements, outlined in the agreement, be incorporated into the notification process in recommendation 3.1."

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 12.

Persons Responsible: Deputy Superintendent, Finance and Operations; Executive Director, Facilities and Construction; Jacobs Deputy Program Manager

Status of Activity: Implemented

Original Recommendation:

5

"We recommend District management develop procedures to ensure scope and budget changes (i) that occur during the design or construction phase and (ii) which significantly impact a project's construction cost limitation or total project budget be reviewed and approved, on a timely basis, by appropriate stakeholders (e.g. DSFO, Superintendent, Board of Trustees).

We recommend District management determine:

- Approval thresholds (amounts or percentages).
- Approval authority. Determine who, within the District, has the authority to review and approve Change Request Forms (e.g. DSFO, Superintendent, Board of Trustees, etc.) at each threshold."

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activities 13 and 14.

Persons Responsible: Deputy Superintendent, Finance and Operations; Executive Director, Facilities and Construction

Status of Activities: Implemented

6

Original Recommendation:

"We recommend Jacobs ensure meeting minutes are finalized on a timely basis after each Construction Team Meeting where critical activities are discussed. Finalizing meeting minutes includes documenting the activities discussed and providing the official record of actions taken during the meeting."

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 15.

Persons Responsible: Deputy Superintendent, Finance and Operations; Executive Director, Facilities and Construction

Status of Activity: Implemented

7

Original Recommendation:

"We recommend District management establish and implement a consistent review and approval process for reports, provided by Jacobs, identified as important/critical for decision-making purposes for the 2016 Bond Program. District management involved in the review of such reports should ensure review/approval is documented (e.g. signed off/dated, email approval)."

Management and Leadership Response: Agreed with recommendation and incorporated into the CAP as activity 16.

Persons Responsible: Deputy Superintendent, Finance and Operations; Executive Director, Facilities and Construction

Status of Activity: Implemented

8

Original Recommendation:

"We recommend Jacobs' Constructability Review Reports (CRR) provide a clear statement of their opinion for District's management review and action. The statement should clearly identify issues/items that may cause problems, change orders, or claims before the project is bid or procured.

For previously submitted CRRs, which do not include a clear statement of Jacobs' opinion, we recommend the District determine if there is value in obtaining such opinion at this point in time. If determined to add value, we recommend Jacobs resubmit the revised CRRs for District management's review and approval for each project."

Management and Leadership Response: Agreed with the recommendation and incorporated into the CAP as activities 17 and 18 as follows:

Persons Responsible: Deputy Superintendent, Finance and Operations; Executive Director, Facilities and Construction

Status of Activity 17: Not Implemented. Management decided to perform compensating controls in the form of meetings with Jacobs staff where issues related to design issues/concerns were discussed and resolved.

Status of Activity 18: Implemented. Even though Management determined that CRRs previously prepared by Jacobs should remain unchanged and not need to be resubmitted, Management determined that the compensating controls performed related to activity 17, would suffice to address this activity.

Exhibit A – Summary of Original Audit Results

Finding	Finding Summary
1	Board approval was not obtained for five additional services authorizations that led to increases in professional services contract fees over the \$100,000 cap set in Board Policy CV(Local). However, all nine additional services authorizations for professional services we tested were approved by the Executive Director of Planning and Innovative Schools Construction.
2	The District used the “Client Survey Rating Sheets” and client survey process owned and managed by Jacobs to evaluate Jacobs’ performance for years 2017 and 2018 instead of creating a District-managed performance review process with District-defined criteria. In addition, “Client Survey Rating Sheets” for the years stated above were not finalized until April 30, 2019.
3	Advance written agreements were not obtained from the District, as required by the contract, before Jacobs made changes in key personnel working on the 2016 Bond Program. However, according to the Deputy Superintendent of Finance and Operations (DSFO), District leadership <u>did</u> have discussions, meetings, and interviews regarding the two changes in Jacobs’ lead Program Manager/Program Director position.
4	Jacobs did not report employee background checks had been completed to the Procurement Department before commencing work on the 2016 Bond Program as required by the contract. However, according to Jacobs’ Human Resources Department, the results of completed background checks were on file for the 10 employees in our sample. In early February 2019, Jacobs subsequently reported to the Procurement Department that the background checks had been completed.

Observation	Observation Summary
1	<p>Jacobs implemented a change management process to document changes in projects’ scope, schedule, and/or budget during the design phase. However, the process does not ensure changes that may significantly impact the construction cost limitation, are previously reviewed and approved by all appropriate stakeholders (e.g. the Superintendent and Board of Trustees).</p> <p>In addition, we did not find a Board Policy or District procedures that outline the approvals needed, from the Superintendent or Board, for significant scope and budget changes that occur during the design phase and which may significantly impact the contingency or total project budget.</p>
2	Meeting minutes prepared by Jacobs for six Construction Team meetings, where critical activities were discussed for action, were not finalized as they were labeled “draft.” These meetings took place in June 2018. According to Jacobs, they considered these final since they “did not receive comments back” from the meeting participants.

Observation	Observation Summary
3	We noted there is no requirement that District management's review be documented for Jacobs' reports that are deemed important/critical for decision-making purposes. Although we found no documentary evidence of a review during our scope period for the sampled reports, the DSFO stated s/he reviews three reports known as: (i) Value Engineering Analysis Report, (ii) Project Cost Control Report, and (iii) Incident Notices.
4	According to the contract, Constructability Review Reports (CRR) are to be prepared by Jacobs for each construction project prior to the issuance of the construction contract documents. Although the contract does not specify when CRRs are to be submitted, according to Jacobs, these reports are submitted for District's approval after they are at the Construction Document (CD) 100%, which is the last part of the design phase. The purpose of the CRRs is to "outline items that in the Program Manager's opinion may cause problems in the way the Project is to be constructed and which will review the overall coordination of specifications and drawings, details, and discrepancies that if left unattended may result in Change Orders or claims once the Project is bid or procured."



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