



FCPS Audit Report: 20-1103 – Performance Audit of Construction Contract Management

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Executive Summary

Office of Auditor General (OAG) conducted a performance audit of Construction Contract Management in accordance with the Fiscal Year (FY) 2020 audit plan approved by the Fairfax County School Board. Construction contracts are managed by the Office of Design and Construction Services (D&C), an office within the Department of Facilities and Transportation Services (FTS). D&C is responsible for administering and monitoring design and construction service contracts for FCPS Capital Improvement Program (CIP) projects. CIP projects include new school facilities, capacity enhancements (additions or installation of modular buildings), and renovations of existing school facilities. CIP projects funded for construction in the 2015 and 2017 bond referendums were included in the scope of this audit.

The objectives of the audit were to perform the following:

1. Review contract and procurement administration and management processes of FCPS Office of Design and Construction Services.
2. Confirm that contract administration and management processes are being followed.
3. Evaluate vendor compliance with contract terms and conditions.

As a result of this audit, OAG identified eight findings and made 16 recommendations.

Finding 1 – Records Management Manual (Objective 1)

Risk Rating: Moderate

The FCPS Records Management Manual does not adequately address the Library of Virginia (LVA) records retention and disposition schedules for the disposition of public records related to fiscal and general service construction project records. Specifically, OAG identified instances where the FCPS Records Management Manual (a) did not communicate certain key construction and administration records, (b) contained conflicting retention periods for similar or identical documents, and (c) included differences between similar contract-related records series managed by different departments.

Finding 1 Recommendation:

1. D&C coordinate with Document Management (Department of Information Technology) to ensure FCPS Records Management Manual accurately reflects LVA record retention and disposition schedules for the disposition of public records related to construction project records.

Finding 2 – Internal Guidance (Objective 1)

Risk Rating: Low

D&C communicates various policies and procedures through its Construction Procedures Manual; however, OAG identified that no written guidance exists related to SharePoint, the office's system for electronically sharing and retaining documents and information. During our review of the SharePoint site for the seven sampled projects, we identified inconsistencies in the completeness and consistency in folders and subfolders.

Finding 2 Recommendations:

2. D&C clearly document SharePoint controls and practices in its Construction Procedures Manual and/or other internal guidance; communicate new processes, and updates to existing processes, as needed.
3. D&C implement a process to periodically review and update, and subsequently communicate, its internal policies and procedures.
4. Once internal guidance is developed, D&C implement a process to monitor SharePoint for consistency and completeness of electronic documentation.

Finding 3 – Daily Reports (Objective 2)

Risk Rating: Moderate

Daily reports were not always completed for three of the seven sampled Capital Improvement Program projects. Daily reports are a contractually required report to document work in progress, weather conditions, and materials delivered or used onsite. OAG also identified instances where the information recorded on the daily report, including the arrival and departure times noted on the daily reports, was not accurate.

Finding 3 Recommendations:

5. D&C take steps to reduce the likelihood that daily reports are not submitted.
6. D&C develop procedures to enhance the reliability of information recorded on the daily reports.

Finding 4 – Design Evaluation Report (Objective 2)

Risk Rating: Moderate

FCPS Policy **8220 Architectural and Engineering Services**, requires an evaluation report be presented to the School Board when recommending architectural and engineering (design) service offerors to the School Board; however, no such report exists.

Finding 4 Recommendations:

7. D&C collaborate with School Board to establish and define requirements of an architectural and engineering services evaluation report.
8. D&C present evaluation report to School Board when recommending future architectural and engineering service offerors.

Finding 5 – Vendor Evaluations (Objective 2)

Risk Rating: Low

OAG was not able to review documentation related to evaluations of general contractor performance for any sampled project because they were not completed. The evaluation process is outlined in the Construction Procedures Manual but is not currently being performed.

Finding 5 Recommendation:

9. D&C revisit the design of and implement the Contractor Evaluation process. Evaluation methods may consist of evaluation forms, surveys, and other performance indicators and should be performed on a periodic basis.

Finding 6 – School Board Approval of Contract (Objective 2)

Risk Rating: Low

Fairfax County School Board (School Board) approval was not documented for the selection of a design vendor for one of seven sampled projects. While D&C included the vendor, which was eventually hired for the project, on the list of recommended firms for the Award of Contracts – Architectural and Engineering Services for Capital Construction as an Agenda Item at the December 17, 2015 Regular Meeting, the Northwest ES new school project (McNair Upper ES) was not identified as an upcoming project. No subsequent notification was provided to the School Board to report that the vendor was contracted for the project. According to the vendor contract agreement, dated November 3, 2016, the contract was valued at \$1,440,000.

Finding 6 Recommendations:

10. D&C identify all projects on the agenda which may require design services prior to the next scheduled approval request.
11. D&C implement a process for notifying the School Board of any previously unidentified projects where an alternate-listed design firm was contracted.

Finding 7 – Regulation 4427, Nonschool Employment, Compliance (Objective 2)

Risk Rating: Low

One former school-construction liaison also served as a part-time, contracted employee with FCPS at the same location the liaison services were provided. While these positions were both part-time, and the duties did not appear to conflict with each other, FCPS Regulation prohibits FCPS employees from performing work for a contractor if that employee is assigned to the location at which the employee's proposed work for the contractor will be performed.

Finding 7 Recommendation:

12. D&C ensure employees and vendors are aware that FCPS Regulation prohibits employees from accepting employment or performing work for a contractor at the same location in which that employee is assigned to or regularly works at.

Finding 8 – School-Construction Liaison Consultant Project Allocability (Objective 3)

Risk Rating: Moderate

School construction liaisons for three Capital Improvement Program construction projects were invoiced to FCPS by a single vendor; however, this vendor was only contracted to provide services for one of the three projects.

Additionally, while these liaisons are being invoiced to FCPS by a vendor, the initial identification and recruitment of the liaisons, as well as supervisory duties, appear to be performed by D&C.

Finding 8 Recommendations:

13. D&C ensure project costs are allocated to correct project and that vendor invoices for costs associated with project in which it is contracted to perform services.
14. D&C implement a process to ensure projects are closed-out timely in FOCUS.
15. D&C determine what liaison services were provided by the third liaison between the time Architecture, Inc. began invoicing for that liaison and the beginning of the Oakton HS renovation.
16. D&C consider if the school-construction liaison position should be an hourly FCPS position rather than a position hired through a vendor.

Management concurred with OAG's findings and recommendations and will perform corrective actions, as detailed in the **Management Response** to each finding.

We appreciate the consultation, cooperation, and courtesies extended to our staff by D&C during the audit process.

Background, Scope and Objectives, and Methodology

Background

FCPS Office of Design and Construction Services (D&C), an office within FCPS Department of Facilities and Transportation Services (FTS), acts as a liaison between FCPS and Fairfax County to provide design and construction services for new school facilities; capacity enhancements (additions or installation of modular buildings to existing schools); renovations of existing school facilities; and other minor improvements.

Annually, the Office of Facilities and Planning Services, with support from the Facilities Planning Advisory Council (FPAC), develop an updated five-year planning document known as the Capital Improvement Program (CIP). The CIP, which identifies future facility needs, drives the need for design and construction services. To develop the CIP, FCPS reviews data to assess changes in expected student enrollment, academic programs, and facility conditions to determine priorities for new construction, renovations, and other facility projects. Specifically, for school renovations, it is based on several compiled criteria referred to as the renovation queue. The current renovation queue was approved by the School Board in January of 2009 and establishes the order in which schools are to be renovated, as evaluated and according to a study performed by independent architectural and engineering firms. The construction of new capacity, whether it is a new school or addition, could adversely impact the timing of some renovation projects. The actual timing for when planning and construction begins for CIP projects is dependent on capital construction cash flow and debt service, which are governed by the Fairfax County Board of Supervisors. CIP projects are funded through general bond obligation funds which must be approved by majority of Fairfax County registered voters. The CIP is the basis for determining the timing and sizing of the proposed school bond referendum that gets issued every two year. Project planning and construction are funded in separate referendums, with construction amounts typically approved in the bond after the bond where planning was approved.

Organization

D&C is comprised of three Capital Project teams, one Facilities Improvement team, one Financial Management and Contracting team, and one Property Management team. Each team is supervised by an individual coordinator. During the audit, we reviewed construction contract processes in place for the following teams.

Capital Project Teams

Capital Project teams are responsible for the acquisition of school sites, coordinating the design and construction of new school facilities, including additions to existing schools, and renovations of existing school facilities in accordance with approved educational specifications. The teams provide building evaluation and assessment to coordinate the planning of construction projects for the next school bond referendum to best support the educational needs of the students. As projects start, the teams provide on-site inspection staff to ensure quality assurance and safety. Capital Project teams are also responsible for ADA compliance and transition plan, facility roofing installation and maintenance, and artificial turf field installations.

Financial Management and Contracting Team

The Financial Management and Contracting team provide financial management for D&C. This team assists with the development and management of the office budget, school construction fund, and procurement of services for construction contracts and processing payments to vendors for services rendered.

Design – Bid – Build

D&C utilizes a Design-Bid-Build project methodology for CIP projects. This commonly utilized methodology provides that the owner, or FCPS, first contracts with a vendor to design the project. Once the project is designed and cost estimates are refined, the owner initiates a bid process to identify the lowest bidding general contractor to perform the construction. The design firm is retained throughout the entirety of the build process to provide certain project management functions.

Design

The design phase begins with the solicitation of vendors to provide architectural and engineering services for a project. Policy 8220 *Architectural and Engineering Services* requires that a Request for Proposal (RFP) be issued to procure these contracts for projects with compensation expected to exceed \$50,000.

D&C typically issues an RFP every two years, around the time of the passage of the county bond referendum, with the purpose of entering contracts with multiple qualified architectural and engineering firms for its CIP projects. Once proposals are received, they are evaluated based on specific criteria prescribed in the RFP, negotiated, and awarded to one or more qualified firms. Ultimately, the award is given to the offerors that represent best value.

The contract's pricing is based on a percentage of construction costs, which are first estimated and later adjusted. Payments to the architectural and engineering firm are split in five design phases: (1) Schematic Design, (2) Design Development, (3) Construction Documents, (4) Bidding, and (5) Project Closeout. Each phase has a percentage threshold to indicate what portion of the total architectural fee will be allocated to the given phase. In addition to compensation per design phase, the architect may receive payment for additional services and reimbursable expenses. Examples of additional services may include geotechnical services or utility services. Examples of reimbursable expenses may include consultant services or printing of design documents.

At the end of the design phase, an independent consultant estimates the construction costs based on the design of the project and market conditions, such as the cost of materials and labor.

Bid

Once the project design has been finalized and construction costs estimated, D&C prepares a solicitation to obtain the services of a general contractor to perform the construction. Policy 8240 *Construction, Maintenance Services, Bids, Contracts, Bonds, and Conflict of Interest* requires that an Invitation for Bid (IFB) be issued to procure

construction contracts that exceed \$100,000. In contrast to the purpose of an RFP to contract with multiple firms, an IFB is issued with the purpose of contracting with one general contractor. Public notice of the IFB is given at least ten days prior to the date set for the receipt of bids. Bid documents are only provided to bidders who are pre-qualified in accordance with D&C's pre-qualification process, which helps to ensure that perspective bidders are qualified, reputable, and financially capable of performing the project. Bid prices submitted by general contractors includes the cost of subcontractors who perform significant portions of the project. The construction contract is awarded to the lowest responsive and responsible bidder.

Once the cost of construction is known, the cost basis for the design firm's contract is adjusted to the winning bid.

Build

Once a contract is executed and a Notice to Proceed issued, the general contractor, along with the various subcontractors it contracts with, break ground on the project. During construction, the architect acts on behalf of the owner to facilitate the construction process. They are involved in the processes of reviewing general contractor payment requisitions, which are based on a percentage completion of a defined schedule of values, as well as reviewing and coordinating change orders. Approved change orders are signed by the architect, contractor, and FCPS project coordinator. Other contractual oversight responsibilities the architect has relate to documenting minutes biweekly progress meetings.

Projects are considered substantially complete when the owner can occupy the building for its designated use. After substantial completion, the design firm and general contractor continue to be retained to oversee and perform work such as correcting deficiencies and completing smaller tasks. A notice of final completion is provided by the design firm once it is determined that the work has been satisfactorily completed and contract documents fully performed. Both substantial completion and final completion are dates established in the construction contract.

Scope and Objectives

OAG conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), with the exception of peer review. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The objectives of the audit were to perform the following:

1. Review contract and procurement administration and management processes of FCPS Office of Design and Construction Services.
2. Confirm that contract administration and management processes are being followed.
3. Evaluate vendor compliance with contract terms and conditions.

The scope of work includes contract administration and management processes and vendor compliance with contractual terms and conditions for CIP projects funded for construction in the

2015 and 2017 bond referendums. The total approved bond referendum totaled \$310,000,000 in 2015 and \$315,000,000 for 2017.

Internal Controls

Generally Accepted Government Auditing Standards (GAGAS) establish that internal control is a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity will be achieved. Internal control comprises the plans, methods, policies, and procedures used to fulfill the mission, strategic plan, goals, and objectives of the entity. GAGAS further provides that management is responsible for designing, implementing, or maintaining internal control. Ultimately, internal controls provide reasonable, but not absolute assurance, that the organization's goals will be achieved.

As internal controls were significant to the context of the audit objectives, OAG obtained an understanding of the control environment by reviewing both authoritative and non-authoritative guidance and developing procedures to evaluate the design, implementation, and operating effectiveness of existing controls.

Methodology

To achieve the audit objectives, OAG performed the following:

- Reviewed applicable FCPS Policy and Regulation, and state and local legislation.
- Reviewed D&C standard operating procedures.
- Obtained an understanding of D&C contract administration and management processes through walkthroughs with key personnel.
- Reviewed the Contract Administration process.
- Reviewed the Contract Bid process.
- Reviewed the Contract Payment and Change Order process.
- Conducted analysis of current and recently completed Capital Improvement Program projects.

The audit team selected a judgemental sample of seven Capital Improvement Program projects for fieldwork testing to confirm contract administration and management processes are being followed and evaluate vendor compliance with contract terms and conditions. The sample of seven Capital Improvement Program projects include one new school facility, one capacity enhancement (addition), and five renovations. The sample of seven projects are identified below:

Project (Type)	Substantial Completion (as of 12/31/2019)	Construction Bond Referendum Approval Year	Approved Construction Bond Referendum Dollars
Northwest County ES (<i>New School</i>)	No	2017	\$28,416,339
South Lakes HS (<i>Capacity Enhancement</i>)	Yes	2015	\$13,359,385
Stratford Landing ES (<i>Renovation</i>)	Yes	2015	\$24,524,543
Newington Forest ES (<i>Renovation</i>)	Yes	2015	\$21,221,449
Rocky Run MS (<i>Renovation</i>)	No	2017	\$45,490,422
West Springfield HS (<i>Renovation</i>)	Yes	2015	\$89,000,000
Herndon HS (<i>Renovation</i>)	No	2015	\$99,000,504

From the sample of seven projects, four have been substantially completed and have been used to examine closeout procedures. When designing the audit sample, the following considerations were made to capture a diverse group of projects: capital project team assignment, general contractor, project type, school type (Elementary School, Middle School, High School), and approved construction bond dollars.

OAG is free from organizational impairments to independence in our reporting as defined by government auditing standards. OAG reports directly to the Fairfax County School Board through the Audit Committee. We report the results of our audits to the Audit Committee and the reports are made available to the public via the FCPS website.

Audit Findings, Recommendations, and Management's Responses

The finding(s) within this report has been attributed a risk rating in accordance with established risk criteria as defined in Table 1.

Table 1 – Risk Criteria

Type	Description
High	One or more of the following exists: <ul style="list-style-type: none"> • Controls are not in place or are inadequate. • Compliance with legislation and regulations or contractual obligations is inadequate. • Important issues are identified that could negatively impact the achievement of FCPS program/operational objectives.
Moderate	One or more of the following exists: <ul style="list-style-type: none"> • Controls are in place but are not sufficiently complied with. • Compliance with subject government regulations or FCPS policies and established procedures is inadequate, or FCPS policies and established procedures are inadequate. • Issues are identified that could negatively impact the efficiency and effectiveness of FCPS operations.
Low	One or more of the following exists: <ul style="list-style-type: none"> • Controls are in place but the level of compliance varies. • Compliance with government regulations or FCPS policies and established procedures varies. • Issues identified are less significant but opportunities exist that could enhance FCPS operations.

Finding 1 – Records Management Manual

Risk Rating: *Moderate - FCPS policies and established procedures are inadequate.*

Condition:

The FCPS Records Management Manual does not adequately address the Library of Virginia (LVA) records retention and disposition schedules for the disposition of public records related to fiscal and general service construction project records. Specifically, OAG identified instances where the FCPS Records Management Manual (a) did not communicate certain key construction and administration records, (b) contained conflicting retention periods for similar or identical documents, and (c) included differences between similar contract-related records series managed by different departments.

- a. OAG identified instances where key construction contract and administration records were not communicated in the manual and retention periods were not clearly identifiable. Examples of these documents include:

- General contractor pre-qualification documentation. Only prequalified general contractors may bid on Capital Improvement Program projects; however, once a general contractor has been prequalified, only limited documents are periodically requested to maintain prequalification. OAG was unable to review prequalification documentation related to one general contractor due to the time elapsed since the vendor was prequalified; however, this prequalification is still being relied on.
- Design firm technical and business proposal documentation. Prospective design firms submit technical proposals to provide FCPS with information used to rate the firm, including qualifications, detailed approach to phased renovations, personnel resumes, and references. Business proposals are requested from the top-rated offerors. OAG was unable to review either the technical proposal or business proposal submitted by the design firm awarded a contract for architectural and engineering services for six of the seven sampled projects because the documents were not retained.
- Construction project daily reports. As noted in Finding 1, daily reports were not consistently completed for three of the seven sampled projects. While this does not appear to be a retention issue, the FCPS Records Management Manual does not include any reference to daily reports.
- General contractor evaluation forms. According to the Construction Procedures Manual, the construction manager, field construction supervisor and field construction representative shall participate in the evaluation process. OAG was not able to review documentation related to contractor evaluations for all seven sampled projects because they were not performed. While this does not appear to be a retention issue, the FCPS Records Management Manual does not include any reference to the evaluation form.

- b. OAG identified conflicting retention periods for similar or identical documents. Specifically, bid specifications and contract award documents are listed in two different FCPS Record Series of the manual.

- Bid specifications are listed in both “Construction Administration Records” and in “Construction Project Records” but have differing retention periods.
- Contract award documents are listed in both “Contract Administration Records”

and in Construction Project Records” but have differing retention periods.

FCPS Record Series and Description	Office of Primary Responsibility	Scheduled Retention Period	LVA General Schedule and Series
<u>Contract Administration Records</u> Records include: bid specifications, contract award documentation, bid evaluations, contract recommendations	Administrative Services and Design and Construction	Expiration + 5	GS-02 101059
<u>Construction Project Records</u> Records include: all contracts, building permits, notices to proceed, surveys, testing reports, progress schedules, payment records – construction only, punch list, job reports, record and information books, support documentation	Design and Construction	Final Acceptance + 5	GS-16 5221
<u>Construction Project Records</u> Records include: construction bids and specifications	Design and Construction	Current Year (CY) + 5	GS-02 200106

- c. OAG identified differences between similar contract-related FCPS Records Series managed by different FCPS offices. D&C and Office of Procurement Services have different types of records included in the manual that reference an identical LVA General Schedule and Series.

FCPS Record Series and Description	Office of Primary Responsibility	Scheduled Retention Period	LVA General Schedule and Series
<u>Contract Administration Records</u> Records include: bid specifications, contract award documentation, bid evaluations, contract recommendations	Administrative Services and Design and Construction	Expiration + 5	GS-02 101059
<u>Contract Awards for Goods and Services</u> Records include: request for bids, solicitations, public advertisement, bids and proposals, award evaluation and recommendation, contractual documents, contract amendments, support documentation.	Office of Procurement Services	Expiration + 5	GS-02 101059

Criteria:

Under Code of Virginia § 42.1-85, the LVA has the authority to issue regulations governing the retention and disposition of state and local public records. In keeping with the code's mandate, LVA has developed records retention and disposition schedules outlining the disposition of public records.

According to the LVA General Schedule 02 (GS-02), *Fiscal Records*:

Record Series and Description	Series Number	Scheduled Retention Period
<u>Purchasing Records</u> This series documents the purchasing of equipment, goods, services, and supplies by the locality. This series may include, but is not limited to: bids, bid proposals, contracts, agreements, purchase orders, and requisitions.	2001006	5 Years after end of state fiscal year
<u>Contracts</u> This series documents contracts and agreements entered into by the locality. The series may include, but is not limited to: contract and supporting documentation.	101059	5 Years after expiration

Additionally, according to LVA General Schedule 16 (GS-16), *General Service Records, G. Real Property Records*:

Record Series and Description	Series Number	Scheduled Retention Period
<u>Real Property: Construction Contract Administration</u> This series documents locality actions in supervision of construction or renovation contracts.	005219	5 years after final acceptance
<u>Real Property: Construction Project Management</u> This series documents the locality's oversight and/or administration of construction projects affecting locality owned or financed projects.	005221	5 years after final acceptance or until audited, whichever is greater

Cause:

- FCPS Records Management Manual policies related to construction contracts do not reflect Library of Virginia requirements and may not include all record types.

Effect:

- Construction records may not be retained in accordance with LVA retention requirements.
- Construction records may be improperly disposed of.

Recommendation:

1. D&C coordinate with Document Management (Department of Information Technology) to ensure FCPS Records Management Manual accurately reflects LVA record retention and disposition schedules for the disposition of public records related to construction project records.

Management Response (Actions and Due Date):

D&C concurs with the finding and recommendation.

D&C will coordinate with Department of Information Technology/Document Management to update FCPS Records Management manual accurately reflects the Library of Virginia (LVA).

Due December 31, 2020.

Finding 2 – Internal Guidance

Risk Rating: *Low – Issues identified are less significant but opportunities exist that could enhance FCPS operations.*

Condition:

D&C communicates various policies and procedures through its Construction Procedures Manual; however, OAG identified that no written guidance exists related to SharePoint, the office's system for electronically sharing and retaining documents and information. SharePoint is configured to automatically populate approximately 20 folders (and various subfolders) for users to store and retain documentation for each CIP construction project (referred to as "filing tree"). Standard filing tree folder names are generally intuitive, named for various aspects of the project such as 'Change Orders', 'Contract Administration', and 'Legal/Contracts.' However, once a project is created and the filing tree is established, no further guidance is provided to the users.

During our review of the SharePoint site for each of the seven sampled projects, we identified inconsistencies in the completeness of folders and subfolders, as well as varying levels of usage between the projects. Standardized guidance can help ensure consistency in the quality of documents stored electronically from project to project. A significant portion of construction contract related documentation is retained in paper format, but due to the size and/or quantity of some construction documents, as well as nature of the industry, this may be more feasible.

Criteria:

According to **Policy 8250.3 Facilities Design and Construction, Supervision, Inspection, Records, Reports, Acceptance, Payments, Occupancy, and Orientation** Section IV - Construction Records and Reports:

"Adequate records, including costs of all construction, shall be maintained by the Office of Design and Construction Services representative, construction manager, architect and/or engineer as an aid to administration and as a history for maintenance purposes. Standard forms, reports, contractor record book submittals, and all forms of correspondence shall be utilized to achieve this purpose."

According to COSO Internal Control Integrated Framework Principals, an effective system of internal controls includes deploying control activities through policies that establish what is expected and procedures that put policies into action. Additionally, information is communicated internally, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

Cause:

- D&C SharePoint controls are not documented or communicated.
- D&C internal policy and procedure documentation, including the Construction Procedures Manual, has not been updated to include all current processes, including SharePoint.
- D&C does not have a process to periodically review and update internal policy and procedure documentation.

Effect:

- Inconsistencies in the completeness and consistency of electronic records available in SharePoint.
- Unavailability of electronic records.

Recommendations:

2. D&C clearly document SharePoint controls and practices in its Construction Procedures Manual and/or other internal guidance; communicate new processes, and updates to existing processes, as needed.
3. D&C implement a process to periodically review and update, and subsequently communicate, its internal policies and procedures.
4. Once internal guidance is developed, D&C implement a process to monitor SharePoint for consistency and completeness of electronic documentation.

Management Response (Actions and Due Date):

D&C concurs with the finding and recommendations.

D&C is in the process of updating the Construction Procedures Manual and electronic filing system on SharePoint. D&C will continue to review and update the Construction Procedures Manual periodically.

Due December 31, 2020.

Finding 3 – Daily Reports

Risk Rating: *Moderate – Issues are identified that could negatively impact the efficiency and effectiveness of FCPS operations.*

Condition:

OAG identified periods where a daily report was not submitted for more than half of the days in a requisition period for three of the seven sampled Capital Improvement Program projects. The purpose of the daily reports is to document work in progress, weather conditions, and materials delivered or used onsite. We also identified instances where the information recorded on the daily report, including the arrival and departure times noted on the daily reports, was not accurate.

- a. For four of seven sampled Capital Improvement Projects, daily reports were generally submitted on a daily basis; however, for three of these four projects, the first requisition period had instances where multiple reports were not submitted. Since the first requisition period may include dates which do not necessitate a daily report, OAG does not consider this to be an exception, but we do encourage D&C to implement procedures to ensure reports are submitted daily throughout the entire life-cycle of the project.
- b. From a total of 28 general contractor payment requisitions for the Stratford Landing ES renovation project, OAG identified eight requisition periods where daily reports were not submitted for more than half the days in the period. For the period June 22, 2016 through September 12, 2016 (82 days), with the exception of two reports (July 26 and July 28, 2016), no daily reports were submitted. Additionally, no daily reports were submitted after April 7, 2018. During these requisition periods, work totaling \$3,524,773 was performed.

Stratford Landing ES Renovation Project

Requisition #	Period Start	Period End	Days in Period	Count of Daily Reports Submitted During Period	Daily Reports Missing	Daily Reports Missing (%)	Current Period Work Performed
4	7/1/2016	7/31/2016	30	2	28	93%	\$1,044,695.00
5	8/1/2016	8/31/2016	30	0	30	100%	\$757,891.00
6	9/1/2016	9/30/2016	29	13	16	55%	\$632,095.00
22	1/1/2018	1/31/2018	30	10	20	67%	\$917,363.00
23	2/1/2018	2/28/2018	27	12	15	56%	\$72,941.00
25	4/1/2018	4/30/2018	29	5	24	83%	\$61,150.00
26	5/1/2018	6/30/2018	60	0	60	100%	\$32,638.00
27	7/1/2018	12/31/2018	183	0	183	100%	\$6,000.00
Subtotal							\$3,524,773.00

- c. From a total of 31 general contractor payment requisitions for the Newington Forest ES renovation project, OAG identified 12 requisition periods where daily reports were

not submitted for more than half the days in the period. During these requisition periods, work totaling \$5,970,678 was performed.

Additionally, during the period April 2, 2017 through September 7, 2017 (157 days), with the exception of one report (July 30, 2017), no daily reports were submitted.

Newington Forest ES Renovation Project

Requisition #	Period Start	Period End	Days in Period	Count of Daily Reports Submitted During Period	Daily Reports Missing	Daily Reports Missing (%)	Current Period Work Performed
1	4/19/2016	5/31/2016	42	0	42	100%	\$162,962.00
2	6/1/2016	6/30/2016	29	4	25	86%	\$378,950.00
12	4/1/2017	4/30/2017	29	1	28	97%	\$450,319.45
13	5/1/2017	5/31/2017	30	0	30	100%	\$351,934.00
14	6/1/2017	6/30/2017	29	0	29	100%	\$713,344.00
15	7/1/2017	7/31/2017	30	1	29	97%	\$1,462,288.00
16	8/1/2017	8/31/2017	30	0	30	100%	\$1,282,664.00
24	4/1/2018	4/30/2018	29	4	25	86%	\$495,405.00
25	5/1/2018	5/31/2018	30	0	30	100%	\$316,299.00
26	6/1/2018	6/30/2018	29	1	28	97%	\$254,089.00
27	7/1/2018	10/31/2018	122	14	108	89%	\$97,424.00
28	11/1/2018	12/31/2018	60	0	60	100%	\$5,000.00
Subtotal							\$5,970,678.45

- d. From a total of 37 general contractor payment requisitions for the West Springfield HS renovation project, from general contractor notice to proceed (June 2016) through substantial completion (June 2019), OAG identified four requisition periods where daily reports were not submitted for more than half the days in the period. During the period February 26, 2017 through May 22, 2017 (85 days) no daily reports were submitted. During these requisition periods, work totaling \$7,376,685 was performed.

Requisition #	Period Start	Period End	Days in Period	Count of Daily Reports Submitted During Period	Daily Reports Missing	Daily Reports Missing (%)	Current Period Work Performed
1	2/15/2018	3/31/2018	44	9	35	80%	\$1,010,174.00
9	3/1/2017	3/25/2017	24	0	24	100%	\$1,876,305.00
10	3/26/2017	4/25/2017	30	0	30	100%	\$1,685,527.00
11	4/26/2017	5/25/2017	29	8	21	72%	\$3,814,853.00
Subtotal							\$7,376,685.00

- e. For five of seven projects, OAG noted inconsistencies in the arrival and departure time recorded on the daily reports. Inconsistencies include arrival time equaling departure time or AM/PM used incorrectly (e.g. Arrival: 6:30 AM; Departure: 4:30 AM or Arrival 2 PM; Departure: 12:30 AM). Arrival and departure times recorded on the daily reports for South Lakes HS capacity enhancement and Newington Forest ES renovation were generally completed accurately and consistently.

Project	Number of Daily Reports with Timing Inconsistencies	Total Number of Daily Reports	% Inconsistent
Northwest County ES New School	67	266	25.19%
South Lakes HS Capacity Enhancement	8	581	1.38%
Stratford Landing ES Renovation	66	455	14.51%
Newington Forest ES Renovation	4	359	1.11%
Rocky Run MS Renovation	42	528	7.95%
West Springfield HS Renovation	700	1168	59.93%
Herndon HS Renovation	257	837	30.70%

Criteria:

According to FCPS *Construction Master Specifications*, Section 01040, Supervision and Coordination, Part 1 - General, 1.05 Project Superintendent Responsibilities, G. Report progress of work.

“Submit daily report to Owner’s Representative listing number and type of work force and work in progress.”

Additionally, according to the *Construction Procedures Manual*, Section 4., Construction Field Administration, Daily Reports:

“It is imperative that the Daily Reports reflect the actual events, which occur on each individual day. These reports are considered legal documents, which can be subpoenaed in a court case.”

“Important information which should be noted in the Daily Reports are weather, man counts, contractual non-compliance (wrong material, hazardous conditions, deliberate misbehavior), material which is late, Field Directives, and problems related to Field Conditions.”

Lastly, according to FCPS **Regulation 8253 Construction Records and Reports**, “The following list of records and reports shall be provided as required by contract requirements and shall be maintained for information and records:

A. Inspector’s Daily Report

1. Manpower
2. Weather
3. Construction Activities”

Cause:

- No process exists to monitor the submission and accuracy of daily reports.
- Technology issues (i.e. hardware, software, network connectivity) at construction sites.
- The field rep used a word document to generate the comments and other information and when the field rep went to upload the word document it did not save correctly or at all.
- For reports that are missing during the summer success time frame, the field rep might have only been reporting on the other summer specific site. The two report programs were not linked at one point in time or the link was not functioning correctly.
- Change in manpower and the new field rep did not have accessibility to that specific job at the time.
- Hardware problems—laptops in the field not functioning correctly or running very slow.

Effect:

- FCPS does not have contractually required listing of number and type of work force and work in progress for all days during the construction period.
- Information recorded on the daily report may not be reliable.

Recommendations:

5. D&C take steps to reduce the likelihood that daily reports are not submitted.
6. D&C develop procedures to enhance the reliability of information recorded on the daily reports.

Management Response (Action(s) and Due Date(s)):

D&C concurs with the finding and recommendations.

D&C will evaluate the existing software and explore other technology options for the daily report program.

Due December 31, 2020.

Finding 4 – Design Evaluation Report

Risk Rating: *Moderate - Compliance with FCPS policies and established procedures is inadequate.*

Condition:

For all seven projects, no architectural and engineering service evaluation report was presented to the School Board when recommending architectural and engineering (design) service offerors to the School Board.

Criteria:

According to FCPS Policy **8220 Architectural and Engineering Services**, “An evaluation report and recommendation of two or more offerors shall be presented to the School Board.”

Cause:

- D&C was unaware of the requirement to present an evaluation report when recommending architectural and engineering service offerors.

Effect:

- Required evaluation report not presented to School Board.

Recommendation:

7. D&C collaborate with School Board to establish and define requirements of an architectural and engineering services evaluation report.
8. D&C present evaluation report to School Board when recommending future architectural and engineering service offerors.

Management Response (Actions and Due Date):

D&C concurs with the finding and recommendations.

D&C will coordinate with Division Counsel to present the evaluation report to School Board.

Due November 30, 2021, or before the A&E's decision agenda goes to the Board for approval, whichever occurs first.

Finding 5 – Vendor Evaluations

Risk Rating: *Low – Issues identified are less significant but opportunities exist that could enhance FCPS operations.*

Condition:

During fieldwork, OAG was not able to review documentation related to evaluations of general contractors for all seven sampled projects. The construction manager who is in charge to begin the contractor evaluation process and is to be done on a six-week cycle did not initiate the effort.

Criteria:

According to the *Construction Procedures Manual*, Section 4., Construction Field Administration, Contractor Evaluation form:

“The construction manager shall review the requirements of the contractor evaluation procedure with the contractor and architect prior to the start of a project. The construction manager will begin the contractor evaluation process within the initial six weeks of each project. The construction manager, field construction supervisor and field construction representative shall participate in the evaluation process. The construction manager will prepare the evaluation, and review it with the architect and contractor on a six-week cycle. At the conclusion of the review, the construction manager and architect will sign the evaluation. The construction manager will provide copies of the evaluation form to the contractor, architect, field construction representative, field construction supervisor, contract administrator and the contractor file.”

Cause:

- No process exists to monitor the submission of contractor evaluation form.
- Lack of a standard evaluation form.

Effect:

- D&C lacks vendor performance information to consider for planning and for decision making on subsequent projects.

Recommendation:

9. D&C revisit the design of and implement the Contractor Evaluation process. Evaluation methods may consist of evaluation forms, surveys, and other performance indicators and should be performed on a periodic basis.

Management Response (Actions and Due Date):

D&C concurs with the finding and recommendation.

D&C evaluate the Construction Procedures Manual to implement the vendor evaluation on six-month cycle instead of six-week cycle. The construction manager will review the evaluation

requirements of the contractor evaluation procedure with the contractor and architect prior to start of the project. The construction manager will begin the contractor evaluation process 6 months after project started.

Due June 30, 2021

Finding 6 – School Board Approval of Contract

Risk Rating: *Low - Compliance with FCPS policies and established procedures varies.*

Condition:

Fairfax County School Board (School Board) approval was not documented for the selection of a design vendor for one of seven sampled projects. While the vendor who was eventually hired for this project was included on the listing of recommended firms, the Northwest ES (McNair Upper Elementary School) new school project was not identified as an upcoming project. No subsequent notification was provided to the School Board to report that the vendor was contracted for the project; however, this project was previously noted in the CIP to begin in FY 2016. According to the vendor contract agreement, dated November 3, 2016, the contract was valued at \$1,440,000.

Criteria:

According to FCPS **Policy 8220 Architectural and Engineering Services**, “Contracts under which compensation to be paid exceeds \$250,000 shall be approved by the School Board but may be executed by the chief operating officer for the Department of Facilities and Transportation Services on behalf of the School Board.”

Cause:

- D&C did not identify the Northwest ES Project on the list of recommended firms at the December 15, 2017 meeting.
- No process exists to notify the school board that an alternate-listed design vendor was contracted for a project not previously identified.
- Timing of the Northwest County ES project occurring after school board approval was obtained.

Effect:

- BoardDocs does not have record of FCPS School Board approval for one Capital Improvement Program project where the compensation for architectural and engineering services exceeds \$250,000.

Recommendations:

10. D&C identify all projects on the agenda which may require design services prior to the next scheduled approval request.
11. D&C implement a process for notifying the School Board of any previously unidentified projects where an alternate-listed design firm was contracted.

Management Response (Action(s) and Due Date(s)):

D&C concurs with the finding and recommendations.

D&C will coordinate with Division Counsel to list the unidentified projects on the Agenda Items and subsequent notification to the School Board.

Due December 31, 2021.

Finding 7 – Regulation 4427, Nonschool Employment, Compliance

Risk Rating: *Low – Controls are in place but the level of compliance varies.*

Condition:

One former school-construction liaison also served as a part-time, contracted employee with FCPS at the same location the liaison services were provided. While these positions were both part-time, and the duties did not appear to conflict with each other, FCPS Regulation prohibits FCPS employees from performing work for a contractor if that employee is assigned to the location at which the employee's proposed work for the contractor will be performed.

School-construction liaisons act as an agent between the school's administration and the parties performing the renovation. They are often retired school administrators who are familiar with the daily operations of the school. The liaison works with the renovation team to provide information on topics such as bell schedules, student holidays, and other notable events since the schools and grounds are occupied during the renovation.

Criteria:

According to **Regulation 4427, Nonschool Employment**, Part III, Limitations on Employees' Nonschool Employment, Section C:

An employee of the Fairfax County School Board shall not accept employment or perform work for a person or business under contract with the Fairfax County School Board (hereinafter referred to as "contractor") if that employee:

4. Is assigned to or regularly works at a Fairfax County School Board location at which the employee's proposed work for the contractor will be performed.

Cause:

- No process exists to ensure that school-construction liaison consultants are aware that accepting employment with FCPS while performing work at the same location for a contracted vendor is prohibited.

Effect:

- The school-construction liaison who performed work for a contracted vendor while also employed by FCPS at the same location is not in compliance with **Regulation 4427 Nonschool Employment**.

Recommendation:

12. D&C ensure employees and vendors are aware that FCPS Regulation prohibits employees from accepting employment or performing work for a contractor at the same location in which that employee is assigned to or regularly works at.

Management Response (Actions and Due Date):

D&C concurs with the finding and recommendation.

D&C will evaluate the program.

Due December 31, 2020.

Finding 8 – School-Construction Liaison Consultant Project Allocability

Risk Rating: *Moderate – Controls are in place but are not sufficiently complied with.*

Condition:

School construction liaisons for three Capital Improvement Program construction projects were invoiced to FCPS by a single vendor; however, this vendor was only contracted to provide services for one of the three projects. During the period August 2016 through July 2020, Architecture, Inc., the vendor contracted to provide architectural and engineering services for the West Springfield HS renovation, invoiced FCPS a total of \$257,550 for school-construction liaison services, but services totalling only \$73,458 were allocable to that project. The remaining amounts were directly related to liaison services for two separate projects in which there was no contractual agreement for the vendor to provide services, the renovations of Herndon HS and Oakton HS. The vendor continues to invoice for the school construction liaison allocable to Oakton HS project even after the West Springfield HS project was considered substantially complete since June 2019.

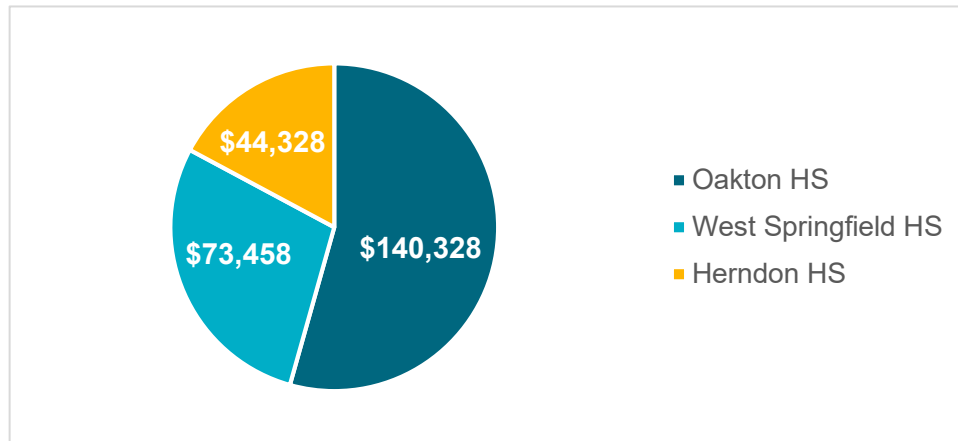
Additionally, while these liaisons are being invoiced to FCPS by a vendor, the initial identification and recruitment of the liaisons, as well as supervisory duties, appear to be performed by D&C. The vendor's role over the liaisons is simply to collect time reporting and payment. The liaisons, who are retired FCPS personnel, are provided FCPS email addresses and are frequently identified on project documents and the FCPS website as FCPS employees.

School Construction Liaison Invoice Amounts by Project

Project	Construction Start Date	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021 (through July 2020)	Subtotal
West Springfield HS	Jun 2016 (FY 2016)	\$20,832	\$86,470	\$97,917	\$48,695	\$4,200	\$258,114
Herndon HS	Nov 2017 (FY 2018)	\$0	\$0	\$0	\$36,847	\$1,575	\$38,422
Oakton HS	Jun 2018 (FY 2018)	\$0	\$0	\$0	\$0	\$0	\$0

Based on liaison assignment, \$184,656 of the \$258,114 invoiced to the West Springfield project was allocable to the renovations of Herndon HS and Oakton HS.

West Springfield HS Invoice Amounts Allocable to Each Project



Beginning in August 2016, Architecture, Inc. began invoicing FCPS for one school construction liaison. In August 2017, around the same time as a notice to proceed was issued to begin construction on the Herndon HS renovation, a second school construction liaison began being invoiced. Meeting minutes for the Herndon HS renovation indicate that the second liaison was providing services related to that project. In March 2018, three months prior to the general contractor notice to proceed was issued for the Oakton HS renovation, Architecture, Inc. began invoicing FCPS for a third liaison. During these three months, Architecture, Inc. invoiced FCPS a total of \$11,598 for liaison services prior to the beginning of the renovation. Meeting minutes for the Oakton HS renovation indicate that the third liaison was providing services for that project, and not the West Springfield HS project.

In September 2019, the design firm contracted to provide services for the Herndon HS project began invoicing for the school construction liaison assigned to that project. While the school liaison position appears to be allocable to this project, the vendor for this project included a mark-up of 5% on all amounts invoiced for this liaison, which totalled \$1,917. No such mark-up appears to exist on invoices from the West Springfield HS vendor invoices; however, OAG did not verify amounts paid to the liaisons through the vendor.

Currently, there are two active school construction liaisons, one for the Herndon HS project and one for the Oakton HS project. As of July 2020, the liaison for the Oakton HS project is still being invoiced by the Architecture, Inc, even though the West Springfield HS project was substantially completed in June 2019.

Criteria:

Architecture, Inc. contract #0095-12-AE-150 is to provide architectural and engineering services for the West Springfield HS project.

Cause:

- D&C does not have a process in place to ensure school construction liaison expenses are allocated to the correct project.
- D&C does not have a process in place to ensure that projects are closed out in FOCUS timely.

- D&C is initiating the recruitment and hiring of the school-construction liaison

Effect:

- Costs are not charged to the correct project.
- Vendor is invoicing for position on a project in which it has no oversight or authority.
- School liaison consultant costs incurred prior to the beginning of a renovation may be unsubstantiated.
- A vendor is invoicing for costs that it provides no supervision over.

Recommendations:

13. D&C ensure project costs are allocated to correct project and that vendor invoices for costs associated with project in which it is contracted to perform services.
14. D&C implement a process to ensure projects are closed-out timely in FOCUS.
15. D&C determine what liaison services were provided by the third liaison between the time Architecture, Inc. began invoicing for that liaison and the beginning of the Oakton HS renovation.
16. D&C consider if the school-construction liaison position should be an hourly FCPS position rather than a position hired through a vendor.

Management Response (Actions and Due Date):

D&C concurs with the finding and recommendations.

D&C will reconcile FY2020 costs and transfer the expenditures to the correct projects. D&C will establish project close out process in FOCUS; 2 years after final substantial completion for all capital projects. Vendor Architecture Incorporated has been notified and will not bill D&C for future liaison services for Oakton HS and Herndon HS projects. D&C is looking into the process of hiring the liaisons as FCPS hourly employees.

Reconciliation due December 31, 2020.

Close-out process due March 1, 2021.

Liaison position due December 31, 2020.