



AUDIT HIGHLIGHTS

SUSD Hohokam Bond Project

October 13, 2021

Audit Report No. 2116

WHY WE DID THIS AUDIT

The Scottsdale City Auditor's office performed this audit on behalf of the Scottsdale Unified School District No. 48 through Intergovernmental Agreement (IGA) 2021-023-COS approved by the City Council and District Governing Board. The audit objective was to review contract administration, including procurement, project management, contract compliance, and cost-effectiveness, for the Hohokam Elementary School construction project.

BACKGROUND

The renovation and rebuild of Hohokam Elementary School was primarily funded by the 2016 voter-approved Bond. The District used a Construction Manager at Risk (CMAR) delivery method for the project, where, in addition to hiring an Architect, it hired a general contractor to provide preconstruction design review and input. As the design phase was ending, the CMAR general contractor and the District negotiated a Guaranteed Maximum Price (GMP) for constructing the project, approximately \$21.9 million. As of August 2021, this project had not yet been closed out.

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WHAT WE FOUND

Closer review of the CMAR subcontractor selection, proposed GMP costs and contract time can better control construction costs.

- Additional oversight of the subcontractor selection process and more detailed review of the proposed costs are needed. For example, about \$2 million of the GMP was based on estimates and should have been identified and tracked.
- Transaction privilege taxes (sales taxes) were overstated in the GMP and other Job Order Contracting work performed by the CMAR.

Establishing contract management processes may help the department better monitor and control construction costs and quality.

- Monthly progress billings were not fully supported, and General Conditions costs were billed as lump sum, not at actual cost of allowable items.
- Some change work was not submitted to the District for approval and procedures are needed for key quality control processes.

Management of the Design services contract could be improved.

- Contract terms did not address project architectural services and a pricing structure based on construction costs may not have been advantageous. Also, some fees appear inconsistent with contract pricing.
- Some contract documents were missing, high-dollar change orders were not submitted to the Governing Board, and monitoring procedures are needed.

Documentation standards and methods should be improved.

WHAT WE RECOMMEND

We recommend the District Superintendent require Building Services to:

- Establish requirements for closer review of the subcontractor selection process and construction cost details.
- Establish procedures for reviewing progress payments, changes to the work, and quality control.
- Establish procedures for monitoring design processes and managing project documentation.

MANAGEMENT RESPONSE

The District agreed with the audit recommendations and outlined its current and planned progress for implementation.