

FINAL REPORT

Washoe County School District Capital Improvement Program Audit

September 24, 2020

Kirk Starkey, Chief Auditor
Washoe County School District
425 E. Ninth Street
Room A-215
Reno, Nevada 89520-3423

Mr. Starkey,

Protiviti has completed the agreed upon procedures with respect to the audit services associated with the Washoe County School District (WCSD) Capital Improvement Program as outlined in our engagement letter dated January 6, 2020.

The objective of the audit engagement was to ascertain whether expenditures made from public monies associated with the Capital Improvement Program align with certain laws and regulations, and to determine if WCSD has implemented financial and administrative procedures and internal controls, which adequately safeguard assets and ensure project completion according to applicable construction agreements.

The scope of the engagement was all WC-1 revenues, bond proceeds, and associated Capital Improvement Program expenditures related to capital projects completed or in progress during the period of January 1, 2017 through August 31, 2019. This broad scoped engagement was designed to provide insight and observations to WCSD's Board of Trustees (BOT) regarding WC-1 and its expenditure of authorized funds.

Errors or fraud may occur as the scope of our work did not constitute a review and evaluation of the overall internal control structure of WCSD or controls within in-scope systems from which data was obtained for this audit.

The attached report is intended for the use of WCSD Internal Audit and is not intended to be used for any other purpose.

Thank you for the opportunity to perform this audit and the cooperation received from the Internal Audit and Capital Projects departments.

Sincerely,



Jonathan Critelli
Managing Director

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Audit Background, Objectives, Scope and Approach

Background

In the November 2016 general election, voters in Washoe County passed ballot initiative WC-1. WC-1 increased the local sales tax by 0.54 percent. Washoe County subsequently released a series of WC-1 bond offerings in 2017, 2018, and 2019, the proceeds of which are subject to the same restrictions as the WC-1 sales tax revenue. By law, these funds cannot be used to address operating fund deficits and proceeds from this sales tax increase are to fund capital projects of the Washoe County School District (WCSD) for the acquisition, construction, repair, and renovation of school facilities.

The WCSD Capital Projects Department is responsible for the planning, delivery, and oversight of capital projects, including those capital projects funded by WC-1 sales tax revenue and WC-1 bond proceeds, as well as the establishment of internal controls to appropriately manage capital projects. The WCSD Capital Projects Department may choose to engage construction managers to execute large scale, complex, schedule driven, or prototype capital projects using the Construction Manager at Risk (CMAR) delivery method. However, some large scale and complex projects may use an alternative delivery method if deemed in the best interest of the district (i.e. after the same model of school has been built using the CMAR method one or more times). The CMAR delivery method utilizes a commitment by the selected construction manager to deliver capital projects within an agreed upon Guaranteed Maximum Price (GMP). The construction manager acts a consultant to the WCSD Capital Projects Department in the development and design phases of a project and as a general contractor during the construction phase.

Audit Objectives and Scope

The objective of the audit engagement was to ascertain whether expenditures made from public monies associated with the Capital Improvement Program align with certain laws and regulations, and to determine if WCSD has implemented financial and administrative procedures and internal controls, which adequately safeguard assets and ensure project completion according to applicable construction agreements.

The scope of the engagement was all WC-1 revenues, bond proceeds, and associated Capital Improvement Program expenditures related to capital projects completed or in progress during the period of January 1, 2017 through August 31, 2019. This broad scoped engagement was designed to provide insight and observations to WCSD's Board of Trustees (BOT) regarding WC-1 and its expenditure of authorized funds.

Approach

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing (IIA Standards). Those standards require that we plan and perform the audit to obtain sufficient and 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.

An understanding of the internal control structure of WCSD was not deemed to be significant in meeting the above audit objectives. Therefore, the scope of our work did not constitute a review and evaluation of the overall internal control structure of WCSD or controls within in-scope systems from which data was obtained for this audit. Management is responsible for establishing and maintaining a system of internal controls to ensure that assets are secured; financial activity is accurate and reliable; and that employees follow laws, ordinances, policies, and procedures.

To achieve the objectives of this audit the following phased approach was utilized:

Phase 1: Document Collection

- Obtained from WCSD, applicable policies and procedures associated with the Capital Improvement Plan funding requirements and funding sources;
- Reviewed documentation and conducted interviews with key personnel and stakeholders to develop an understanding of the 1) funding sources and types of projects considered to be allowable for each funding source, 2) internal controls associated with the collection and disbursement of funds designated for acquiring, constructing, repairing, and renovating school facilities and 3) purchasing processes, policies, and procedures relating to expenditure of public funds for school facility construction, repair, and renovating projects;
- Identified and collected, either from WCSD or directly from WCSD's accounting system (BusinessPlus), financial data associated with the Capital Improvement Plan funded with WC-1 revenues or bond proceeds. BusinessPlus data was also collected for revenue collections and budget versus actual expenditures for projects completed and those in progress during the review period (January 1, 2017 through August 31, 2019);

Phase 2: Data Analysis

- Summarized revenue and expenditures trends for all school construction and renovation activity during the review period (January 1, 2017 through August 31, 2019);
- Summarized all sources of revenue received by WCSD designated for acquiring, constructing, repairing, and renovating school facilities;
- Identified and summarized debt service activity related to the construction and renovation of school facilities;

Phase 3: Detailed Testing

Samples were judgmentally selected to evaluate control operating effectiveness and to test detailed transactions related to project delivery. A listing of sampled projects is provided in Appendix B of this report. For each sample selected, the following detailed testing activities were performed by Protiviti:

- Evaluated the adequacy of internal controls associated with the collection and disbursement of funds designated for acquiring, constructing, repairing, and renovating school facilities;
- Evaluated the adequacy of the purchasing processes, policies, and procedures relating to expenditure of public funds for school facility construction, repair, and renovating projects;

- Reviewed original project budgets and all subsequent revisions, the reasons for any significant budget revisions, and whether the budget revisions reflect work scope changes, incomplete planning in the initial phases of the project, or other reasons;
- Reconciled over \$6.5M of WCSD expenditures records to school facility construction, repair, and renovating projects and evaluated for appropriateness
- Evaluated the adequacy of change order procedures including testing selected change orders (absolute value of over \$7.5M) for 1) sufficient documentation justifying the need for the change order. 2) whether the proper party paid for the cost of the change, and 3) to determine if the work described in the change order represented work covered in the original contract terms;
- Reconciled job cost detail reports to payment applications;
- Tested capital project expenditures to determine if in accordance with legal requirements and if the expenditure was charged to the proper budget category within the appropriate fiscal period;
- Reviewed a sample projects to determine whether any related parties were used as subcontractors;
- Reviewed contractor's billings for evidence of items paid by the owner which may have been the responsibility of the contractor;
- Evaluated contractor performance against project target timelines;
- Evaluated compliance with federal, state, and local regulations;
- Documented and investigated any unusual or potentially inappropriate transactions identified while performing the above procedures;

Phase 4: Audit Reporting

- Identified potential areas of non-compliance and conducted interviews with key personnel and stakeholders to review the findings and further understand the rationale for the use of the funds.
- Compiled this audit report that outlines funding and identifies areas of non-compliance for remediation

Summary of Key Findings

1. Project Performance Monitoring and Status Reporting

Related Audit Procedure: Procedure #8 (Page 25) - Evaluate contractor performance against project target timelines and budgets and review a sample of original project budgets and revisions.

Observation: Information on progress of on-going construction projects is not clearly communicated to the public on a regular basis aside from the annual CIP Evaluation Report. Relevant, performance-based project information is shared publicly but not consolidated in a single location or dashboards. Project information is currently shared on WCSD web pages and Board of Trustees meeting minutes and presentation materials. There is not a single place to review the status of all on-going projects to compare actual progress against proposed budgets and timelines.

Recommendation: WCSD Capital Projects Department should consider standardizing the project status communications based on project type. Protiviti also recommends that the Capital Projects Department prepare and publish a quarterly dashboard or report, for public consumption, with the following details

- a. All current projects under construction
- b. Original budget (with estimated completion date)
- c. Total dollar value of change orders to-date
- d. Revised budget (with revised estimated completion date)
- e. Expenditures to-date
- f. Percentage complete

Management Response and Action Plan: WCSD accepts the recommendation and will standardize its project status communications based on project type. Recently WCSD Capital Projects has initiated significant revisions to our “Building” website where relevant project information on all major projects can be found. We have also recently issued a “Quarterly Report” on active major projects which can be found at the WCSD Building website <https://www.washoeschools.net/domain/1591>. In response to this Key Finding, WCSD will work to streamline and create consistency with the information suggested for all active Major Capital Projects. We anticipate full implementation of this item by Summer 2021.

2. Standardized Metrics for Project Review and Approval

Related Audit Procedure: Procedure #5 (Page 14) - Evaluate the adequacy of internal controls associated with the collection and disbursement of funds.

Observation: Budget proposals submitted to the Capital Funding Protection Committee (CFPC) and Board of Trustees (BOT) for new schools do not utilize a standardized format for presenting data related to the proposed project budget for consideration prior to approval by the CFPC and BOT. Presenting this data in an inconsistent format from project to project may cause confusion and diminish the value of the presentation of key project metrics to be considered prior to approval. Capital Funding Protection Committee and Board of Trustees presentation materials and meeting minutes do not utilize a standard template to consistently communicate project budget considerations and comparisons to standard industry metrics.

Recommendation: WCSD Capital Projects Department should consider standardizing the formatting and information included in major project proposals to the Capital Funding Protection Committee and the Board of Trustees. Proposals should include at minimum, the following information:

- g. Square footage compared to other schools with similar enrollment size
- h. Cost /sq. ft. compared to schools of similar size and geography built within the past 2-3 years.
- i. Comparisons of the original “high-level” project budget approved by the BOT vs. third party estimates vs. CMAR estimates (with actual dollar amounts, and explanations for variances).

Management Response and Action Plan: WCSD accepts the recommendation and will work to implement standardized presentation of capital project costs and budgets relative to the three noted metrics as a point of consistency.

WCSD has been and will continue to present multifaceted supporting information for every budgetary recommendation noting that projects are often unique in scope and many other variables which warrant unique supporting information in addition to the consistent metrics recommended. WCSD anticipates full implementation of this item by Summer 2021.

Procedures Performed and Results

In order to satisfy engagement objectives and support potential findings, the following procedures were performed:

Procedure #1 - Identify all school construction and renovation projects in progress during the review period and reconcile to WCSD financial records of expenditures for said purpose.

Documentation Reviewed:	<ul style="list-style-type: none"> • 2017 – 2020 WCSD Capital Improvement Plans • BusinessPlus Expenditure Reports for Funds 17 (WC-1 Sales Tax Revenue), 11 (2017C WC-1 Bond), 12 (2018 WC-1 Bond), and 13 (2019B WC-1 Bond)
Procedures Performed:	Protiviti was granted read-only access to the WCSD general ledger system, BusinessPlus. Protiviti was able to independently generate reports showing all expenditures made from WC-1 funds, including the WC-1 bond proceeds, from 7/1/2017 through 5/5/2020. Protiviti also obtained the WCSD Capital Improvement Plans approved by the Board of Trustees from 2017 – 2020. Protiviti judgmentally selected a sample of projects from the Capital Improvement Plans and then generated BusinessPlus reports for each WC-1 funding source in order to reconcile the project budgets from the approved CIP Plans to the General Ledger. Protiviti also tested individual transactions as part of Procedure #14, tracing transactions from the General Ledger to corresponding invoices and reviewing for compliance with WC-1 regulations.
Sampling:	Project Population: 119 projects – See Appendix B for project scoping and samples selected. Project Sample: 15 projects
Results:	Protiviti determined that each project sampled was included in the corresponding BusinessPlus report, with the appropriate budget as approved by the Board of Trustees. Of the 75 transactions, totaling \$6.5M, tested in Procedure #13, Protiviti determined that all transactions were compliant with WC-1 regulations based on the transaction type and description. See Procedure #13 below for more details on the transaction testing procedures and results.
Recommendations:	N/A

Procedure #2 - Summarize all sources of revenue received by WCSD designated for capital projects

Documentation Reviewed:	<p>BusinessPlus Revenue Reports for the following revenue sources:</p> <ul style="list-style-type: none"> • Fund 17 (WC-1 Sales Tax Revenue) • Fund 11 (2017C WC-1 Bond) • Fund 12 (2018 WC-1 Bond) • Fund 13 (2019B WC-1 Bond) • Fund 41 (2016A G.O. Rollover Bond) • Fund 42 (2016B G.O. Rollover Bond) • Fund 43 (2017A G.O. Rollover Bond) • Fund 44 (2017B G.O. Rollover Bond)
Procedures Performed:	<p>Protiviti independently generated BusinessPlus reports for each WC-1 funding source, including WC-1 bond proceeds, in order to summarize all revenue exclusively designated for capital projects. Protiviti also generated BusinessPlus revenue reports for four rollover bonds, of which some revenue is used for capital projects.</p>
Sampling:	<p>All WC-1 related revenue and bond proceeds received from funds 17, 11, 12, and 13 as of 5/5/2020. All revenue received from rollover bond funds 41, 42, 43, and 44 from 7/1/2017 – 5/5/2020.</p>
Results:	<p>From 7/1/2017 through 5/5/2020, WCSD collected \$524M from WC-1 sales tax revenue and WC-1 bond proceeds. During the same period, WCSD collected \$2.7M from general obligation rollover interest bonds, which are partially used to fund capital renewal projects. All revenues from FY2018 – FY2020 related to the aforementioned rollover bonds (Funds 41, 42, 43, and 44) were from investment earnings during the audit period.</p> <p>Listed below are the total revenues received for each fund from 7/1/2017 – 5/5/2020.</p> <p>WC-1 Sales Tax Fund 17: \$102.6M WC-1 Bond Fund 11: \$220.6M WC-1 Bond Fund 12: \$90.8M WC-1 Bond Fund 13: \$110.0M Rollover Bond Fund 41: \$190K Rollover Bond Fund 42: \$307K Rollover Bond Fund 43: \$1.6M Rollover Bond Fund 44: \$580K</p> <p>See Appendix A for additional graphics summarizing revenue trends.</p>
Recommendations:	N/A

Procedure #3 - Identify and summarize current debt service requirements related to capital projects

Documentation Reviewed:	BusinessPlus Expenditure Reports for Fund 91 (WC-1 Debt Service)																																												
Procedures Performed:	Protiviti independently generated BusinessPlus reports in order to summarize all debt service activity related to WC-1 bonds.																																												
Sampling:	All WC-1 debt service activity from 7/1/2017 – 5/5/2020.																																												
Results:	<p>When WC-1 was passed in 2016, the ballot measure did not include any financial covenant requirements. Similarly, the subsequent WC-1 bond offerings do not include debt covenants or reporting requirements. Protiviti summarized the WC-1 debt service activity from FY2018 – FY2020 below.</p> <table border="1"> <thead> <tr> <th>FY</th> <th>Date</th> <th>Activity</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>'18</td> <td>3/30/18</td> <td>2017C WC-1 Bond Payment</td> <td>\$2,892,101</td> </tr> <tr> <td rowspan="4">'19</td> <td>9/29/18</td> <td>2017C WC-1 Bond Payment</td> <td>\$4,004,447</td> </tr> <tr> <td>3/29/19</td> <td>2017C WC-1 Bond Payment</td> <td>\$4,004,447</td> </tr> <tr> <td>3/29/19</td> <td>2018 WC-1 Bond Payment</td> <td>\$1,200,521</td> </tr> <tr> <td colspan="2">2019 Total</td> <td>\$9,209,415</td> </tr> <tr> <td rowspan="6">'20</td> <td>9/30/19</td> <td>2017C WC-1 Bond Payment</td> <td>\$4,004,447</td> </tr> <tr> <td>9/30/19</td> <td>2018 WC-1 Bond Payment</td> <td>\$1,862,878</td> </tr> <tr> <td>3/31/20</td> <td>2017C WC-1 Bond Payment</td> <td>\$4,004,447</td> </tr> <tr> <td>3/31/20</td> <td>2018 WC-1 Bond Payment</td> <td>\$1,862,878</td> </tr> <tr> <td>3/31/20</td> <td>2019B WC-1 Bond Payment</td> <td>\$1,038,360</td> </tr> <tr> <td colspan="2">2020 Total</td> <td>\$12,773,010</td> </tr> <tr> <td colspan="3">Total WC-1 Debt Service Payments (2018 – 2020)</td> <td>\$24,874,526</td> </tr> </tbody> </table>	FY	Date	Activity	Amount	'18	3/30/18	2017C WC-1 Bond Payment	\$2,892,101	'19	9/29/18	2017C WC-1 Bond Payment	\$4,004,447	3/29/19	2017C WC-1 Bond Payment	\$4,004,447	3/29/19	2018 WC-1 Bond Payment	\$1,200,521	2019 Total		\$9,209,415	'20	9/30/19	2017C WC-1 Bond Payment	\$4,004,447	9/30/19	2018 WC-1 Bond Payment	\$1,862,878	3/31/20	2017C WC-1 Bond Payment	\$4,004,447	3/31/20	2018 WC-1 Bond Payment	\$1,862,878	3/31/20	2019B WC-1 Bond Payment	\$1,038,360	2020 Total		\$12,773,010	Total WC-1 Debt Service Payments (2018 – 2020)			\$24,874,526
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Recommendations:	N/A																																												

Procedure #4 - Prepare a trend analysis of all revenues and expenditures for school construction and renovation projects completed and in-progress during the review period.

Documentation Reviewed:	<p>BusinessPlus Revenue and Expenditure Reports for the following revenue sources:</p> <ul style="list-style-type: none"> • Fund 17 (WC-1 Sales Tax Revenue) • Fund 11 (2017C WC-1 Bond) • Fund 12 (2018 WC-1 Bond) • Fund 13 (2019B WC-1 Bond)
Procedures Performed:	<p>Protiviti independently generated BusinessPlus Revenue and Expenditure Reports for the WC-1 funds in order to analyze revenue and expenditure trends from 7/1/2017 – 5/5/2020.</p>
Sampling:	<p>All WC-1 revenue and WC-1 bond proceeds, and expenditure activity from 7/1/2017 – 5/5/2020.</p>
Results:	<p>From 7/1/2017 through 5/5/2020, WCSD collected \$524M from WC-1 sales tax revenue and WC-1 bond proceeds. During the same period, WCSD incurred \$345M in expenditures from the WC-1 funds. See below for a breakdown of WC-1 revenues and expenditures by year and a breakdown of expenditure type by percentage.</p> <p><u>WC-1 sales tax revenue and bond proceeds and totals per year:</u></p> <p>FY2018 WC-1 Revenue: \$25M FY2018 WC-1 Bond Proceeds: \$217.2M</p> <p>FY2019 WC-1 Revenue: \$47.2 FY 2019 WC-1 Bond Proceeds: \$92.6M</p> <p>FY2020 WC-1 Revenue (as of 5/5/2020): \$30.4 FY2020 WC-1 Bond Proceeds (as of 5/5/2020): \$111.6M</p> <p><u>WC-1 Expenditure totals by funding source per year:</u></p> <p>FY2018 WC-1 Revenue: \$7.8M FY2018 WC-1 Bond Proceeds: \$36.1M</p> <p>FY2019 WC-1 Revenue: \$12.2 FY 2019 WC-1 Bond Proceeds: \$163.1M</p> <p>FY2020 WC-1 Revenue (as of 5/5/2020): \$49.6 FY2020 WC-1 Bond Proceeds (as of 5/5/2020): 76.1M</p>

	<p><u>WC-1 Expenditure Breakdown (7/1/2017 – 5/5/2020):</u></p> <p>\$251.1M (73%) - Construction (general contractors, equipment vendors, internal project management)</p> <p>\$34.9M (10%) - Building Improvement (service requests, maintenance contracts)</p> <p>\$30.1M (8%) - Land Acquisition (Poulakidas ES, Wild Creek HS)</p> <p>\$12.8M (4%) - WC-1 Bond Obligation Payments</p> <p>\$5.9M (2%) - Site Improvements (athletic facilities, hardscape, landscape)</p> <p>\$5.8M (2%) - Architecture Services (designer contracts, consultant contracts)</p> <p>\$4.6M (1%) - Central Services (bond issuance costs)</p> <p>See Appendix A for additional graphics summarizing revenue trends.</p>
Recommendations:	N/A

Procedure #5 - Evaluate the adequacy of internal controls associated with the collection and disbursement of funds

<p>Documentation Reviewed:</p>	<ul style="list-style-type: none"> • WC-1 Ballot Question • Board Policies • Administrative Regulations (Reg 3310, 3311, 3312, 3313, 3313.2, 3322 and NRS 338) • Administrative Policies (Policies 3320, 3321, 7100 and 9405) • WCSD Master Organizational Chart • WCSD Capital Projects & Facilities Management Organizational Chart • WCSD Business & Financial Services Organizational Chart • WCSD Purchasing/Warehouse Department Organizational Chart • Capital Improvement Plans, including major projects and Capital Renewal (2017 – 2020) • Various BusinessPlus Reporting (GL, Revenue, Expenditures, Project Set-up) • Board of Trustees Meeting Minutes & Presentation Materials • Capital Funding Protection Committee Meeting Minutes & Presentation Materials • Safe and Healthy Schools Commission Meeting Minutes and Presentation Materials • Facility Condition Index System Scorecards (2018) • TRMPA Regional Master Plans and Meeting Minutes (2017 – 2019) • TRMPA Template for Regional Plan Annual Report (2017 – 2019) • Internal Demography Reports (2015 – 2019) • 2020 – 2039 Facilities Plan • Capital Improvement Annual Evaluation Report (2018 and 2019) • Project Authorization Forms and/or Budget Transfer/Adjustment Forms for projects sampled • Supporting documentation and/or invoices or the expenditure transactions sampled
<p>Procedures Performed:</p>	<p><u>Documentation Review:</u> Protiviti reviewed WCSD policies and procedures documentation to develop an understanding of internal controls related to the collection and disbursement of funds for capital projects</p> <p><u>Process Owner Interviews:</u> Protiviti met with process owners from the Capital Projects Department, Purchasing Department, and</p>

	<p>Finance & Accounting Department to further understand the internal control environment.</p> <p><u>Control Testing:</u> Protiviti identified the 13 key controls listed below, made sample selections, and performed detailed testing activities to evaluate control design and control operating effectiveness.</p> <p>#1 - Board Approval: The Board of Trustees must approve all capital project expenditures prior to allocating any funding for projects. Projects can be considered approved through either the approved annual operating budget or through project-specific approvals.</p> <p>For the projects sampled, Protiviti reviewed Board of Trustees meeting minutes and meeting presentation materials, which are publicly available online in order to determine whether the Board of Trustees provided appropriate approval. Protiviti noted that repairs and maintenance projects are approved in bulk via the annual Capital Renewal Plan, and major projects are presented throughout the year and approved individually.</p> <p>#2 – CFPC Approval: The Capital Funding Protection Committee must approve project budgets prior to presentation to the Board of Trustees.</p> <p>For the projects selected, Protiviti reviewed CFPC meeting minutes and meeting presentation materials, which are publicly available online in order to determine whether the CFPC provided appropriate approval.</p> <p>#3 – SHSC Projects: Safe and Healthy Schools Commission makes recommendations for projects that directly relate to the health & safety of staff and students. These projects are then prioritized and included in the annual CIP plan based on available funding.</p> <p>Protiviti reviewed meeting minutes and agendas from the Safe and Healthy Schools Commission from 2017 – 2019, to determine whether all formal capital project recommendations were incorporated into the WCSD Capital Improvement Plans.</p> <p>#4 – Facility Condition Index System (FCIS) Projects: All non-mandated, safety driven or non-growth related capital projects are developed through a needs based process including annual asset inspections and assessment and a detailed inventory of the age, condition, life expectancy of all WCSD Facilities (Facility Condition Index System, FCIS). Projects are prioritized and "scored" by</p>
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	<p>independent facilities professionals and ranked on a basis of condition and need.</p> <p>Protiviti obtained the 2018 FCIS scorecards, noting 254 projects scored at 0 (immediate need), 1 (to be addressed within one year) or, 2 (to be addressed within two years). Protiviti judgmentally selected a sample of 20 projects and tested to determine whether the projects were included on the Capital Renewal Plans from 2017–2020, as projects scored from 0 - 2 should appear on the Capital Renewal Plans in scope for this review.</p> <p>#5 - TMRPA Review: WCSD is required to submit a Facilities Plan which is reviewed by the Board of Trustees and then must be approved by the Truckee Meadows Regional Planning Agency through a public meeting of their interjurisdictional committee for conformance with the Regional Master Plan</p> <p>Protiviti reviewed the 2017 - 2019 TRMPA Regional Master Plans and meeting minutes to determine whether the WCSD Annual Facilities Plans were included in the Annual Regional Master Plans and whether WCSD was represented at the TRMPA meetings. Protiviti also obtained the 2017 - 2019 Template for Regional Plan Annual Reporting documents prepared by WCSD for the purposes of addressing how the WCSD Annual Facilities Plan addressed pertinent topics in the TRMPA Regional Master Plan. Protiviti reviewed the documentation to determine whether the WCSD Facilities Plan was in conformance with the TRMPA Regional Master Plan.</p> <p>#6 – Demography Considerations: An internal demographer studies the current and projected needs of WCSD in order to establish a business case for growth-based capital projects. Demography studies are taken into consideration when developing the five-year capital projects plan.</p> <p>Protiviti reviewed the WCSD Zoning Advisory Committee public presentation documents and the annual demography reports prepared by WCSD's internal demographer from 2015 – 2019 to determine whether the information within the demography reports as it relates to school populations and overcrowding was used to make recommendations to the Board of Trustees for future projects, as well as new school builds. Protiviti also reviewed the Board's key considerations and compared these to the demography studies presented to the Board. Further, Protiviti reviewed the 2020-2039 Facilities Plan to determine whether to plan included demographic consideration as they related to the recommendations of building or refurbishing schools.</p>
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	<p>#7 - Annual Accountability Reporting: An annual "accountability report" is required to be presented to the CFPC and BOT by the CFPC policy.</p> <p>Protiviti reviewed the 2018 and 2019 annual accountability reports, officially titled "Capital Improvement Plan Annual Evaluation Report" in order to determine if they were presented to the Capital Funding Protection Committee (CFPC) and Board of Trustees (BOT) each year and included all updates required by WCSD Board Policy 9405 (Capital Funding / Bond Oversight).</p> <p>#8 – WC-1 Ballot Projects: The WC-1 ballot indicated a number of capital projects to receive funding from WC-1 sales tax revenue. These projects are given priority over projects identified since the WC-1 ballot vote.</p> <p>Protiviti reviewed the 2017 – 2020 CIP Plans and WC-1 expenditure reports from BusinessPlus, to determine the current status of each project outlined in the WC-1 Ballot initiative. See Appendix C for the projects listed in the 2016 WC-1 Ballot Initiative.</p> <p>#9 – Project Authorization Forms: The WCSD CFO must complete a Project Authorization Form prior to funding a capital project. This form is prepared by the Bond Accountant and signed by the Chief Facilities Management Officer and Chief Financial Officer.</p> <p>For the projects sampled, Protiviti obtained the project authorization forms and reviewed to determine whether the Chief Facilities Management Officer, Bond Accountant, and the CFO provided the proper approvals. Protiviti also noted that prior to October 2018, WCSD did not use the PAF, and instead used a Budget Transfer/Adjustment Form to show where money was being transferred. For the projects sampled prior to October 2018, Protiviti obtained the Budget Transfer Forms and reviewed for proper approval by the Chief Facilities Management Officer.</p> <p>#10 – WC-1 Spending: WC-1 sales tax revenue moneys can only be expended to fund WC-1 bond payments and approved capital projects.</p> <p>See testing procedures and results in Procedure #13 below.</p> <p>#11 – Project Monitoring: Projects are categorized and monitored in the job ledger by funding source (i.e. WC-1 tax revenue, WC-1 G.O. bonds, and rollover bonds).</p>
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	<p>Protiviti was granted read-only access to the WCSSD general ledger system, BusinessPlus. Protiviti noted that projects are monitored in the job ledger by comparing expenditure progress to the budgeted amount allocated to each project on an on-going basis. Budgets are broken down by funding source. Projects are typically funded from a single revenue stream, however if multiple funding sources are used for a single project, the budget breakdown within BusinessPlus shows the amounts allocated to the project from each funding source. Protiviti was able to generate reports for each WC-1 funding source, including breakdowns of the budgets for each capital project, showing the amounts allocated to the project, the total amount spent to date, and the amount remaining in the original budget as well as the owner contingency budget (force account).</p> <p>#12 – Contingency Re-Allocation: When a project is completed under budget, the remaining budget is transferred into the Capital Projects Contingency account. These monies may be transferred out of contingency and into other project budgets with Board of Trustees Approval.</p> <p>Protiviti selected the recently completed Desert Skies Middle School and Sky Ranch Middle School projects and inspected the respective job ledgers in order to determine whether the remaining budgets were transferred from the allocated project codes back into the Fund 11 contingency as the projects were nearing completion.</p> <p>#13 – Budget Set-up: Project budgets are allocated within the job ledger for the exact amount of the approved project budget. The funds required for the project are moved to the newly established job ledger and then can only be used for that project unless transferred to a different job code.</p> <p>For the projects selected, Protiviti reviewed the allocated budget amounts in BusinessPlus to determine if they were equal to or less than the amounts approved by the Board of Trustees.</p>
<p>Sampling:</p>	<p>Controls #1, #2, #9, and #13 Project Population: 119 projects in-scope - See Appendix B for project scoping and samples selected Project Sample: 15 projects</p> <p>Control #10 Transaction Population: 1,000+ transactions Transaction Sample: 75 transactions, judgmentally selected with a</p>

	greater focus on unusual or questionable transactions
Results:	<p>13 of the 13 controls tested appear to be operating effectively for the period in scope</p> <p>Improvement Opportunity: Budget proposals submitted to the Capital Funding Protection Committee and Board of Trustees for new schools do not include sufficient data related to budget considerations. Protiviti determined through inspection of Capital Funding Protection Committee and Board of Trustees meeting minutes and presentation materials, that there is not a standardized project proposal template used to communicate project budget considerations and standard metrics.</p>
Recommendations:	<p>Protiviti recommends that the WCSD Capital Projects Department consider standardizing the formatting and information included in major project proposals to the Capital Funding Protection Committee and the Board of Trustees. Proposals should include at minimum, the following information:</p> <ul style="list-style-type: none"> a. Square footage compared to other schools with similar enrollment size b. Cost /sq. ft. compared to schools of similar size and geography built within the past 2-3 years. c. Comparisons of the original “high-level” project budget approved by the BOT vs. third party estimates vs. CMAR estimates (with actual dollar amounts, and explanations for variances).

Procedure #6 - Evaluate the adequacy of the purchasing processes, policies, and procedures related to expenditure of public funds

<p>Documentation Reviewed:</p>	<ul style="list-style-type: none"> • Administrative Regulations (Reg 3310, 3311, 3312, 3313, 3313.2, 3322 and NRS 338) • Administrative Policies (Policies 3320, 3321, 7100 and 9405) • WCSD Master Organizational Chart • WCSD Capital Projects & Facilities Management Organizational Chart • WCSD Business & Financial Services Organizational Chart • WCSD Purchasing/Warehouse Department Organizational Chart • Capital Improvement Plans, including major projects and Capital Renewal (2017 – 2020) • Various BusinessPlus Reporting (GL, Revenue, Expenditures, Project Set-up) • Board of Trustees Meeting Minutes & Presentation Materials from 2017 – 2019, evidencing review and approval of the projects sampled • Requests for Bid documentation for the projects sampled • Bidding documentation for projects sampled (hard bids and CMAR projects) • Copies of the executed contracts for the projects sampled • 1% and 5% Sub Lists for the projects sampled • Subcontractor prequalification documentation for the projects sampled
<p>Procedures Performed:</p>	<p><u>Documentation Review:</u> Protiviti reviewed WCSD policies and procedures documentation to develop an understanding of internal controls related to the purchasing procedures related to capital projects</p> <p><u>Process Owner Interviews:</u> Protiviti met with process owners from the Capital Projects Department, Purchasing Department, and Finance & Accounting Department to further understand the internal control environment.</p> <p><u>Control Testing:</u> Protiviti identified the 5 key controls listed below, made sample selections, and performed detailed testing activities to evaluate control design and control operating effectiveness.</p> <p>#1 - >\$85K Bidding Procedures: Hard bid capital projects exceeding \$85,000 must be publicly posted to solicit bids from all eligible contractors. (Note: this is more conservative than the requirements outlined in the Nevada Revised Statutes (NRS), which use a project cost threshold of \$100,000 and above). A sealed bid</p>

	<p>process is required and is managed by the Purchasing Department. Bids must be publicly advertised with state-required project information included. Recommendation of Award is based on the lowest responsive, responsible bid. Prior to issuing a formal bid, multiple approvals are obtained from Capital Projects, Budget & Purchasing. Prior to issuing a Recommendation of Award, approval is sought from Capital Projects.</p> <p>For the projects sampled, Protiviti reviewed bidding and procurement documentation to determine whether multiple bids were received for each project and of the qualified bids, the lowest bidder was awarded the project for all samples.</p> <p>#2 – CMAR Selection: All CMAR selections are publicly advertised and awarded by the Board of Trustees. All subsequent guaranteed maximum price (GMP) contracts and Construction Services contracts are awarded by Board of Trustees. This solicitation method is determined with collaboration between Capital Projects and Purchasing. (NRS 338.1685 – Contracts Involving Construction Managers at Risk)</p> <p>For the projects sampled, Protiviti obtained the CMAR ranking documentation prepared collaboratively by the Capital Projects Department and Purchasing Departments. WUSD ranks each proposal based on the following seven categories: 1) key personnel, 2) project experience, 3) project implementation plan, 4) past performance, 5) preferential bidder status, 6) presentation, and 7) fee proposal. NRS 338.1685 requires that CMAR projects and the process of awarding a contract to a GC, are to benefit the public, produce the best value project instead of the lowest price, and to create a fair bidding process that encourages competitive bidding and does not engage in any bid shopping. Protiviti reviewed the CMAR bid ranking documentation provided to determine whether the Capital Projects Department and Purchasing Department collaborated to rank each bid, and whether the highest ranked bidder was chosen in accordance with the requirements of NRS.338.1685. Protiviti also reviewed Board of Trustees meeting minutes and presentation materials to determine whether the Board reviewed and awarded the subsequent contracts to the highest ranked bidder.</p> <p>#3 – Capital Projects Contract Approval: The Director of Procurement is authorized to sign contracts up to \$50K. The CFO is authorized to sign contracts up to \$100K. Contracts over \$100K must be signed by the Superintendent.</p> <p>For the projects sampled, Protiviti obtained a copy of the executed</p>
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	<p>contract and reviewed to determine whether the contract was reviewed and approved by the appropriate party, as evidenced via signature on the contract.</p> <p>#4 – Subcontractor Disclosure: HARD BIDS/QUOTES - WCS D has no contractual obligation to the Subcontractors. The Prime Contractor must use properly licensed subcontractors and provide WCS D with a list of all subcontractors, whose costs are expected to exceed 1% or 5% of the prime contractor’s total bid, as mandated per NRS 338.141 (1% vs. 5% distinction is dependent upon total contract value).</p> <p>For the projects sampled, Protiviti reviewed the contractor bidding documentation and executed contracts to determine whether the prime contractor provided the required a sub lists for each subcontractor representing 1% and/or 5% of the cost of work, as mandated by NRS 338.141 regulations. Protiviti also reviewed the subcontractors for any related party affiliations with the prime contractors.</p> <p>#5 – Subcontractor Prequalification - CMAR contractors are required to perform a subcontractor pre-qualification and submit results to WCS D. The CMAR (GC) selects their own subcontractors within the confines of NRS 338.1685 and accountability by WCS D. WCS D is a part of the process, but ultimately does not select the sub for the CMAR.</p> <p>For the projects selected, Protiviti reviewed documentation of subcontractor prequalification procedures to determine whether the respective CMAR’s appropriately complied with NRS 338.1685 requirements.</p>
Sampling:	<p>Project Population: 119 projects in-scope - See Appendix B for project scoping and samples selected</p> <p>Project Sample: 15 projects</p>
Results:	<p>5 of the 5 controls tested appear to be operating effectively for the period in scope</p>
Recommendations:	<p>N/A</p>

Procedure #7 - Evaluate the adequacy of project management and change order procedures

<p>Documentation Reviewed:</p>	<ul style="list-style-type: none"> • Administrative Regulations (Reg 3310, 3311, 3312, 3313, 3313.2, 3322 and NRS 338) • Administrative Policies (Policies 3320, 3321, 7100 and 9405) • WCSD Master Organizational Chart • WCSD Capital Projects & Facilities Management Organizational Chart • WCSD Business & Financial Services Organizational Chart • WCSD Purchasing/Warehouse Department Organizational Chart • Capital Improvement Plans, including major projects and Capital Renewal (2017 – 2020) • Various BusinessPlus Reporting (GL, Revenue, Expenditures, Project Set-up) • Board of Trustees Meeting Minutes & Presentation Materials • Copies of the executed contracts for the projects sampled • Change order documentation for the projects sampled
<p>Procedures Performed:</p>	<p><u>Documentation Review:</u> Protiviti reviewed WCSD policies and procedures documentation to develop an understanding of internal controls related to project management and change order procedures</p> <p><u>Process Owner Interviews:</u> Protiviti met with process owners from the Capital Projects Department, Purchasing Department, and Finance & Accounting Department to further understand the internal control environment.</p> <p><u>Control Testing:</u> Protiviti identified the 4 key controls listed below, made sample selections, and performed detailed testing activities to evaluate control design and control operating effectiveness.</p> <p>#1 – Contingency on Renewal Projects: There is typically a 15% contingency allocated to capital renewal projects which is included in the overall budget.</p> <p>For the capital renewal projects selected, Protiviti accessed the project budgets within BusinessPlus and recalculated the amounts in the contingency accounts (i.e. force accounts) to determine whether project contingency budgets were allocated in BusinessPlus for the appropriate amount (15% or less).</p> <p>#2 – CMAR & Owner Contingency: On CMAR projects, contingency allocations are dictated by Capital Projects Department, and are typically 2.5% Owner Contingency and 2.5% Contractor</p>

	<p>Contingency.</p> <p>For the CMAR projects selected, Protiviti used executed GMP contract breakdowns to determine the cost of work and identify the contractor contingency and owner contingency amounts. Protiviti noted two instances (Poulakidas Elementary School and Wildcreek High School Orr Ditch Relocation) in which the owner or contractor contingencies were between 2.7% and 3.7%, exceeding the typical 2.5%. Protiviti determined through inquiry of the Director of Construction and Project Management that WCSD decided to increase the contingencies for these projects based on increased risk and liquidated damages. Protiviti noted no exceptions nor audit findings.</p> <p>#3 – Approval of Budget Increases: Any change order which would increase the overall project budget previously approved by the Board of Trustees requires additional approval by the Board of Trustees. Change orders which can be executed and completed within the project budget previously approved by the Board of Trustees and are also within the award force account or contingency amounts can be approved by project management. Of the projects sampled, Protiviti obtained copies of the change order documentation and meeting minutes from the Board of Trustees documenting their discussion of the changes. Protiviti reviewed the documentation, noting the changes were a result of 1) unexpected sitework challenges and piping/ceiling patchwork complications that were not known at the time of the project awarding, or 2) original project estimates were below all bids received, thus requiring additional funding approval to award a contract. Protiviti reviewed the meeting minutes and determined all budget increases were appropriately approved by the Board of Trustees.</p> <p>#4 – Change Order Review: The consultant and project managers review the potential change order to determine its justification and accuracy related to contractual change order markup allowances.</p> <p>See detailed testing procedures and results documented in Procedure #10 below</p>
Sampling:	<p>Project Population: 119 projects in-scope - See Appendix B for project scoping and samples selected</p> <p>Project Sample: 15 projects</p>
Results:	<p>4 of the 4 controls tested appear to be operating effectively for the period in scope</p>
Recommendations:	<p>N/A</p>

Procedure #8 - Evaluate contractor performance against project target timelines and budgets and review a sample of original project budgets and revisions.

Documentation Reviewed:	<ul style="list-style-type: none"> • Administrative Regulations (Reg 3310, 3311, 3312, 3313, 3313.2, 3322 and NRS 338) • Administrative Policies (Policies 3320, 3321, 7100 and 9405) • Capital Improvement Plans, including major projects and Capital Renewal (2017 – 2020) • Various BusinessPlus Reporting (GL, Revenue, Expenditures, Project Set-up) • Board of Trustees Meeting Minutes & Presentation Materials • Copies of the executed contracts for the projects sampled • Change order documentation for the projects sampled
Procedures Performed:	Protiviti selected six projects for detailed testing. For the projects selected, Protiviti obtained the executed contracts, change orders, and actual project expenditures from Business Plus to review for performance against the original contract, including project budget and project timeline.
Sampling:	<p>Project Population: 119 projects in-scope - See Appendix B for project scoping and samples selected</p> <p>Project Sample: 6 projects</p>
Results:	<p>Protiviti observed that the information available to the public related to ongoing project performance is spread out among several different WCSD web pages and Board of Trustees meeting minutes and presentation materials. There is not a single place to review the status of all ongoing projects. For the purposes of this audit, Protiviti selected six samples to perform detailed testing around project management procedures and performance against agreed upon project timelines and budgets. See immediately below for our test results related to the six sampled selected. Protiviti did identify audit findings based on the testing procedures performed, however we did provide a recommendation to WCSD on the public reporting of on-going project status, which is detailed in the “Recommendation” section below.</p> <p>Protiviti determined that four of the six projects sampled were completed or are currently on track to be completed within budget. Five of the six projects sampled were completed or are currently on track to be completed on time or ahead of schedule. In total, the six projects sampled are on track to be completed \$304,482 over budget (an average of \$50,747 per project, or 0.13% of the total contract values) and 12 days behind schedule (an average of 2 days per project). The table below show the consolidated individual performance breakdowns for each project selected.</p>

Project	BvA Difference Over/(Under)	Percentage Over/(Under)	Original Timeline vs. Actual Timeline
Arrowcreek MS	\$(1,065,362)	-1.5%	In progress – on schedule
Bohach ES	\$(494,587)	-1.4%	In progress – on schedule
Damonte Ranch HS Addition	\$(1,975,263)	-18.4%	Completed on schedule
Desert Skies MS	\$(120,933)	-0.2%	Completed 13 days behind schedule
Reed HS Roof Repair	\$(213,537)	-10.6%	Completed 1 day ahead of schedule
Sky Ranch MS	\$(524,924)	-0.9%	Completed on schedule
AVERAGES	\$(732,434)	-1.8% of total contract value	2 days behind schedule

See Appendix D for the expanded test results.

Recommendations: Protiviti recommends that WCSD Capital Projects Department consider standardizing the project status communications based on project type. Protiviti also recommends that the Capital Projects Department prepare and distribute a quarterly dashboard or report with the following details

- a. All current projects under construction
- b. Original budget (with est. completion date)
- c. Total dollar value of change orders to-date
- d. Revised budget (with revised est. completion date)
- e. Expenditures to-date
- f. Percentage complete

Procedure #9 - Reconcile a significant sample of expenditures records to capital projects (including rental equipment, timesheets, payrolls, etc.). Reconcile a sample of job cost detail reports for payment applications and review a sample of supporting documentation for all cost items exceeding \$50,000

Documentation Reviewed:	<ul style="list-style-type: none"> • Administrative Regulations (Reg 3310, 3311, 3312, 3313, 3313.2, 3322 and NRS 338) • Administrative Policies (Policies 3320, 3321, 7100 and 9405) • Capital Improvement Plans (2017 – 2020) • Various BusinessPlus Reporting (GL, Revenue, Expenditures, Project Set-up) • Copies of the executed contracts for the projects sampled • Cost of Work Summaries, including subcontractor bids, for the projects sampled
Procedures Performed:	<p>Protiviti met with the Chief Facilities Management Officer and the Director of Construction to develop an understanding of the CMAR contract structure for the “Major Projects” sampled, i.e. new schools on the WC-1 Ballot. WCSD indicated that the CMAR contracts and underlying subcontractor contracts are treated as lump sum agreements. WCSD has taken this contracting approach in order to reduce price risk and project/contract administration time and effort. Under this contract structure, the original cost of work summation and subsequent change orders pose the greatest budget management risk for WCSD. Protiviti coordinated with the WCSD Internal Audit Director and both parties agreed to alter the originally agreed upon audit procedures to place more focus on the high risk areas such as the original cost of work, and the review of change orders and supporting documentation.</p> <p>Protiviti selected four (4) “Major Projects” with CMAR contract structures and obtained the contract agreements and subcontractor bidding documentation. Protiviti identified the winning subcontractor bids for each line item in the Cost of Work, totaled the subcontractor bid amounts, and reconciled this total to the total cost of work estimate in the executed CMAR contract.</p>
Sampling:	<p>Project Population: 11 major projects in-scope - See Appendix B for project scoping and samples selected</p> <p>Project Sample: 4 major projects</p>
Results:	<p>For the 4 projects sampled, Protiviti was able to recalculate the total cost of work by identifying and summing the winning subcontractor bids. Protiviti noted that for each project sampled, the subcontractor bid sums were within 1.5% of the total cost of work estimate per the executed CMAR agreement.</p>
Recommendations:	N/A

Procedure #10 - Test a sample of change orders for sufficient documentation and determine if work was included in original scope of work or if design errors should be paid by other parties.

Documentation Reviewed:	<ul style="list-style-type: none"> • Administrative Regulations (Reg 3310, 3311, 3312, 3313, 3313.2, 3322 and NRS 338) • Administrative Policies (Policies 3320, 3321, 7100 and 9405) • Capital Improvement Plans, including major projects and Capital Renewal (2017 – 2020) • Copies of the executed contracts for the projects sampled • Copies of the executed change orders for the projects sampled
Procedures Performed:	<p>Protiviti selected a sample of six projects and obtained copies of all executed change orders (83 individual change orders totaling over \$7.5M) and supporting documentation for detailed testing. Protiviti reviewed each change order to determine if:</p> <ol style="list-style-type: none"> 1. Change orders were properly supported with complete backup documentation justifying the need for the change and the associated cost 2. Subcontractor and CMAR fees applied were in agreement with the executed contract terms 3. Change orders were reviewed by either the third-party Project Manager Consultant, or the WCSD Project Manager or above.
Sampling:	<p>Project Population: 119 projects in-scope - See Appendix B for project scoping and samples selected Project Sample: 6 projects</p>
Results:	<p>Protiviti determined that all 83 change orders tested included proper supporting documentation and were approved by either the third-party Project Manager Consultant or the WCSD Project Manager or above. Protiviti identified two change orders out of the 83 tested in which a subcontractor overcalculated their markup fee by 5% (20% vs. the allowable 15%). The two errors resulted in an overcharge of \$70.36. Given the infrequency (under 3% of total items sampled) and immateriality of the errors, Protiviti concluded that these were isolated incidents and elected not to expand the sample selection.</p>
Recommendations:	N/A

Procedure #11 - Review related party transactions and review contractor's billings for evidence of items paid by owner which may not be allowed

Documentation Reviewed:	<ul style="list-style-type: none"> • Administrative Regulations (Reg 3310, 3311, 3312, 3313, 3313.2, 3322 and NRS 338) • Administrative Policies (Policies 3320, 3321, 7100 and 9405) • Capital Improvement Plans, including major projects and Capital Renewal (2017 – 2020) • Various BusinessPlus Reporting (GL, Revenue, Expenditures, Project Set-up) • Board of Trustees Meeting Minutes & Presentation Materials • Copies of the executed contracts for the projects sampled
Procedures Performed:	Related party affiliations were tested as part of Procedure #6 – Control #4. For the hard bid projects sampled, Protiviti tested subcontractors representing 1% or more of the respective project budgets for any related party affiliations with the prime contractors.
Sampling:	Project Population: 3 Major hard bid projects in-scope Project Sample: 3 major hard bid projects
Results:	For the projects sampled, Protiviti reviewed the lists of subcontractors representing 1% and/or 5% of the cost of work, a total of 61 subcontractors. For each subcontractor, Protiviti performed testing procedures to determine whether the subcontractors have any related party affiliations with the respective prime contractors for each project. No related party affiliations were identified.
Recommendations:	N/A

Procedure #12 - Evaluate compliance with federal, state, and local regulations

Documentation Reviewed:	<ul style="list-style-type: none"> • Administrative Regulations (Reg 3310, 3311, 3312, 3313, 3313.2, 3322 and NRS 338) • Administrative Policies (Policies 3320, 3321, 7100 and 9405) • Capital Improvement Plans, including major projects and Capital Renewal (2017 – 2020) • Various BusinessPlus Reporting (GL, Revenue, Expenditures, Project Set-up) • Project bidding documentation for the projects sampled
Procedures Performed:	While testing the CMAR agreements and hard bid projects (Procedures #5, #6, #7, and #9), Protiviti reviewed for conformance with the applicable NRS regulations. Protiviti also performed a detailed transaction analysis on all WC-1 and WC-1 bond funded expenditures from 2017-2020, sampling 75 transactions totaling \$6.5 million (Procedure #13). Protiviti tested the sampled transactions for compliance with the WC-1 expenditure regulations outlined in the 2016 ballot question.
Sampling:	See sampling guidance applied to Procedures #5, #6, #7, #9, and #13 within each respective procedure outline.
Results:	While testing the CMAR agreements in Procedure #9, the internal controls listed in Procedures #5, #6 and #7, and the transactions sampled in Procedure #13, Protiviti identified zero instances of non-compliance with federal, state, and local regulations.
Recommendations:	N/A

Procedure #13 - Document and investigate any unusual or inappropriate transactions identified during audit activities

Documentation Reviewed:	<ul style="list-style-type: none"> • Administrative Regulations (Reg 3310, 3311, 3312, 3313, 3313.2, 3322 and NRS 338) • Administrative Policies (Policies 3320, 3321, 7100 and 9405) • Capital Improvement Plans, including major projects and Capital Renewal (2017 – 2020) • Various BusinessPlus Reporting (GL, Revenue, Expenditures, Project Set-up)
Procedures Performed:	Using the WCSD accounting system, BusinessPlus, Protiviti independently generated transactions listings for all WC-1 revenue and WC-1 bond proceed funds from 2017-2020. Protiviti performed data analytics to identify 75 potentially questionable transactions, most notably WCSD payroll related transactions and furniture, fixtures and equipment (FFE). Protiviti performed follow up testing procedures around the 75 transactions identified, reviewing for compliance with WC-1 regulations, and appropriateness of spend based on the project type and contract structure.
Sampling:	Population: 1,000+ Transactions Sample: 75 transactions
Results:	In the samples selected for testing, Protiviti identified zero instances of non-compliance with applicable regulations, including WC-1, nor any indicators of fraud for misuse of funds.
Recommendations:	N/A

Conclusion

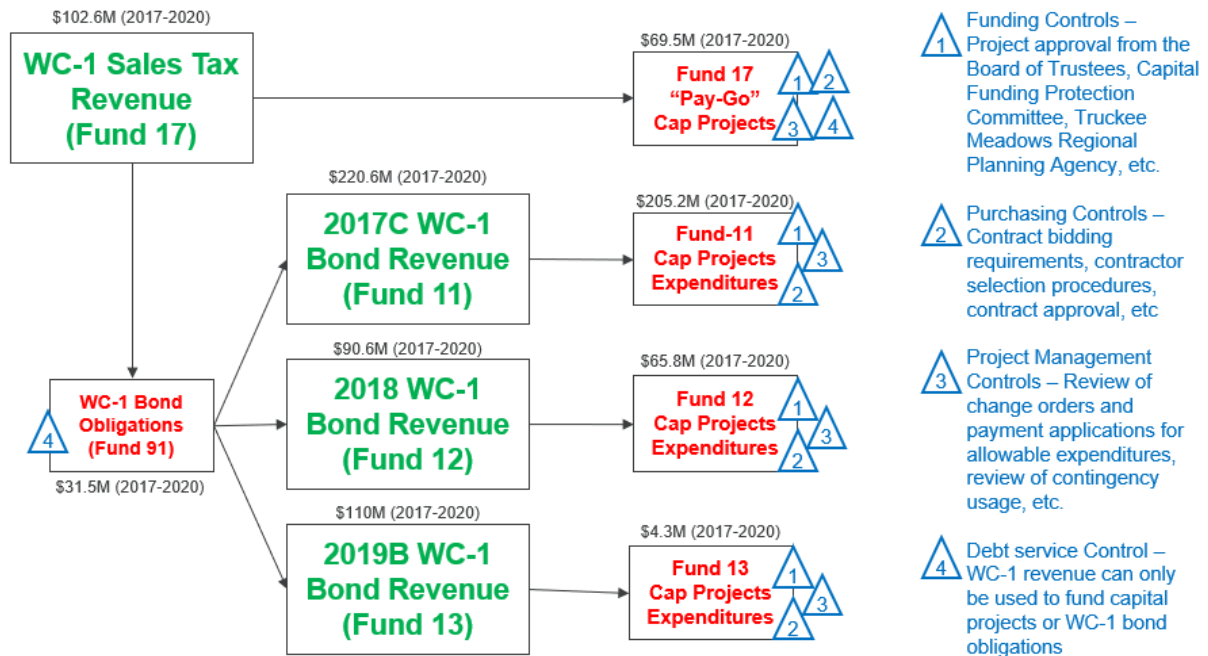
This audit was performed with the objective of ascertaining whether expenditures made from public monies associated with the Capital Improvement Program align with certain laws and regulations, and to determine if WCSD has implemented financial and administrative procedures and internal controls, which adequately safeguard assets and ensure project completion according to applicable construction agreements. The audit team successfully identified and documented our understanding of WCSD's application of WC-1 funds, documented sources of funding for capital projects, calculated funding received from each source, and analyzed the flow of funds from appropriation to commitment. As a result of this review the following conclusions were reached:

- Internal controls associated with the collection and disbursement of funds designated for acquiring, constructing, repairing, and renovating school facilities are adequately designed and appear to be operating effectively for period in scope;
- Purchasing processes, policies, and procedures relating to school facility construction, repair, and renovating projects are adequately designed and appear to be operating effectively for period in scope;
- Based on the projects and transactions sampled, and the documentation provided, capital project expenditures appear to be in accordance with legal requirements, charged to the proper budget category, and recorded within the appropriate fiscal period;
- Project management and change order procedures related to capital projects appear to be adequately designed and operating effectively for the period in scope;
- Based on the projects and transactions sampled, we did not identify any indicators of fraud or undisclosed related party transactions;
- Project performance monitoring and status reporting are available to the public, but there is not a single place to review the status of all on-going projects to compare actual progress against proposed budgets and timelines;
- Capital project budget proposals are properly approved by the Capital Funding Protection Committee and Board of Trustees. However, the budget presentation materials do not follow consistent standardized template to communicate budget considerations and comparisons to standard industry metrics.

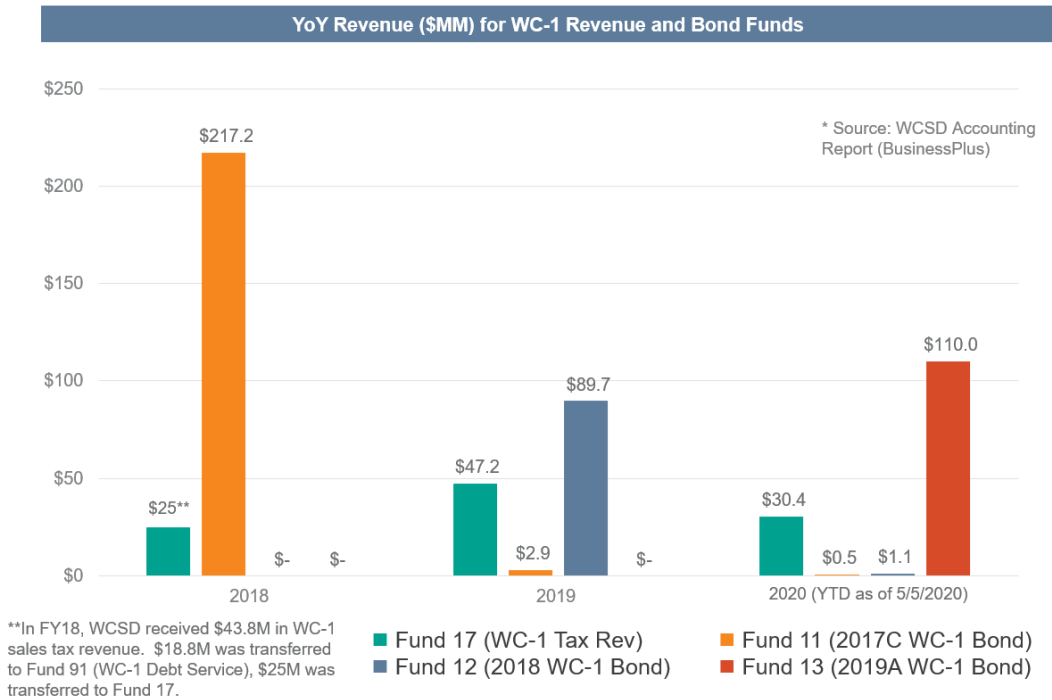
Appendix A – Funds Flow Overview and Revenue Trends

Revenues are shown in **GREEN**; Expenditures are shown in **RED**. Any revenue that has not been spent on capital projects is encumbered for on-going capital projects or left in contingency, to be allocated toward future projects, pending approval by the Capital Funding Protection Committee and Board of Trustees. All dollar values included from FY2020 have a cutoff date of 5/5/2020.

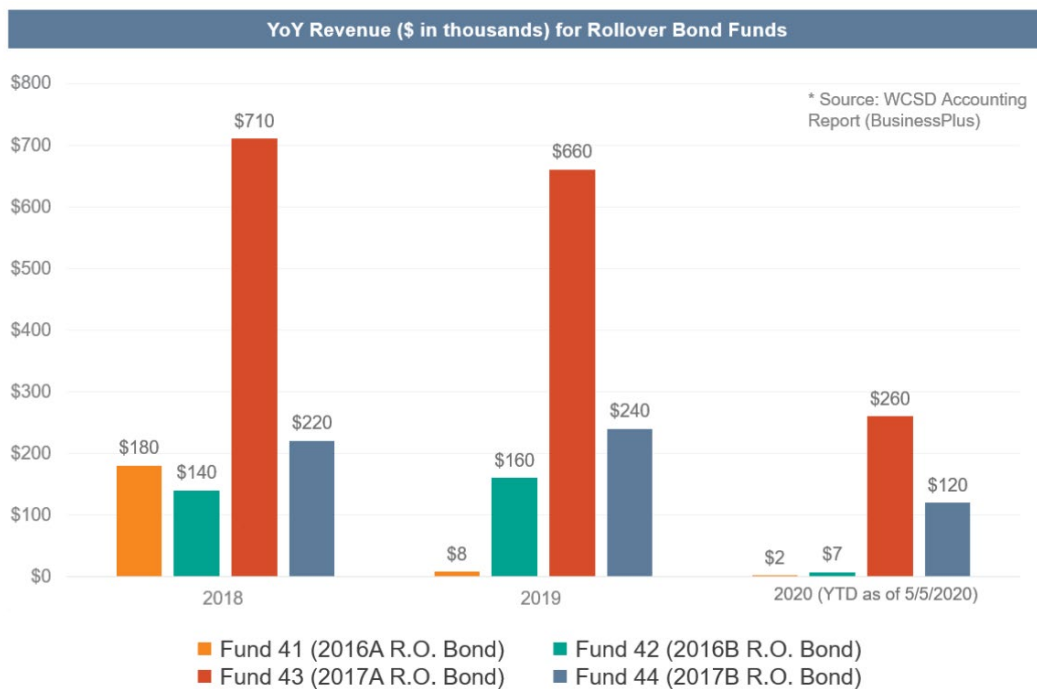
WCSD WC-1 CASHFLOW SUMMARY



The table below shows the revenue trend comparison from FY2018 through FY2020 (YTD as of 5/5/2020), broken down by funding source for each of the WC-1 funds.



The table below shows the revenue trend comparison from FY2018 through FY2020 (YTD as of 5/5/2020), broken down by funding source for each of the non-WC-1 rollover bond funds. All revenues related to the rollover bonds below (Funds 41, 42, 42, and 44) were from investment earnings during the audit period.



Appendix B – Sample Selections

Please see below for a summary of projects in scope for this review, and a breakdown of the individual samples selected for each testing procedure, as applicable.

Summary of Projects In-Scope

Fund	Fund Description	Project Type	Number of Projects
17	WC-1 Sales Tax Revenue	Major Project (new school or addition to an existing school)	4
		Capital Renewal (repairs or maintenance)	13
11	2017C WC-1 Bond	Major Project	6
		Capital Renewal	94
12	2018 WC-1 Bond	Major Project	1
TOTAL			119

15 Projects Selected for Procedures #1, #5, #6, and #7

Sample Number	Project Fund	Project	Project Location
1	11	Poulakidas Elementary School	Poulakidas Elementary
2	11	Desert Skies Middle School	Sun Valley MS
3	11	Sky Ranch Middle School	Spanish Springs MS
4	11	2020 HVAC-FCIS Repairs	Virginia Palmer Elementary
5	17	Wildcreek High School	Wild Creek HS proposed
6	17	Wildcreek High School HS Design	Wild Creek HS proposed
7	17	2020 Safety & Security SHSC	Donner Springs Elementary
8	11	2019 Safety & Security SHSC	Bud Beasley Elementary
9	17	Hug CTE Design	Hug CTE
10	11	2019 Fall Protection Restraint	Transportation
11	11	Vehicle Replacement	Central Support/Admin
12	11	2020 Overcrowding Relief	Spanish Springs MS
13	11	2020 Roofing-FCIS Repairs	Mendive Middle School
14	11	2020 ADA Compliance	Billinghurst Middle School
15	11	2020 Carpentry-FCIS Repairs	Lemmon Valley Elementary

6 Projects Selected for Procedures #8, and #10

Sample Number	Project Fund	Project	Project Location
1	11	Desert Skies Middle School	Sun Valley Middle School
2	11	Sky Ranch Middle School	Spanish Springs Middle School
3	11	Roofing - FCIS Repairs	Reed High School
4	12	Arrowcreek Middle School	Arrowcreek Middle School
5	17	Damonte Ranch HS Addition	Damonte Ranch High School
6	11	John Bohach Elementary School	John Bohach Elementary School

Appendix C – WC-1 Project Listing

The table below shows each of the projects listed in the 2016 WC-1 Ballot Initiative, and the current status of each project as of May 2020.

Project	Project Status
Damonte Ranch HS Addition	Complete
Sun Valley MS	Complete
Arrow Creek MS	Fully Funded - Construction in Progress
Spanish Springs MS	Complete
Cold Springs HS	Included in 2020 CIP Plan - Budget Estimation Phase
South McCarran/Butler Ranch HS	Included in 2020 CIP Plan - Master Planning Phase
Wild Creek HS	Fully Funded - Construction in Progress
Repurpose Hug HS	Included in 2020 CIP Plan - Master Planning Phase
South Meadows ES	Complete
North Valley/Spanish Springs ES	Fully Funded - Construction in Progress
Purchase property for Sparks HS	Included in 2020 CIP Plan - Funded through Site Acquisition Fund
Build 7 new elementary schools	Growth dependent; Included in 2020 CIP Plan - Master Planning Phase
Expand Nutritional Services	Fully Funded - Construction in Progress
New Transportation Yard	Included in 2019 CIP Plan - Funded through Site Acquisition / Utilities Fund

Appendix D – Procedure #8 Detailed Test Results

The table below shows the full test results from Procedure #8, which tested a sample of 6 judgmentally selected projects for performance against the original contract, including project budget and project timeline.

Sample	Project	Original Contract Amount + Owner's Contingency	Final Contract Amount	Changes	Percentage Change	Total Contract Time (Days)	Actual Project Time (Days)
1	Arrowcreek Middle School	\$73,440,220	\$72,374,858	\$(1,065,362)	-1.5%	567	In progress - on schedule for 567 Days
2	Bohach Elementary	\$34,990,000	\$34,495,413	\$(494,587)	-1.4%	472	In progress - on schedule for 472 Days
3	Damonte Ranch HS Addition	\$10,740,000	\$8,764,737	\$(1,975,263)	-18.4%	365	365
4	Desert Skies Middle School	\$60,646,292	\$60,525,359	\$(120,933)	-0.2%	471	484
5	FCIS Roof Repairs - Reed HS	\$2,017,800	\$1,804,263	\$(213,537)	-10.6%	63	62
6	Sky Ranch Middle School	\$60,026,667	\$59,501,743	\$(524,924)	-0.9%	471	471
AVERAGES		\$40,310,163	\$39,577,729	\$(732,434)	-1.8%	401.5	403.7