

**Internal Audit  
Department  
Compliance Audit  
of Thomas C. Gooch  
Roofing Project**

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Internal Audit



**Independent Auditor’s Report  
Compliance Audit of Thomas C. Gooch Roofing Project  
Maintenance and Facility Services  
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**Date:** August 26, 2019

**To:** Board of Trustees  
Dr. Michael Hinojosa, Superintendent

**Subject:** Independent Auditor's Report – Thomas C. Gooch Roofing Project

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## Executive Summary

The Dallas Independent School District's (ISD'S) Capital Improvement Program (CIP) Department, was responsible for the repair of roofs damaged in a 2012 hailstorm. In late October 2015 the projects had become an urgent priority; a looming June 30 end of fiscal year became a deadline for finishing. Our audit objective was to determine whether the Dallas ISD and contractor2 complied with state law, and District policies and procedures in the re-roofing of the hail damaged Thomas C. Gooch Elementary School (Gooch).

### The CIP Department Disregarded State Mandated Requirements for Awarding Job Order Contracts - Based on Pre-Described and Pre-Priced Tasks in Violation of Texas Government Code, Section 2269.410

For the re-roofing of the hail damaged Gooch, the focus of this report, the CIP Department engaged the services of contractor2 through a Job Order Contract (JOC) Master Agreement. Texas Government Code, Subchapter 1, Section 2269, defines JOC as a procurement method used for maintenance, repair, alteration, renovation, remediation, or minor construction of a facility when the work is of a recurring nature, but the delivery times, type, and quantities of work required are indefinite. The law mandates that "... orders be awarded substantially on the basis of pre-described and pre-priced tasks." -

According to the former CIP Department project manager, the CIP Director distributed multiple roofing projects through a method of JOCs in December 2015, without specific assignments of work. Further, the CIP Director acknowledged none of the vendors assigned to CIP projects, including contractor2, used a set, pre-pricing system for costing. This disregard of the pre-pricing requirement violated Texas Government Code, Section 2269.403(a)(1) and delegitimized the competitive process through which vendors initially secured JOC Master Agreements and subsequent CIP assignments of work, including this contractor's work on the Thomas C. Gooch project.

Contractor2's original contract called for payments to contractor2 of \$499,570 based on its 2016 proposal which did not rely on RSMeans. In 2019, contractor2 provided the Office of Internal Audit (OIA) a job costing sheet it stated was based on RSMeans which totaled \$499,766, after the coefficient was applied ( $\$559,962 * .8925$ ). However, there were several discrepancies in this calculation. The most egregious of these were the computations for APP modified bituminous membrane, base sheet computed using 2,469 squares, and Vapor retarders, building paper, polyethylene using the same number of squares. A square is calculated using

the square footage being covered divided by 100. The actual number of squares was 247. These two discrepancies totaled \$154,729 (\$109,579 + \$45,150). (See Appendix A)

In addition to the above discrepancies, was the inclusion of Division 1 costs in the calculation. Division 1 costs are prohibited from inclusion per the Master Agreement, (see Appendix B) and are a group of costs, mostly administrative, included under General Requirements in RSMean. These costs amounted to \$63,469 in addition to \$8,530 in permits also under General Requirements for a subtotal of \$72,000.

Also, in the RSMean calculation there was a charge for Bonds (Payment and Performance) at a flat rate of 2.5%. Per the Master Agreement, these items are the responsibility of contractor2 and are not chargeable back to the District. The Bond charge added up to \$8,217. (see Appendix A) Based on the removal of these items, the District should have agreed to pay no more than \$290,078 ( $\$325,017 * .8925$ ) for the repair of the Gooch roof. The District paid \$499,855 for the repairs, overpaying by \$209,777 ( $\$499,855 - 290,078$ ).

Consequently, contractor2's 2016 contract for \$499,570 was not based on RSMean and pre-priced and pre-described tasks, as per its Master Agreement. Contractor2's revised cost justification provided to IA in 2019, which stated it relied on RSMean, amounted to \$499,766 ( $\$559,962 * .8925$ ), which was nearly the same as the original proposal. An experienced DISD employee estimated the Gooch roof project at \$354,255. IA's calculation of the work, per contractor2's Master Contract and RSMean revised cost justification should have been proposed at \$290,078 ( $\$325,017 * .8925$ ). Out of the \$499,855 it received, the contractor2 paid its subcontractor \$299,782, which is \$9,704 more than IA's RSMean calculation of the whole construction project cost, \$290,078.

#### The CIP Department Avoided Board Oversight of Projects Over \$500,000, in Violation of Texas Government Code, Section 2269.403

IA's audit revealed the CIP Director only authorized part of the damaged roof to be repaired for \$499,570 under this project, in order to bring the amount below \$500,000. The unrepaired portions of the roof then began to leak causing further damage. The Gooch Roofing Project included the design work performed by architects under a Purchase Order for \$176,256, and construction using that design work by contractor2 under an Assignment of Work (AOW) for \$499,570. Texas Government Code Section 2269 states projects above \$500,000 require school board approval and in this case the Gooch Project included both design work and construction. The Gooch Roof Project's architecture and repair costs totaled \$675,826 ( $\$499,570 + \$176,256$ ). Texas Government Code states projects cannot be divided in order to appear to be less than \$500,000 and projects above \$500,000 require school board approval. In this case the Gooch Project included both design work and construction costs totaling \$675,826. Nevertheless, the CIP Department did not seek board approval, violating provisions of Texas Government Code Section 2269.403. According to Section 2269.451, a job order contract, entered in violation of this chapter is voidable as against public policy.

#### The CIP Department Entered into Contracts for Construction Valued at more than \$50,000 without Board Approval in Violation of District Policy

The contract for the renovations/repairs to the roof at Gooch was \$499,570. Under District policy, any contract above \$50,000 requires Board approval.

#### Contractor2 Submitted Falsified Documents in Violation of Title 8 Section 37.10.(a)1

Contractor2's project manager acknowledged that neither the original nor the revised cost proposal she submitted for the Gooch project was based on unit prices. However, she said she was required to include the statement that the proposal was based on unit pricing because contractor2's Master Agreement required that its cost proposals be based on unit prices. Thus, contractor2 knowingly submitted falsified cost proposals.

### The CIP Department Engaged in an Unauthorized Procurement

The CIP Department required that contractor2's maintenance work be supervised and appointed a third party to supervise contractor2. CIP subsequently pressured contractor2 into paying the third party \$8,360 in fees from the contingency in its contract. Thus, contractor2 paid a third party to supervise its own work effectively bypassing checks and balances in the procurement process.

### **Background**

JOC is a valuable method for a public entity such as Dallas ISD, as it is an alternative to traditional contracting methods. It provides convenience, saves time, and the pricing structure is based upon a unit price book which is agreed upon in advance of any work being awarded. However, there are some inherent risks when using JOCs as noted below:

- 1) Inadequate oversight and controls of a JOC process can lead to the following:
  - a) Non-compliance with State law and District policy. Without proper oversight, job orders can be issued which:
    - i) exceed the statutory dollar limitations without proper Board approval,
    - ii) split the scope of a larger project into several smaller projects to avoid Board approval for exceeding the statutory limits, and possibly an independent bidding process.
  - b) Acceptance of incorrectly priced quotations. (Job order quotations are supposed to be independently verified by District personnel or a District representative using the price book specified in the contract.
  - c) Acceptance of quotations containing unallowable or duplicate charges, and/or scope duplication. (This can occur particularly when a larger project is split into multiple job orders.)
  - d) Acceptance of job orders which are not adequately documented.
- 2) Use of JOC when an alternate delivery method was more appropriate:
  - a) Lack of timely and cost effective/best value services due to lack of advance planning. Job orders have been issued for projects simply because of time constraints. Although Job Order Contracts provide timely services, they do not necessarily provide the best value.
  - b) The issuance of job orders for work or services typically not procured by a contractor, such as professional services necessary for acceptance of the work.

To complete the Gooch project the CIP Department engaged three JOC contractors from a pool of fourteen JOC contractors selected through the competitive sealed proposal process the Construction Services Department initiated in 2012.

The competitive sealed proposal process (the request for competitive sealed proposal (CSP) & Ranking of vendors – No. JP-203810) led to the execution of Master Agreements for JOC contractors including contractor2. Contractor2's Master Agreement covered the period from April 15, 2012, through April 15, 2017. The March 2016 Assignment of Work (AOW) issued to Contractor2, for the Gooch project, was an amendment to the Master Agreement.

### **Objective**

To determine whether the Dallas ISD and contractor2 complied with state law, and District policies and procedures in the re-roofing of the hail damaged Gooch roof.

### **Scope**

This review focused on one of eight hailstorm damage related roofing projects the CIP Department completed with \$4.5 million in insurance proceeds. Dallas ISD's CIP Department initiated work on the project in December 2015 and on-site work concluded on November 1, 2016.

### **Methodology**

To accomplish the stated objectives, Internal Audit:

- Reviewed relevant state law, the [Texas Education Agency Financial Accountability System Resource Guide](#), District policies, and District Purchasing Manual guidance applicable to construction projects, and JOC in particular;
- Reviewed the District's Master Agreements with the JOC Contractor2 and the Architects, the firm assigned to perform architectural services for the Gooch project;
- Interviewed knowledgeable witnesses, both within and outside the District;
- Reviewed relevant procurement records and available supporting documents;
- Conducted an extensive review of email/communications.

### **Audit Findings**

**Finding I:** The Gooch Job Order Contract did not meet the Requirement of State Law that Prices be based on Pre-pricing

Contractor2's proposal did not base its pricing on pre-priced items as required by the Master Agreement, and state statute. Texas Government Code, Subchapter 1, Section 2269, defines JOC as a procurement method used for maintenance, repair, alteration, renovation, remediation, or minor construction of a facility when the work is of a recurring nature, but the delivery times, type, and quantities of work required are indefinite. The law mandates that " ... orders be awarded substantially on the basis of pre-described and pre-priced tasks." The Master Agreement with contractor2 states that projects assigned by the CIP Department must be pre-priced according to RSMeans data. Based on interviews with CIP personnel, RSMeans Data was not used in its Purchase Order Proposal as required by contract. Therefore, CIP personnel did not validate the prices charged against RSMeans data.

### **Condition**

Broadly speaking, according to the former CIP Department project manager, the CIP Director distributed multiple roofing projects through a method of JOCs in December 2015, based on Master Agreements that were without specific assignments of work. Further, the CIP Director acknowledged none of the JOC contractors assigned to CIP projects, including contractor2, used a set, pre-pricing system for determining the price of repairs. Contractor2's project manager admitted contractor2 had not used RSMeans pre-pricing, in preparing the original proposal for repairs at Gooch Elementary. However, both the Master Agreement and the job order for the repair of Gooch Elementary's roof specify that RSMeans data would be used to compute the price. Contractor2's representative signed the documents attesting to use of pre-priced items.

Contractor2's project manager did provide IA an after-the-fact RSMeans quote, which according to her, replicated what the actual proposal would have contained. A review of the quote by IA verified the data provided was indeed RSMeans Data. Nevertheless, contractor2 originally did not submit a proposal based on RSMeans using pre-pricing. Contractor2 acknowledged that the after-the-fact quote contained several errors in items, two of which involved pricing square footage. (see Appendix A)

### **Effect**

The District potentially paid \$209,777 more than necessary for the roof repairs at Gooch, according to computations based on RSMeans data. CIP Department personnel did not independently verify the pricing in the proposal for the project.

It is recognized that IA personnel are not experts in calculating construction costs; even still, a comparison of the calculated amount, and the amount paid Gooch shows a wide discrepancy.

### **Cause**

The CIP Department felt pressure to get the job done within the current fiscal year, using JOCs to speed up the process. According to a November 2015 email from CIP management, "*I need a status of the Insurance Hail Claim roofing projects. If necessary, we will split among the project managers to move forward. As a reminder these funds need to be encumbered by May 2016,*" but in so doing CIP bypassed rules, safeguards, policy, and statute. As reported earlier in the *Compliance Audit of Construction Services Department Report*, unit price costing data was not adequately reviewed.

### **Criteria**

State law requires JOCs' prices be substantially based on contractual unit pricing, leaving the particular Unit Pricing Guide to the discretion of the owner (i.e., the District). In the case of the Master Agreement for contractor2, the Unit Pricing Guide specifically named was RSMeans.

### **Recommendation**

The District should acquire the software and RSMeans literature to check the validity of proposed prices made under a JOC requiring RSMeans. Additionally, there needs to be a flag in Oracle that the receiver checks off stating such validity checks have been performed, followed by documentation forwarded to procurement with calculations and signatures by those performing the calculations validating RSMeans or any other type of pre-priced data required per contract.

It is recognized that IA personnel are not experts in calculating construction costs. If the District considers entering negotiations or litigation with contractor2, it is recommended it consult with a construction professional or counsel from outside the District.

### **Management Response to Finding I:**

OIA's audit of the Gooch roofing project determined that contractor2 "did not base its pricing on pre-priced items as required by the Master Agreement, and state statute." OIA also concludes that the District overpaid for the Gooch roof.

As an initial matter, the Gooch transaction was coordinated by a former employee of the now-dissolved Capital Improvement Department. That employee is no longer employed by the District, and current Management does not have first-hand knowledge of any discussions, agreements, negotiations that the former employee had with Contractor2 and/or any Procurement/Legal advice that the former may have received regarding the Gooch project. Similarly, Current Management has not attempted to validate OIA's attempt to re-calculate the price that the District should have paid for the Gooch roof.

OIA's conclusions about whether Contractor2 did or did not use RSMMeans (or an equivalent) during the Gooch project appear to be heavily based upon interviews of unidentified former District employees and Contractor2 personnel. Current management has no knowledge of these OIA interviews and is not in a position to support or rebut OIA's summary of these interviews.

Notwithstanding the alleged practices of prior management, Current Management requires vendors to use RSMMeans or other contractual unit pricing in connection with JOC projects (and otherwise strives to follow all applicable law and policy in connection with JOC projects).

### **Internal Audit's Response to Management's Comments**

Management's response is appreciated. While management does not say whether it agrees with the finding, it makes the point for Internal Audit when it states, "Current Management has not attempted to validate OIA's attempt to re-calculate the price that the District should have paid for the Gooch roof." Management should already know if contractor2's costs for Gooch comply with its master contract. Furthermore, management should not have to validate OIA's calculation if it already checked contractor2's prices and knows them to be correct. It could merely compare its review of these prices to IA's calculation. But because it did not check contractor2's prices, it cannot make this comparison.

Based on management's response, it does not acknowledge the prices paid by the District are known to be correct. In fact, the prices paid by the District do not appear to be correct based on OIA's calculation using RSMMeans. Contractor2's management at two separate times to two different IA personnel admitted it did not use pre-priced and prescribed tasks as required per its Master Agreement.

Management recognizes this problem existed by its statement, "*Current Management requires vendors to use RSMMeans or other contractual unit pricing in connection with JOC projects (and otherwise strives to follow all applicable law and policy in connection with JOC projects).*"



**Finding II** -The CIP Department Avoided Board Approval for the Gooch Project, in Violation of Texas Government Code, Section 2269.403 for Projects over \$500,000

The Gooch Roofing Project began with the design work performed by Architects under a Purchase Order for \$176,256 and contractor2 completed construction under an AOW dated March 22, 2016, for \$499,570. Texas Government Code Section 2269 states projects above \$500,000 require school board approval. The Gooch Roof Project's architecture and repair costs totaled \$675,826; however, The CIP Department did not seek board approval violating provisions of Texas Government Code Section 2269.403. According to Section 2269.451, a contract, including a job order, entered in violation of this chapter is voidable as against public policy.

**Condition**

The job (Gooch Roof Project) consisted of construction and architectural costs exceeding \$500,000. The Purchase orders for both the Architect and contractor2 specified that the contracts were solely for the repairs to the Gooch Roof. The statement of work for Architects under Purchase Order No. 556899 states, "Contractor shall provide A/E professional design services for the complete roof replacement, renovation and installation of interior HVAC duct work at Gooch". The statement of work for contractor2 under Purchase Order No. 609713 states, "Contractor shall provide all labor, materials, and equipment to re-roof specific areas, as identified by the Architects, at Gooch, located at 4030 Calculus Road, Dallas, TX 75244, in accordance with the attached proposal dated 3/10/16". These two Statements of work are intertwined, specific, and refer to the same project which is to repair the roof at Gooch. The total of these two purchase orders is \$675,826, which is well above the \$500,000 limit established under the law. A review of CIP personnel emails found numerous emails referring to a \$500,000 cap. Specifically CIP Director, instructed personnel working for her to rework contracts/proposals that were more than \$500,000 and get them under the cap. The CIP Director received procurement training, which her staff also attended, where the practice of stacking (splitting projects or procurements up into smaller amounts to make them appear to be less than \$500,000) in violation of District policy was discussed. However, it is also evident that the Gooch Project was planned to avoid requesting Board Approval.

**Effect**

The CIP Department did not bring the Gooch Project before The Board of Trustees, preventing the board from exercising its legal authority to approve the Gooch Project's partial roof repair. Also, the CIP Department did not supply any evidence that the board expressly delegated its contracting authority to the department that would have precluded the need to bring the project before the board. One unfortunate result was the roof still leaked.

**Cause**

The Gooch project involved Architectural and Construction costs which exceeded \$500,000. CIP ignored this fact and did not seek Board approval.

**Criteria**

A project under a job order contract method that exceeds \$500,000 must have the governing entity's approval, and the governmental entity's representative must sign as well as contractor2. Various emails both internal to the CIP Department and in communications to District vendors state that the CIP Department imposed a \$500,000 cap. However, government code prohibits lowering project amounts in order to avoid board scrutiny. The governing body of a governmental entity shall approve each project (job, task, or purchase order) that exceeds

\$500,000 (Added by Acts 2011, 82nd Leg., R.S., Ch. 1129 (H.B. 628), Sec. 2.08, eff. September 1, 2011).

### **Recommendation**

Procurement procedures should be changed to enable tracking costs on any project to prevent employees from evading requirements for board approval. A "Project Code" should be established with the first procurement's Purchase Order and linked to all related jobs, tasks, or purchase orders, thereafter, allowing tracking of total project costs. Establishment of a "Project Code" by Procurement, which is then linked to each purchase order would allow the creation of a report in Oracle, apprising Procurement officials of any projects exceeding \$500,000. The Procurement Department could then advise Board Services and the operating unit involved of the need to seek Board approval.

### **Management Response to Finding II:**

OIA found that a former employee of the now-dissolved Capital Improvement Department should have combined the general construction purchase order (\$499,570) and the architectural services purchase order (\$176,256) and, because the combined amount is greater than \$500,000, should have obtained Board approval for the Gooch roofing project under board policy CVF(LEGAL).

OIA provides no basis in law or policy for its conclusion, and applicable law regarding the procurement of professional fees seemingly contradicts OIA's conclusion. Professional services (e.g. architectural fees, engineering fees, legal fees) are exempt from the competitive procurement requirements in Texas Education Code Section 44.031. In fact, Texas Government Code Section 2254.003 states that professional services for construction projects **may not** be selected by competitive bid, but rather through a separate process involving demonstrated competence and qualifications to perform the service.

Thus, not only is there no law or policy requiring the District to aggregate professional services for the purposes of the \$500,000 threshold, but law would appear to dictate that professional services be procured through a separate process.

Management also inquired with the District's procurement specialists about this issue. They agreed that the two purchase orders **should not have been aggregated** for the purposes of determining whether the \$500,000 threshold was met because professional services are required to be procured through wholly separate means than the JOC construction funds. (The District traditionally procures professional services through a Request for Qualifications (RFQ) that the Board reviews and approves as part of a separate procurement process. See, for example, Board File #08.09-022218.)

Perhaps most importantly, the funds used to pay architects and other professionals come from a different pool of funds than the JOC construction funds. Whereas JOC funds are approved through Management's request for a pool of funds to be used to execute competitively awarded "Master Agreements" with general contractors (and the Board approved that request in this case), architectural services and other professional services are non-competitively procured through an RFQ that creates a completely separate pool of funds to pay for professional

services. Although the architectural and other professional fees might generally relate to a JOC project, the architectural fees are not drawn from the funds approved for JOC projects.<sup>1</sup>

For the purposes of determining whether the \$500,000 threshold is met, Management believes that Texas law states that professional services should not be aggregated.<sup>2</sup> If OIA is aware of law or policy that dictates otherwise, Management stands by ready to further respond.

### **Internal Audit's Response to Management's Comments**

CVF(LEGAL) and the Texas Government Code, Section 2269.403 – Requirements of Job Order Contracts state the Board “shall approve each job, task, or purchase order that exceeds \$500,000.” Regardless of how a job is funded, or what type of cost it is (professional versus construction), acquired via competitive or noncompetitive means, all these costs are part of the total cost of a job or task. Law and policy are based on total cost, not individual job components.

Costs are more specifically defined in CV(LOCAL):

*“Costs relating to buildings within the District shall include all required labor, material, supplies, wages, benefits, consultants, bonds, subcontractors, advertising, and other related expenses, including those performed by District employees... Lease and deferred cost items shall also be calculated in current dollars and indicated as to funding source. These costs will be accrued by Maintenance Services, Facilities Planning and Design, Custodial Services, and other departments and applied to the cost of a project...”*

Accordingly, the finding stands.

### **Finding III – The CIP Department entered into Contracts for Construction valued at more than \$50,000 without Board Approval in Violation of District Policy**

The contract with contractor2 for the renovations/repairs to the roof at Gooch was priced at \$499,570. This contract was never brought before the Board of Trustees for their approval.

#### **Condition**

The value of the Gooch roof project was over \$50,000. The Purchase orders for both the Architect and contractor2 specified that the contracts were solely for the repairs to the Gooch roof. The statement of work for the Architects under Purchase Order No. 556899 states “Contractor shall provide A/E professional design services for the complete roof replacement, renovation and installation of interior HVAC duct work at Gooch”. The statement of work for contractor2 under Purchase Order No. 609713 states “Contractor shall provide all labor, materials, and equipment to re-roof specific areas, as identified by the Architects, at Gooch,

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<sup>1</sup> The issue of *whether the architectural services should have been aggregated with the construction costs* is entirely different from *whether prior Management should have taken the entire roofing bid package (\$4,500,000) to the Board for approval*. Current Management believes that it would have been a better practice if former Management had taken the entire \$4,500,000 bid package to the Board for formal approval. Current Management intends to seek guidance from Procurement professionals on issues like this and to conservatively interpret the Procurement rules to ensure transparency and the responsible use of District funds.

<sup>2</sup> “Project stacking” is prohibited by Board policy and involves taking a larger construction project and breaking it into pieces smaller than \$500,000 to avoid Board approval. If someone took a \$1,200,000 project and broke it into three separate \$400,000 purchase orders in order to avoid Board approval, this would be improper. But this is a separate issue from whether professional fees must be aggregated for the purposes of determining whether a JOC project is more than \$500,000.

located at 4030 Calculus Road, Dallas, TX 75244, in accordance with the attached proposal dated 3/10/16”.

### **Effect**

The CIP Department did not bring the Gooch project before the Board of Trustees, preventing the board from exercising its legal authority to approve the Gooch Project’s partial roof repair. Also, the CIP Department did not supply any evidence that the board expressly delegated its contracting authority to the department that would have precluded the need to bring the project before the board. One unfortunate result was the roof still leaked.

### **Cause**

According to the *Compliance Audit of Construction Services Department Audit Report*, once the Board of Trustees approved the pool of vendors, the District entered into Master Agreements with them to perform future job order contracts. The District’s Construction Services management asserts the Master Agreements entered with the vendors satisfied the intent of District policy. Therefore, it did not report each subsequent individual project purchase order/contract to the board for approval.

### **Criteria**

Construction contracts valued at or above \$50,000 shall be submitted to the Board for approval consistent with existing Board policy.

### **Recommendation**

Procurement procedures should be changed to enable tracking costs on any project to prevent employees from evading requirements for board approval. A “Project Code” should be established with the first procurement’s Purchase Order and linked to all related jobs, tasks, or purchase orders, thereafter, allowing tracking of total project costs. Establishment of a “Project Code” by Procurement, which is then linked to each purchase order would allow the creation of a report in Oracle, apprising Procurement officials of any projects exceeding \$50,000. The Procurement Department could then advise Board Services and the operating unit involved of the need to seek Board approval.

### **Management Response to Finding III**

OIA found that certain former employees violated CV(LOCAL) because all construction projects greater than \$50,000 must be approved by the Board, but Board approval was not obtained for the Gooch project.

This same finding was the subject of a prior OIA report named *Compliance Audit of Construction Services Department Priority Vendors Calendar Year 2015-2018*. In that report, Management provided a detailed response pointing out Board proceedings from March and April 2017 that make the following things clear: (1) Management sought and received approval for the JOC master contracts, which represented a pool of funds that could be used for JOC projects; (2) the issue of CV(LOCAL)’s \$50,000 approval threshold was explicitly and exhaustively discussed by the Board in three separate public sessions in March and April 2017; (3) the Board received legal advice from former General Counsel Jack Elrod that the JOC

procedure proposed by management had been fully vetted and was entirely legal; (4) the Board explicitly determined that CV(LOCAL)'s \$50,000 approval threshold did not apply to the JOC transactions and that the Board's approval of the JOC Master Agreement constituted all the approval that was necessary; (5) the Board unanimously voted to approve the funds for JOC transactions; and (6) Management and the Board agreed that the Board would be apprised of JOC projects through Board packets.<sup>3</sup>

Current Management has not attempted to determine what Legal/Procurement guidance that prior management received in connection with the Gooch project. However, the 2017 Board proceedings make clear that the Board disagrees with OIA's interpretation of CV(LOCAL). The Board has determined that the \$50,000 threshold in CV(LOCAL) does not apply to JOC transactions.

### **Internal Audit's Response to Management's Comments**

As management states, in its response to a prior audit that covered construction projects from 2015 - 2018, it provided a detailed response pointing out Board proceedings from March and April 2017. In effect, the Board waived its policy, CV(LOCAL), requiring board approval for construction projects costing more than \$50,000. The instant construction project was started in 2016. Management provided no similar description that the *"\$50,000 approval threshold was explicitly and exhaustively discussed by the Board in three separate public sessions."*

As we did in the prior audit, we agree with management that the Board should clarify whether CV(LOCAL) can be waived in advance for certain groups of construction projects. As it is now, IA sees the policy but does not see in the construction project documents where the Board approved the project.

There is a Board of Trustees Agenda Item stating, *"BE IT RESOLVED BY THE DALLAS INDEPENDENT SCHOOL DISTRICT BOARD OF TRUSTEES: That the Board of Trustees authorizes the District to negotiate and enter into a (sic) contracts for Job Order Contracting, between Dallas Independent School District and selected vendors, in an amount of up to \$5,000,000 annually, over five (5) years."*

The question is whether this verbiage negates board policy requiring Board authorization for projects costing over \$50,000. Management's position is that it does whereas IA's position is that it does not. The agenda item allows the District to use a certain set of contractors. In March and April 2017, the Board appeared to have vigorously debated this issue so there is no doubt it waived it policy. For this 2016 project that is not so clear. Accordingly, the finding stands with recognition that management and IA agree the policy should be clarified.

### **Finding IV - The vendor submitted false documentation to the District.**

The contractor2 project manager acknowledged that neither the original nor the revised cost proposal she submitted to IA for the Gooch project was based on unit prices. However, the contractor2's Master Agreement and subsequent job order with the District stated its cost proposals were based on unit prices. Contractor2 knowingly submitted falsified documents.

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<sup>3</sup> For an extended discussion of this issue, see Management's response to the *Compliance Audit of Construction Services Department Priority Vendors Calendar Year 2015-2018*.

Contractor2's project manager acknowledged to a District employee the CIP Department told her not to use RSMeans because it skewed number higher on estimates.

### **Condition**

Contractor2 did not use RSMeans to create the proposal, but they submitted documents stating they did use RSMeans. The original Master Agreement states in Article 1.4 that the "Unit Price Guide" means a compilation of real property repair, rehabilitation, alteration, maintenance, and minor construction tasks, along with associated units of measure and unit prices designated or provided by the Owner to be used in administration of this Contract. Unit prices include direct material, labor and equipment cost, but not indirect costs or profit. The Unit Price Guide(s) for this Contract are listed in Exhibit C and are hereby incorporated by reference. Exhibit C under section 5.5.1 Unit Cost Guides for this CSP are as follows:

- .1 Means Facilities Maintenance & Repair Cost Data 2010
- .2 Means Building Construction Cost Data 2010
- .3 Means Mechanical Cost Data 2010
- .4 Means Electrical Cost Data 2010
- .5 Means ADA Compliance Pricing Guide, 2nd Edition
- .6 The Means Site Work & Landscape Cost 2010
- .7 Means Interior Cost Data 2010
- .8 Other Cost Standards may be proposed for consideration. The District reserves the right to use its own cost standard based on historical work.

The contract with the District dated March 22, 2016, says "Our quote complies or does not exceed the co-efficient proposed in our Master Agreement and all unit costs are established based on the acceptable unit cost sources per the Master Agreement."

### **Effect**

The District potentially paid \$209,777 more than necessary for the roof repairs at Gooch, according to Internal Audit's computations based on RSMeans data.

### **Cause**

The CIP Department and contractor2 agreed to not use RSMeans. A former Director of CIP confirmed this in an interview. According to the contractor2 representative, the CIP Director and the contractor2 project manager for the Gooch Project, did not use RSMeans prices; rather, the prices contractor2 provided were negotiated between the CIP Director and contractor2. The CIP Director said, "Negotiated contract, nothing to do with "Means." But the "Means sentence had to go with every package." "These were negotiated contracts." "Told to back in RSMeans after the fact." Contractor2's project manager was aware of the line on contractor2's proposal that says, "Our quote complies or does not exceed the co-efficient proposed in our Master Agreement and all unit costs are established based on the acceptable unit cost sources per the Master Agreement." She said the Dallas ISD CIP Department told them that line had to be in their proposals.

### **Criteria**

The Master Agreement required the contractor2 to price according to RSMeans data, as did the job order contract the CIP Department and contractor2 signed.

CH(Regulation) states in part that grounds for debarment include "9... Failure to comply with terms and conditions of existing contracts".

**Recommendation:**

The District should refer this to the District Attorney's office for prosecution of those involved.

**Management Response:**

OIA accuses contractor2 of submitting false documentation to the District because contractor2 promised to use contractual unit pricing, but allegedly did not. OIA concludes that a violation of Texas Penal Code Section 37.10 (Tampering with Governmental Records) occurred and that "those involved" should be referred to the District Attorney's office for prosecution.

Current Management believes that this "audit finding" relates solely to a District vendor and falls outside the scope of an internal audit. Thus, Current Management respectfully declines comment.

**Internal Audit's Response to Management's Comments**

Contractor2's Master Agreement, section 11.7, states, "Records. Records of Contractor's costs, reimbursable expenses pertaining to the Project and payments shall be available to Owner or its authorized representatives to act partially or wholly for Owner in connection with the performance of Owner's obligations hereunder."

Internal Audit reports directly to the Board of Trustees through the Audit Committee. Auditing a District's vendor's records as they relate to amounts charged to the District is within the scope of Internal Audit.

**Finding V - The CIP Department Procured Services of a Vendor without a Purchase Order.**

The CIP Department appointed a third party to supervise contractor2's repair work. The CIP Department later instructed contractor2 to pay the third party \$8,360 in fees from its "contingency" in contractor2's contract to repair the roof at Gooch. Contractor2 paid the third party to supervise its work effectively bypassing checks and balances in the procurement process such as having a purchase order for services by the third party rendered.

**Condition**

No purchase order was ever approved for the services the third party rendered; nevertheless, Contractor2 paid the third party from contingency in the contract they had with the District to repair the Gooch roof. The CIP Department instigated these machinations in order to avoid waiting for a Purchase Order to be approved for the third party.

**Effect**

The CIP Department violated procurement law and Policy when they procured services without a Purchase Order.

**Cause**

The CIP Department felt pressure to get the job done within the then-current fiscal year.

## Criteria

A transaction shall be considered authorized if one of the following conditions is met:

- A valid purchase order, in accordance with established administrative procedures, exists;
- A check request, in accordance with established administrative procedures, exists;
- An electronic fund transfer, consistent with established administrative procedures, occurs;
- A written Notice to Proceed per Board action is given to the vendor, consistent with established administrative procedures; or a ratification of the transaction by the Board occurs.

Purchases and services performed without an authorized transaction shall be considered unauthorized transactions made without the consent of the Board.

## Recommendation

Procurement should change its procedures and software to prevent unauthorized procurements such as this one.

1. Require all payments a vendor makes on the project exceeding \$1,000 be supplied to the Procurement Department. Name of those paid, address of those paid, and total amount paid along with SSN/EIN of individual or company in electronic format. This list would be provided in a csv (comma separated value) spreadsheet format. Report developed allowing procurement to run this list against the vendor database to produce a report to see if any District vendor was paid though the current vendor.
2. Specific admonishments in initial communication warning vendor that paying others out of their contract to help any Dallas ISD Department avoid procuring those same services is illegal and against policy.
3. Copy of any reports generated should be made available to Internal Audit.

## Management Response:

OIA found that a former District employee instructed a third-party vendor to perform services for the District without a purchase order and, instead, instructed contractor2 to pay the third party out of contractor2's contingency reserve.

Current Management notes that there is no evidence in the report to determine the validity of OIA's conclusion. Instead, the conclusion is simply stated as fact. Assuming for present purposes that OIA's conclusion is accurate, purchases should be made according to the Authorized Purchase procedures in law, policy, and the Procurement Manual. Current Management strives to ensure all purchases are authorized.

## Internal Audit Response to Management's Comments

Generally accepted government auditing standards (GAGAS) requires Internal Audit to "*obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusion based on our audit objectives.*" Additionally, International Standards for the Professional Practice of Internal Auditing (STANDARD, Section 2300 – Performing the Engagement, states, "*Internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives.*" Each assertion in a report is supported by audit workpapers. The reports themselves are linked via software to supporting documents.



This compliance audit has been conducted in accordance with the Institute of Internal Auditor's International Standards for the Professional Practice of Internal Auditing. Those standards require OIA plan and perform the audit to obtain appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. OIA believes the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## **Conclusion**

The District potentially overpaid for the Gooch project. The CIP Department disregarded state mandated requirements for awarding job order contracts: based on pre-described and pre-priced tasks in violation of Texas Government Code, Section 2269.410. The CIP Department avoided board oversight of projects over \$500,000, in violation of Texas Government Code, Section 2269.403. CIP entered into contracts for construction valued at more than \$50,000 without Board approval in violation of District policy CV (LEGAL). Contractor2 submitted falsified documents in violation of Title 8 Section 37.10.(a)1. Also, the CIP Department engaged in an unauthorized procurement in violation of District policy.

## **Management's Responsibility**

Management is responsible for design, implementation, and maintenance of internal control within the District.

Respectfully submitted,

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Steven Martin, CPA, CFF, CFE, CGFM, CGMA, CIGI, RTSBA  
Chief Internal Auditor

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CHIEF INTERNAL AUDITOR



Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
	including hangers								
		L.F.	134.42	217.85			\$5.45		
								\$4.36	
175	Pipe, metal pipe, to 1-1/2" diam., selective demolition								
		L.F.	468.05	725.63			\$18.14		
260	Pipe, metal pipe, 2" to 3-1/2" diam., selective demolition								
		L.F.	924.07	1,437.44			\$35.94		
95	Pipe, metal pipe, 4" to 6" diam., selective demolition								
		L.F.	1,014.62	1,577.36			\$39.43		
100	Pipe hanger/support, selective demolition								
		Ea.	664.15	1,041.10			\$26.03		
10	HVAC, selective demolition, minimum labor/equipment charge								

Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
		Job	5,115.75	7,898.00			\$197.45		
1	Wire, THW-THWN-THHN, #12, electrical demolition, removed from in place conduit, to 15' high Electrical demolition, minimum labor/equipment charge	C.L.F.	9.42	14.54			\$0.36		
10		Job	1,292.40	1,992.45			\$49.81		
800	Selective demolition, thermal and moisture protection, flashing, sheet metal	S.F.	852.84	1,396.68			\$34.92	\$27.93	
24,690.00	Bituminous asphalt coating, for foundation, asphalt, with fibers, 1/8" thick, troweled on	S.F.	36,460.96	55,174.74			\$1,379.37	\$1,103.49	
24,690.00	Membrane waterproofing, on slabs, fell, 2 ply, mopped	S.F.	48,318.33	68,790.04			\$1,719.75	\$1,375.80	
1	Bituminous asphalt coating,								

Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
	minimum labor/equipment charge								
		Job	112.79	203.94			\$5.10	\$4.08	
1	Membrane waterproofing, minimum labor/equipment charge								
		Job	339.9	610.28			\$15.26	\$12.21	
24,690.00	Polyisocyanurate insulation, for roof decks, 2" thick, 2#/CF density, fastening excluded	S.F.	25,330.71	31,640.24			\$791.01	\$632.80	
12,345.00	Polyisocyanurate insulation, for roof decks, 3/4" thick, 2#/CF density, fastening excluded	S.F.	7,516.25	9,927.23			\$248.18	\$198.54	
1	Roof deck insulation, minimum labor/equipment charge	Job	101.97	183.86			\$4.60	\$3.68	
1,000.00	Walkways for built-up roofs, asphalt impregnated, 3' x 3' x 3/4" thick, hot applied	S.F.	5,776.25	6,933.25			\$173.33		

Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
								\$138.67	X
1	Walkways for built-up roofs, minimum labor and equipment charge	Job	130.55	236.39			\$5.91	X	
2,469.00	APP modified bituminous membrane, base sheet,								
	#15 glass fiber felt, fully mopped to deck	Sq.	89,874.93	119,335.41	A SQ is abbreviation for a Square which in RS Means is 100 Square Feet. Total with 15% for additional materials needed for buildup would be 24,690 (24170 *1.15)/100=247 not 2469	\$9,756.50			\$109,578.91
								\$2,386.71	X
2,469.00	Vapor retarders , building paper, polyethylene								
	vapor barrier, standard, 4 mil (.004" thick), 9' x	Sq.	31,811.83	48,496.72	A SQ is abbreviation for a Square which in RS Means is 100 Square Feet. Total with 15% for additional materials needed for buildup would be 24,690 (24170 *1.15)/100=247 not 2469	\$3,346.85		\$0.00	\$45,149.87



Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
	400' roll Wood framing, miscellaneous, nails, treated, wood construction, 2" x 8"							\$969.93	X
1,000.00		L.F.	2,251.00	3,078.65	✓		\$76.97	X	
								\$61.57	X
1	Wood framing, miscellaneous, minimum labor/equipment charge	Job	99.65	162.23	✓		\$4.06	X	
								\$3.24	X
1,000.00	Drip edge, galvanized, 5" wide	L.F.	1,553.10	2,236.80	✓		\$55.92	X	
								\$44.74	X
1	Drip edge, minimum labor and equipment charge	Job	98.88	160.68	✓		\$4.02	X	
								\$3.21	X
400	Galvanized steel gutters, half round or box, plain, 5" wide, 28 gauge	L.F.	2,306.48	3,250.30	✓		\$81.26	X	
								\$65.01	X
2	Gutter end caps, half round galvanized steel, 5"	Ea.	5.81	7.18	✓		\$0.18	X	
								\$0.14	X

Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
1,000.00	Aluminum siding, flashing, sidewall, .032" thick								
		L.F.	4,840.00	6,405.50			\$160.14		
								\$128.11	
2	Aluminum siding, screw fasteners, aluminum, self-tapping, with neoprene washer, 1" long								
		M	397.1	436.81			\$10.92		
								\$8.74	
1	Aluminum siding, minimum labor/equipment charge								
		Job	139.05	227.12			\$5.68		
								\$4.54	
75	Steel downspouts, galvanized, round, corrugated, 5" diameter, 26 gauge								
		L.F.	539.6	721.37			\$18.03		
								\$14.43	
1	Downspouts, minimum labor/equipment charge								
		Job	117.42	185.40			\$4.64		
								\$3.71	
3	Sidewalks, driveways, and patios, splash block, precast concrete, standard size								
		Ea.	49	58.52			\$1.46		

Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
								\$1.17	X
10									
		Ea.	1,289.55	1,707.50	✓		\$42.69	X	
45	Pipe and mechanical roof support, pipe support, roller type, up to 10" off roof, up to 2-1/2" Dia								
		Ea.	3,396.94	4,726.13	✓		\$118.15	X	
20	Natural gas piping, steel pipe, tar coated and wrapped, plain end natural gas distribution, 3" diameter, schedule 40, excludes excavation or backfill								
		L.F.	468.4	593.18	✓		\$14.83	X	
28	Coupling, steel, plain ends for plain end pipe, painted, 3", mechanically coupled joints								
		Ea.	4,152.89	5,063.24	✓		\$126.58	X	
1	Pipe fittings, steel, flanged, butt welded or mechanical joint, minimum labor/equipment charge								
		Job	340.41	522.00	✓		\$13.05	X	
160	Expansion joint, butyl or neoprene center with								

Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
1	foam insulation, metal flanges, galvanized steel, 26 gauge, for joint openings to 2-1/2" Expansion joint, minimum labor/equipment charge	L.F.	1,844.41	2,256.52			\$56.41		
								\$0.00	
		Job	156.05	245.66			\$6.14		
44	Curbs/pads prefabricated, pad, condenser, fiberglass reinforced concrete with polystyrene	Ea.	9,040.13	12,799.27			\$319.98		
10	Make-up air unit, minimum labor/equipment charge	Job	5,349.10	8,346.75			\$208.67		
10	Motor connections, flexible conduit and fittings, 3 phase, 230 volt, 5 HP motor	Ea.	998.81	1,535.05			\$38.38		
10	Motor connections, minimum labor/equipment charge	Job	1,292.40	1,992.45			\$49.81		

Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
20	Partition, galvanized LB studs, 18 ga x 3-5/8" W studs 12" O.C. x 8' H, incl galvanized top & bottom track, excl openings, headers, beams, Blanket insulation, for walls or ceilings, kraft faced fiberglass, 3-1/2" thick, R13, 23" wide	L.F.	605.34	867.80	✓		\$21.70	X	
								\$17.36	X
20	Wood product siding, plywood, medium density overlaid, 3/4" thick	S.F.	10.91	14.93	✓		\$0.37	X	
								\$0.30	X
20	Wood product siding, plywood, medium density overlaid, 3/4" thick	S.F.	63.27	83.72	✓		\$2.09	X	
								\$1.67	X
1	Wood product siding, minimum labor/equipment charge	Job	208.58	339.90	✓		\$8.50	X	
								\$6.80	X
1	Partition, load bearing stud wall framing, minimum labor/equipment charge	Job	248.75	403.25	✓		\$10.08	X	
								\$8.07	X

Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
20	Paints & coatings, siding, exterior, wood shingles, oil base, primer coat, brushwork								
		S.F.	11.79	✓	17.20	✓		\$0.43	X
								\$0.34	X
20	Paints & coatings, siding, exterior, wood shingles, oil base, paint 2 coats, brushwork								
		S.F.	19.34	✓	28.04	✓		\$0.70	X
								\$0.56	X
1	Paints & coatings, siding, exterior, minimum labor/equipment charge								
		Job	139.82	✓	224.03	✓		\$5.60	X
535	Paints & coatings, miscellaneous interior, pipe, primer or sealer coat, oil base, brushwork, 1 - 4"								
		L.F.	301.21	✓	455.31	✓		\$11.38	X
								\$9.11	X
535	Paints & coatings, miscellaneous interior, pipe, paint 2 coats, oil base, brushwork, 1 - 4" dia								
		L.F.	500.31	✓	742.93	✓		\$18.57	X
								\$14.86	X

Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
1	Paints & coatings, siding, exterior, minimum labor/equipment charge								
		Job	139.82	224.03			\$5.60		
								\$4.48	
1	Paints & coatings, metal, heat resistant, in 5 gallon lots								
		Gal.	42.32	46.55			\$1.16		
								\$0.93	
3	Crane crew, daily use for small jobs, 25-ton truck-mounted hydraulic crane, portal to portal								
		Day	4,520.10	5,492.63	Division 1 Expense - not allowed		\$0.00	\$0.00	\$5,492.63
0	Cost adjustment factors, shift work requirements, add to construction costs for particular job								
		Costs							
0	Labor adjustment factor, general, 20' to 24.5' high, to labor for elevated installation, add								

Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change
10	Forklift crew, all-terrain forklift , 45' lift, 35' reach, 9000 lb. capacity, weekly use								
		Week	43,106.25	54,078.75	Division 1 Expense - not allowed		\$0.00	\$0.00	\$54,078.75
0	Labor adjustment factor, general, add to labor for working in existing occupied school								
16	Selective demolition, rubbish handling, dumpster, 40 C.Y., 10 ton capacity, weekly rental, includes one dump per week, cost to be added to								
		Week	13,877.60	15,265.36			\$381.63		
								\$0.00	\$0.00
300	Temporary fencing, chain link, rented up to 12 months, 6' high, 11 ga, to 1000'	L.F.	1,222.65	1,514.21				\$0.00	\$1,514.21
24	Rent portable toilet chemical, recycle, flush type	Week+	2,166.91	2,383.60				\$0.00	\$2,383.60
0	Permits rule of thumb, most cities, maximum								
		Job	2.00%	0.02					
0	Performance Bond, for buildings, maximum								
		Job	2.50%	0.03					



Contractor Qty	RS Means Description	Unit	Total	Contractor Proposal Total Incl. O&P	OIA Note	OIA Total	OIA Amt. for 2.5% Bond Add On	OIA Amt. for 2% Permit Add On	OIA Price Change	
				\$559,962.21	☑		\$8,216.53	☑	\$8,530.34	☑
	Discrepancy			\$154,728.78	☑					
	Less Payment and Performance Bonds			\$8,216.53	✓					
	Total Division 1			\$71,999.53	☑					
	Gross Amount			\$325,017.37	☑					
	Coefficient			\$0.89	✓					
	OIA Calculated Net Amount			\$290,078.00	☑					
	Discrepancy			\$154,728.78	☑					
	Division 1 Expenses			\$63,469.19	☑					
	+ Permits			\$8,530.34	✓					
	Total Division 1			\$71,999.53	☑					
	Potential Overpayment			\$209,777	☑					

LEGEND: ✓ = numbers traced to source and  
 ☑ = calculations verified  
 by Maliha Qamar  
 Ron Salo Referencer

## APPENDIX B - Coefficient Definition from the Master Agreement

### 5.5 Unit Cost Guides

#### 5.5.1 Unit Cost Guides for this CSP are as follows:

- .1 Means Facilities Maintenance & Repair Cost Data 2010
- .2 Means Building Construction Cost Data 2010
- .3 Means Mechanical Cost Data 2010
- .4 Means Electrical Cost Data 2010
- .5 Means ADA Compliance Pricing Guide, 2nd Edition
- .6 The Means Site Work & Landscape Cost 2010
- .7 Means Interior Cost Data 2010
- .8 Other Cost Standards may be proposed for consideration. The District reserves the right to use its own cost standard based on historical work.

### 5.6 Coefficient and Costing Descriptions

#### 5.6.1 Method of Determining Individual Job Order Cost:

- .1 Descriptions and lines will be referenced in the Statement of Work for the individual job order and quantities shown by Contractor.
- .2 The Unit Price Guide unit costs (RS Means) referenced above will be listed as shown in the Unit Price Guide. The unit costs used will be the "Total Incl O & P" column, unless mutually agreed otherwise.
- .3 Prices will be calculated from quantities at cost shown in Unit Price Guide.
- .4 Subtotal of applicable trades will be adjusted per Dallas, TX as indicated in the Unit Price Guide.
- .5 Subtotal of all adjusted trades will be multiplied by Coefficient to give value of pre-priced work.
- .6 Value of non-pre-priced work entered.
- .7 Total of pre-priced work and non-pre-priced work equal the Total Fixed Price stipulated sum for Job Order.

#### 5.6.2 Coefficient

- .1 The Coefficient submitted with the Respondent's proposal, used as indicated above, will provide the Total Fixed Price stipulated sum described above.
- .2 The Coefficient must include all costs other than those contained in the pre-priced unit prices, including, but not limited to: direct cost of doing the work; labor burden; overhead, G&A; profit; project office expenses; supervision; quality control; safety requirements; mobilization; close out costs; bonding costs; insurance; compliance with environmental laws; protective clothing and equipment; traffic and site work barriers; computer equipment and software; vehicles; maintenance; fuel; testing and all contingencies in connection with performance of the work. NO ADDITIONAL PAYMENT WILL BE ALLOWED FOR ANY OF THESE ITEMS.

- .3 Line items in Division I of the UPG may not be used for the pricing of Job Orders as these items are to be included in the coefficients unless there is an unusual requirement for scaffolding or special equipment.
- 5.6.3 Job Order Submittal Format:
- .1 Submittals shall be made utilizing the electronic format version of the RS Means software package.
  - .2 Submittals shall be initially made in electronic format, in a form and type as approved by Owner.
- 5.6.4 Mutual Documentation:
- .1 Owner and Contractor shall each have duplicate versions of the electronic format version of the RS Means software package.
  - .2 Contractor shall purchase sufficient licenses of the software package for its use, and submit one copy to the Owner on an annual basis, or as otherwise updated, of each version serving as a basis of a Unit Price Guide. Owner and Contractor may mutually agree to retain a particular version as the basis for a Unit Price Guide when multiple versions exist. After a Notice To Proceed is issued, Contractor shall submit the proposed list of Unit Price Guides to Owner for review, and after review by Owner shall purchase the agreed upon number. The costs of the Unit Price Guides as reviewed by Owner shall be invoiced for direct reimbursement, without markup.
- 5.6.5 Project Record Manual
- [Reserved]