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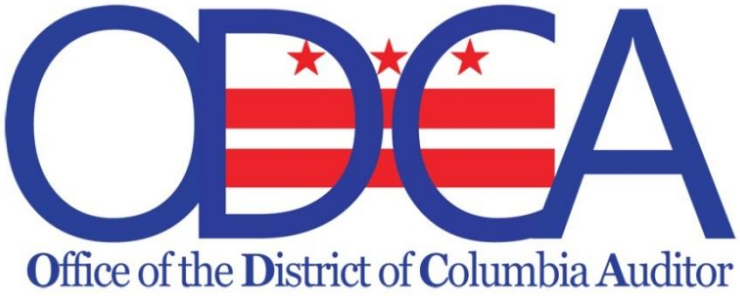


# The District's School Modernization Program Has Failed to Comply with D.C. Code and Lacks Accountability, Transparency and Basic Financial Management

July 1, 2015

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A Report by the Office of the District of Columbia Auditor
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July 1, 2015

What follows is the Office of the District of Columbia Auditor's (ODCA) report entitled "The District's School Modernization Program Has Failed to Comply with D.C. Code and Lacks Accountability, Transparency and Basic Financial Management." This performance audit was conducted as required by D.C. Code §38-2973.05. ODCA addressed the requirements of the statute by:

1. Evaluating the use of the Public School Capital Improvement Fund including a school and project specific audit of all expenditures for school facility capital improvements; and
2. Assessing whether the Department of General Services (DGS) met the process, quality, schedule, and cost objectives of the Facilities Master Plan (MFP) and Capital Improvement Plan and Budget.

ODCA thanks DGS staff for their assistance and cooperation during this audit. We also would like to thank representatives of the D.C. Partners for the Revitalization of Education Projects (DC PEP), a joint venture partnership between McKissack & McKissack and Brailsford & Dunlavey, as well as representatives of the Modernization Advisory Committee. All of their valuable time and efforts spent on providing us information were greatly appreciated.

This report is part of a package of information designed to assist the D.C. Council in its oversight of the school modernization program. Other elements include:

- A companion report titled *Audits of Public School Construction Programs: A Literature Review*.
- An interactive map of schools and funding broken down by individual campus and by ward, available here: http://maps2.dcgis.dc.gov/DCAGOL/basicviewer/?appid=e132dfcfa13e4335a7a15ba81b8d1f7a.

July 1, 2015

# The District's School Modernization Program Has Failed to Comply with D.C. Code and Lacks Accountability, Transparency and Basic Financial Management

## Why ODCA Did This Audit

The audit was conducted as required by D.C. Code §38-2973.05.

## What ODCA Found:

I. The Fenty and Gray Administrations, the Office of Public Education Facilities Modernization, and the Department of General Services have failed to comply with requirements of the School Modernization Financing Act of 2006.

II. The District Government failed to monitor school modernizations for compliance with statute, contracts, best practices, and to secure cost savings.

III. OPEFM/DGS failed to provide basic financial management, creating the risk that the District has not obtained maximum value for taxpayer dollars and the potential for the misuse of taxpayer funds.

**For more information regarding this report, please contact Anovia Daniels, Communications Analyst/ANC Outreach, at Anovia.Daniels@dc.gov or 202-727-3600.**

## What ODCA Found

D.C. law charges the Department of General Services (DGS) with oversight and management of the District's school modernization program. In addition to DGS administration, several other District offices and agencies have varying roles in the design and execution of the program, including the Deputy Mayor for Education, the Mayor of the District of Columbia, the Council of the District of Columbia, and the District of Columbia Public Schools (DCPS).

This decentralized structure may well have contributed to a number of the problems outlined in this report. It has proven difficult, if not impossible, to determine how, when, why, and by whom schools are selected for modernization. Additionally, the District does not currently provide the public with comprehensive data on both the state of the program and plans for its future. The District has delegated the day-to-day management of the program to a partnership of two large project management firms and has provided only limited supervision of their work.

During ODCA's review of individual projects, we found several specific concerns regarding the manner in which DGS managed the program. Issues ranged from a lack of support for payments that DGS made to contractors, to a basic inability to produce required contracts and reports. The internal control environment has made little progress since ODCA's last audit of the program in 2011. In some cases, the control environment was so deficient that ODCA could not perform the assessments necessary for a basic program evaluation.

With this audit and others to follow during the course of the coming year we hope to provide constructive feedback to assist the executive and legislative branches of the District government – including DGS and DCPS as well as policymakers -- in righting the ship of school modernization. Providing facilities conducive to learning remains a top priority for the Mayor and Council and securing the greatest value possible for taxpayer dollars is the goal of this and subsequent audits.

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# Background

The District of Columbia Public Schools' (DCPS) facilities are currently undergoing a major transformation following the enactment of the School Modernization Financing Act of 2006.[1] The law was the culmination of more than a decade of complaints, reports, litigation, and even the temporary closure of the entire school system due to fire code violations.

According to a report from the Committee on Education, Recreation and Libraries: "The Committee strongly believes, supported by testimony from both public hearings as well as subsequent meetings with school advocates, business leaders, and other public officials, that the renovation and modernization of school facilities is the highest priority for the District."[2] The committee concluded that neglect of facilities was itself a financial drain and investing would "save the city millions of dollars in the long-term."

As a result of the urgent need to modernize the District's schools, the Council considered several versions of legislation in 2005 and 2006 to provide a new funding stream to rebuild D.C. public schools by adding selected tax revenue to the system's annual allocation of capital funds. The final law included major accountability provisions: a new citizen oversight committee, a management plan that the Board of Education would produce before any new money would flow, and stringent requirements for the annual Capital Improvement Plan and the schools' Master Facilities Plan[3] - including an analysis of excess space. The law established a separate school modernization fund.

In order to manage the extensive set of renovations to the District's public school system, the Council tasked the Board of Education and then, in its place, the Mayor, with the development and maintenance of the following two documents.

1. **Master Facilities Plan (MFP)** – This document must include an assessment of the condition of each school building and any related facility needs, its capacity, and current level of utilization. The plan must also include historical and projected enrollment and demographic information, as well as, any recommendations

[1] B16-250; D.C. Law 16-123 (effective June 8, 2006).
[2] Report on Bill 16-250, "School Modernization Financing Act of 2006."
[3] The terms, "Master Facilities Plan" and "Facilities Master Plan" are interchangeable.

for consolidation, closure, or co-location of the District's school facilities.[4]

2. **Public School Capital Improvement Plan** - Beginning in Fiscal Year 2010, the Modernization Financing Act requires the Mayor to submit a planning document annually as part of the District's overall Capital Improvement Plan. This document must include descriptions for the scope of work to be performed at each school, including a schedule of major milestones for the project. Fully funded cost estimates for each school facility for the following six years, the estimated cost of operating the improved facility and the amount of funds expended in the prior fiscal year at that facility are all required information as well.[5]

## Multiple entities have a role in modernizing the District's educational facilities.

A year after the school modernization law was enacted, the District of Columbia Public Education Reform Amendment Act of 2007 (PERAA)[6] established the Office of Public Education Facilities Modernization (OPEFM). Beginning in 2007 with the District's "stabilization" efforts, OPEFM was placed in charge of planning, design, construction and maintenance of school facilities in the District. OPEFM continued to fulfill this role until 2011, when legislation transferred over all of the assigned duties, appropriated funds, and personnel of OPEFM to the Department of General Services (DGS).[7]

In addition to the District agencies tasked with managing the construction and maintenance of the District's educational facilities, a number of other entities have assisted with the District's school modernization program and provided input into strategic planning for the process.

The 2006 Modernization Financing Act established the Public School Modernization Advisory Committee to oversee school modernization. The Committee was to monitor expenditures to ensure that they are aligned with the Master Facilities Plan. In addition, Committee members were to have expertise in planning, design, construction, asset management, development, financial management or public finance. The committee was

[4] *See* D.C. Code § 38-2973.05 and § 38-2803(b) and (c) for Master Facilities Plan requirements.
[5] *See* D.C. Code § 38-2803(d) for Public School Facility CIP requirements.
[6] D.C. Law 17-9. Effective June 12, 2007.
[7] The Fiscal Year 2012 Budget Support Act of 2011 (D.C. Law 19-21, effective September 14, 2011) established the Department of General Services and transferred all operations and responsibilities from OPEFM to DGS. This portion of the Act was codified at D.C. Code § 10-551.04.

to be comprised of 11 members selected by the Mayor, the Council, the CFO and the Board of Education.[8]

The District's Master Facilities Plan (MFP), which has undergone a number of revisions over the years, is also the result of a collaborative process involving several entities. The Council required the Mayor to establish the Office of Public Education Facilities Planning[9] (OPEFP) within the Office of the Deputy Mayor for Education and tasked it with the development of the MFP.[10] OPEFP is required to consult with the following entities as it develops the MFP:

- The District of Columbia Public Schools and Public School Charter Board, which are to provide educational plans and policies to guide the school modernization process;
- The Office of Planning, which provides demographic and neighborhood support data;
- The Director of OPEFM (and in later years DGS), as they are responsible for implementing the plan; and
- Other key stakeholders, including members of the community that will ultimately use the District's education facilities.[11]

The District has also contracted for legal, technical assistance, and project management from different private sector entities. A joint venture partnership operating under the name of DC Partners for the Revitalization of Education Projects, LLC (DC PEP) performs overall day-to-day management of each construction project. This partnership consists of McKissack & McKissack, and Brailsford & Dunlavey, two D.C. contractors that have worked with the District on a number of large construction projects in the past. DC PEP works directly for DGS as it manages the construction, renovation and stabilization of the District's schools.

For the period under review, FY 2010 – FY 2013, DGS paid DC PEP a total of $37,165,512 in management fees. Leftwich & Ludaway, a D.C. law firm used by DGS as a procurement and legal advisor, received a total of $2,660,963 in fees over that same time period.

[8] *See* D.C. Code § 38-2973.01.
[9] D.C. Code §38-2803 established the Office of Public Education Facilities Planning.
[10] *See* The Fiscal Year 2011 Budget Support Act of 2010 (D.C. Law 18-223, effective September 24, 2010), which directed the Mayor to establish OPEFP. The provision requiring the establishment of OPEFP may be found at D.C. Code § 38-2803 (b)(1).
[11] *See* D.C. Code § 38-2803(c).

## Objectives and scheduling for school modernizations have changed over time.

The District sought to first stabilize the conditions of its educational facilities by addressing basic health, safety, and infrastructure needs. For example, the District's fire marshal had noted fire code violations in a number of DCPS facilities. Other DCPS facilities required remediation in order to provide basic heating and air conditioning.

Following the "stabilization" efforts, the District organized a comprehensive and structured approach to facilities modernization, as outlined in the MFP.

The narrative sections of the 2010 MFP divides the District's modernization efforts into three phases as follows:

- **Phase I** – Focuses on core academic components of each school, including classrooms, specialized academic spaces, corridors, entry lobbies, and bathrooms.
- **Phase II** – Improvements in support spaces, such as cafeterias, gymnasiums, school grounds, and auditoriums.
- **Phase III** – Upgrades and replaces utility, mechanical, electrical, plumbing, security, and IT systems.

The 2010 MFP called for Phases I-III to be completed by year 10, or fiscal year (FY) 2019, and for all Phase I improvements to be completed by FY 2014. The 2010 version of the MFP also includes a school-by-school schedule for each phase of development. While the plan calls for most elementary and middle schools to undergo infrastructure improvements using a phased approach, with Phases I-III occurring in succession, the MFP modernizes all high schools in one stage, with Phases I-III occurring simultaneously (referred to as a full modernization).

The most recent version of the MFP was released in 2013, with some data updated in a supplement issued in 2014. This version of the MFP eliminates the school-by-school schedule. Instead, the District has organized its educational facilities into neighborhood clusters, which are large enough to include multiple DCPS and charter schools. The District devised five criteria for the evaluation of each neighborhood cluster, as follows:

1. Capacity and utilization of the educational facility;
2. Population forecast/predicated enrollment;
3. Facility condition and quality;

4. Density of children within cluster and average travel distance for each child; and
5. Modernization equity, essentially an analysis of total dollars spent to date in the cluster.

After gathering data for the evaluation of each neighborhood cluster, the MFP identifies those clusters most in need of infrastructure improvements.

# Objectives, Scope and Methodology

## Objectives

The audit was conducted pursuant to D.C. Code § 38-2973.05. The objectives of this audit were to:

1. Assess whether the Department of General Services (DGS) has met the process, quality, schedule, and cost objectives of the Facilities Master Plan (MFP) and the Capital Improvement Plan and Budget (CIP).
2. Evaluate the use of the Public School Capital Improvement Fund to include a school and project specific audit of all expenditures for school facility capital improvements.

## Scope

The audit period covered FY 2010 - FY 2013, or October 1, 2009 through September 30, 2013.

## Methodology

To evaluate the use of the Public School Capital Improvement Fund, we first started with a review of applicable laws, regulations and District government policies and procedures. Additional information was provided over the course of several interviews conducted by the Office of the District of Columbia Auditor (ODCA), with both DC PEP and DGS employees.

As part of our test work, we compared the District's school modernization program with the standards included in the 2010 and 2013 versions of the MFP, which were to include schedule, process, cost and quality objectives for the program. We also designed audit procedures to examine the expenditures from the fund for FY 2010 - FY 2013. We traced disbursements from the approved capital budget authorizing each school modernization project to the cash disbursements District contractors receive for their work.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to

provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

# Audit Results

## I. The Fenty and Gray Administrations, the Office of Public Education Facilities Modernization, and the Department of General Services have failed to comply with requirements of the School Modernization Financing Act of 2006.

### The District has not met the process and schedule objectives of the Master Facilities Plan and does not have a process in place for selecting schools for modernization.

D.C. Code §38-2973.05 established the requirement for the D.C. Auditor's review of the District's school modernization program. Among other requirements, the statute requires the Office of the District of Columbia Auditor (ODCA) to assess whether the District has met the process and schedule objectives of the Master Facilities Plan (MFP).

Developing a schedule for the modernization of the District's schools is a difficult task. The District's MFP describes the various data that the Office of Public Education Facilities Planning (OPEFP) must collect and analyze in order to schedule school modernizations, which include the following:

- The current capacity of the District's schools along with an assessment of enrollment levels at each;
- Projections for population growth and demographic changes; and
- A detailed appraisal of the current condition of District schools, including its HVAC, exterior finish, plumbing and roof.

Once the necessary data has been gathered, and the difficult estimates associated with demographic growth have been made, the Deputy Mayor for Education develops the MFP.

As the scope of our audit covers FY 2010 - FY 2013, a review of both the 2010 and 2013 versions of the District's MFP was necessary due to the changes between the 2010 and 2013 versions of the plan, outlined in the Background section of this report (most notably the change from a school-by-school schedule to the grouping of facilities into neighborhood clusters).

Although the more recent MFP approach identifies the neighborhood clusters most in need of improvement, it does not identify specific schools in need of modernization. Furthermore, there is no process for selecting schools for modernization from among each "high need" cluster. As a result, we did not have a schedule or process with which to compare District expenditures made in 2013.

**Currently, the District does not have a process in place for selecting schools for modernization**

Because the 2010 and 2013 versions of the MFP differ so greatly, we examined the status of each project, as of the end of 2012, to determine if the modernization projects undertaken by the Department of General Services (DGS) met the schedule and process objectives of the 2010 version of the MFP, the only version of the MFP with a school-by-school schedule.

We noted that out of the 62 projects scheduled to either start or finish between 2010 and 2012, 28 did not adhere to the schedule and process objectives of the MFP. These 28 projects were not in compliance with the MFP for a variety of reasons. Several examples have been highlighted below. To review the entire project listing, see Appendix I.

- Significant cost overruns and budgetary constraints directly caused a number of school modernization projects to be delayed. Among this group of delayed projects is Powell Elementary. The MFP originally scheduled Powell to start a Phase I Modernization in 2012, but the project did not begin until 2013. The delayed commencement of the project means that the Phase I Modernization — supposed to be completed in 2012 — remains ongoing at Powell with a projected completion date of August 2016.
- DGS and its contractors simply did not complete some projects on time. For example, the MFP scheduled the Duke Ellington School of the Arts for a full modernization that would start in 2012 and finish in 2014. Instead, the project broke ground December 19, 2014 and is scheduled for completion in August of 2016.
- In the case of Ballou High School, The Mayor submitted and the Council passed emergency and temporary legislation in early 2011 to authorize funding to initiate new construction, modernization and/or stabilization work for school projects.[12] This allowed work to start for Ballou and several other schools earlier than scheduled. This is concerning because if projects start earlier than

[12] "Fiscal Year 2011 Office of Public Education Facilities Modernization Funding Revised Emergency Amendment Act of 2011" (Act 19-26, effective February 27, 2011, Expires May 28, 2011) and "Fiscal Year 2011 Office of Public Education Facilities Modernization Funding Revised Temporary Act of 2011" (D.C. Law 19-5, Effective May 21, 2011, Expires December 30, 2011).

planned, front-loaded work may delay other projects scheduled for other schools.

- District of Columbia Public Schools (DCPS) closed some schools that were scheduled to be modernized. Ron Brown Middle School, which was scheduled for a Phase I Modernization in 2012, was in fact closed in 2013, following expenditures of $1,111,814 in school modernization funds between FY 2010 and FY 2013. Malcolm X Elementary School, which was scheduled for a Phase I Modernization in 2011, was scheduled for closure after having spent $1,119,533 between 2010 and 2013. Students are now located at the old Green Elementary building. Shaed, which was scheduled for a Phase I Modernization in 2012, was consolidated with other schools in 2011, following expenditures of $453,001 between 2010 and 2013.

We also noted that the work was not always completed using the phased approach, outlined in the narrative section of the 2010 MFP, which called for high schools to be modernized completely and elementary and middle schools to follow the three phase approach outlined in the background section of this report.

The objective of using a phased approach was to bring the benefit of modernized schools to as many students as possible*, as quickly as possible*. Deviations from this process may shortchange some schools in favor of other schools.

For example, Janney Elementary underwent a modernization beginning in 2010, which lasted until 2011. However, in 2013, DGS planned additional work for the school which included an addition to one of the school's buildings, budgeted at $4.8 million. Although this unplanned work may have been in the best interests of the children attending that school, it is not clear how these additional expenditures impacted work scheduled for other schools in the District.

In addition to unplanned projects, in some cases the scope of work was significantly expanded for some schools. For example, the 2010 MFP slated River Terrace for a Phase I Modernization in 2011, despite persistent low enrollment, but the school was instead converted into a special education center. Currently, River Terrace is undergoing a full modernization and will reopen in August of 2015. Again, it is not readily apparent how this work impacted projects at other schools. Given the fact that some projects included in the MFP were delayed due to “program wide cost increases and budget pressures,” it is concerning.

We also found it difficult to determine whether school modernization projects were in fact completed. The school-by-school listing provided by

DGS shows a substantial amount of expenditures were made for many schools, after scheduled work appeared to have been completed. Please see Appendix II to review a complete list of total expenditures for all projects during the audit period, which includes expenditures per square foot and expenditures per student.

For example, according to DGS, the modernization of Woodrow Wilson High School was completed in 2011. Media accounts corroborate this timeframe as well, documenting a ribbon cutting ceremony in August of 2011. However, ODCA noted that DGS expended nearly $8 million at Woodrow Wilson High School in 2012.

Similarly, per DGS, Stoddert Elementary was modernized in 2010. A press release from DCPS shows that the ribbon cutting ceremony occurred in August of 2010. However, ODCA found that in 2011, DGS expended nearly $3 million at Stoddert Elementary.

These expenditures are significant and although they may improve the quality of the learning environment for some District students, they may also delay modernizations at other schools. The District should ensure that its modernization program reaches all DCPS facilities in a timely and equitable manner.

**The MFP is a largely inconsequential document that does not link to the actual selection of schools for modernization**

This audit also raised additional questions about the schedule and process objectives of the MFP, including the concern that this information is not sufficiently organized or clearly presented to be of much use to the average District resident. Parents of school-aged children may not always have the time or ability to attend public interest meetings or Council hearings. Furthermore, they may lack the knowledge necessary to identify which documents they need to review in order to obtain an understanding of the District's school modernization program and how it will affect the quality of their child's education.

**Recommendations:**

1. Currently there is no mechanism in place that describes how, or even who, should create a schedule for modernizations ***based on the MFP***. The Council should require the development of a clear and consistent selection process, without which the MFP will remain a largely inconsequential document disconnected from the actual selection of schools.[13]

[13] During the FY 2016 budget process, the Council Committee on Education developed and approved a new process for prioritizing modernization efforts based on measures for equity, demand, and community factors. This language, however, was not included in the final Fiscal Year 2016 Budget Support Act of 2015 (B21-158). Education Committee staff indicated the framework would be pursued in future legislation.

This process should continue to allow for input from the public as well as each affected District agency, particularly DCPS. A collaborative process will improve transparency with respect to school selection, increase the likelihood that school district stakeholders will accept the outcome and likely yield a more favorable outcome for the District's students. Whatever the process, it should be clear where accountability resides for which schools are selected for modernization.

**Accountability for selection of schools must be clear**

Should the Mayor decide to submit a Capital Improvement Plan (CIP) that differs from the schools identified by this process, the Mayor should provide detailed explanations for why they are not in agreement. Likewise, should the Council decide to re-sequence the schedule in a manner that differs from the CIP submitted by the Mayor, the Council should also provide detailed explanations for why changes have been made. We are not suggesting that plans should not be adjusted over time, but rather, that those changes occur within the context of a set process to include documented justifications for any adjustments that are made.

2. Once the policy makers have defined a selection process by which DGS (in consultation with other agencies) will select schools for modernization, they should ensure that this information is efficiently disseminated to the public. Transparency is the key to making sure this process remains equitable in both fact and appearance.

   We believe the District should include each of the following items in one central, web accessible location, along with a brief description of how the District selects schools for modernization.

   - The most recent iteration of the MFP and any documentation necessary to understand how DGS used the MFP to develop the District's school modernization schedule.
   - The most recent iteration of the District's CIP, and more specifically, the specific sections that pertain to the District's school modernization program.
   - Project descriptions for all schools scheduled for modernization in the next six years, as outlined in the CIP. Currently, DGS appears to be publishing information about its projects online and it should be commended for doing so. However, it would appear that the project listing only includes active projects, rather than the complete list of projects scheduled for modernization over the next six years.

- Justification for any deviations made from the process or schedule by the Council, the Mayor, DCPS, DGS, or any other District agency.
- Expenditures on modernization projects by school for the past three fiscal years, to be updated annually by DGS.

**Transparency will ensure the school modernization process is equitable in both fact and appearance**

By providing all of these materials to the public on the web, the District can improve everyone's understanding of the school modernization program. This will increase the public's confidence with respect to how schools are selected for a modernization. It will also empower each parent to make informed decisions about their child's education.

3. The Deputy Mayor for Education should revise the MFP to include a schedule and process for school modernizations in the District. In addition to the clear public benefit, this will also make it possible for ODCA to comply with the requirements set forth in D.C. Code § 38-2973.05.

## The Mayor's Capital Improvement Plan did not comply with D.C. Code § 38-2803(d), omitting important information about the future of the District's schools.

D.C. Code § 38-2803(d) establishes the requirement for a Public School Capital Improvement Plan (CIP), which is to be updated each fiscal year as part of the Mayor's capital improvement plan for all public facilities. Additionally, for ***each school,*** the CIP must include the following data:

A. A description of the scope of work to be done and a schedule of major milestones;

B. Justification for the work as outlined in the District's Master Facilities Plan;

C. A fully funded cost estimate of improvements planned for the next six fiscal years;

D. The estimated cost of operating the improved facility;

E. The amount of capital funds expended in the prior fiscal year; and

F. The name, address and ward of each project.

**CIP submissions were non-compliant for every year ODCA reviewed**

We examined the CIP included with each budget submission made by the Mayor between FY 2010 and FY 2013. For each budget submission, we compared the information included with the CIP to the requirements outlined in D.C. Code § 38-2803(d), noting a number of departures from District law. The CIP documents, submitted with the District's budget in FY 2010 and FY 2011, were largely non-compliant with District law, as they were not ***school specific***. Instead, individual school projects were often aggregated into large, broad project descriptions such as "High School Modernization." Additional exceptions and summary data are included below in Figure 1. The Mayor's budget submissions did show improvements in compliance over time. However, as recently as FY 2013, the Mayor's budget submissions remain non-compliant with portions of D.C. Code § 38-2803(d). Figure 1 shows the total number of CIP projects for FY 2010 – 2013 and the number of projects that were not compliant with portions of D.C. Code § 38-2803(d).

**Figure 1**

**FY 2010 – FY 2013 CIP Projects that are not Compliant with Specific Sections of D.C. Code § 38-2803(d)**

(Categories A-F corresponds to sections A-F of DC Code § 38-2803(d), listed above)

| FY | Total # of Projects in CIP | A | B | C | D | E | F |
|---|---|---|---|---|---|---|---|
| 2010 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| 2011 | 7 | 7 | 7 | 7 | 7 | 6 | 6 |
| 2012 | 101 | 14 | 16 | 94 | 101 | 15 | 14 |
| 2013 | 99 | 16 | 19 | 92 | 99 | 19 | 16 |

Before the Mayor's Office of Budget and Planning can submit the District's CIP for the Council's approval, it must gather data from each District agency tasked with managing capital projects.

We reviewed the documentation that DGS submitted to the Office of Budget and Planning for each fiscal year between FY 2010 and FY 2013. This documentation is the basis for the Mayor's CIP submission with respect to District schools. We noted that the required elements of D.C. Code § 38-2803(d) were not included in these supporting documents.

**The Mayor should ensure that all required data is included with each CIP submission**

The Mayor's Public School Capital Improvement Plan provides detailed information on the specific educational projects DGS will manage in the upcoming fiscal year. At the project level, this plan documents the approved scope, cost and timing of each school modernization project. This data is a critical source of information for the school modernization program's many stakeholders, including the Council of the District of Columbia and District residents.

Without ***school specific*** data for each project, stakeholders will not be able to determine which schools will be modernized or renovated in the upcoming fiscal year. They will also lack basic details about each project, such as the total cost of the project, why the project was undertaken and how long the project is expected to last. This information is necessary for proper oversight of the program. Additionally, including this information in the CIP will increase the transparency of the school modernization program. Further, the estimated cost of operating the improved facility is critical for budget planning purposes.

**Recommendation:**

4. The District of Columbia's annual budget process begins with the Mayor's submission of the proposed budget, including the CIP. The Mayor must ensure that all of the elements outlined in D.C. Code § 38-2803(d) are included in the annual budget submission.

**The District's Modernization Advisory Committee could have provided valuable technical expertise to the District's school modernization program and identified deficiencies in the MFP and CIP, but due to inadequate support, stopped meeting in 2008.**

D.C. Code established the requirement for a Public School Modernization Advisory Committee (Committee). The Mayor and Council established the Committee to assist with the District's school modernization program. The legislation specifically identifies the following purposes for the Committee:

1. To monitor that capital funds are aligned with the priorities of the Mayor for educational infrastructure;
2. To monitor that expenditures are aligned with the approved Facilities Master Plan, the District of Columbia Capital Improvement Plan and Budget, and the DCPS maintenance plan; and
3. To advise the Director of the Office of Public Education Facilities Modernization as to whether the expenditure of funds is managed in accordance with best practices and budgetary limitations.[14]

The statute establishes the Committee as an 11 member group, appointed by a diverse array of stakeholders, including the Mayor, the CFO, the Council of the District of Columbia, and the Board of Education. Each member of the Committee served without compensation.

The Committee on Education Report on B16-250, of the School Modernization Financing Act of 2006 outlines the impetus behind the advisory committee:

> *The Committee recognizes the great importance of transparency and effective oversight in ensuring that funds are spent properly and that the mistakes of the past are not repeated.*
>
> *A survey of national best practices indicates that the establishment of an independent, external oversight committee is essential to ensuring that capital resources are being invested appropriately and that the policies and procedures governing school building design and construction are working effectively and fairly. This legislation follows that policy recommendation shared in testimony by the 21st Century School Fund by establishing the Public School Modernization Advisory Committee.*[15]

[14] *See* D.C. Code § 38-2973.01.
[15] Report on Bill 16-250, "School Modernization Financing Act of 2006."

We inquired of DGS as to the frequency of communication between DGS and the Committee, and DGS informed us that the Committee had stopped meeting in 2008. We reviewed the final written communication sent to the Council by the Modernization Advisory Committee on October 23, 2008. The Committee's acting chairman at the time, Paul Martin Wolff, sent the letter to Vincent Gray who was then the Chairman of the Council.

**The Committee was *denied* the support of one employee for 10 hours/month**

The letter outlines some of the activities that the Committee was engaged in, including a review of the Master Facilities Plan and visits to several of the schools that were undergoing renovations at the time. Mr. Wolff also expressly stated that without additional support from the District government, the Committee would have to disband, as each member of the Committee held a full-time job. Mr. Wolff specifically requested that the Committee receive support from at least one District government employee for a minimum of 10 hours per month. Paul Martin Wolff met with Chairman Gray to discuss the contents of the letter and reemphasized that the Committee needed assistance. However, Mr. Wolff never heard back from the Council.

Had the Committee continued to meet past 2008, it could have provided valuable assistance in crafting both the MFP and the CIP. D.C. Code § 38-2973.01 required the Committee's members to have expertise with respect to planning, design, construction, asset management, development, financial management, or public finance. This expertise would have proven valuable in the oversight and advisory role envisioned for the Committee by the Mayor and Council. The law directed that the Office of the Chief Financial Officer (OCFO) should provide "appropriate staff support to the Committee."[16]

Given the nature of the findings included in this report, which show a need for accountability, transparency, improved financial management, and compliance with District law, this Committee's guidance would have likely improved compliance with the School Modernization Financing Act.

**Recommendation:**

5. The Mayor and Council should reappoint the Advisory Committee as required by the law, or the Mayor and Council should amend the law and seek alternative means to meet the intent of the provision: accountability, transparency, and oversight.

[16] *See* D.C. Code § 38-2973.02(f).

## The Mayor, D.C. Council, and CFO disregarded the funding provisions of the School Modernization Financing Act of 2006.

The School Modernization Financing Act of 2006 established the modernization of public school facilities as the top expenditure priority for the District and created a special fund with the goal of adding an additional $1.3 billion over ten years to significantly strengthen efforts to rebuild the District's schools. The Modernization Financing Act specified that "there is established a non-lapsing special revenue fund to be known as the Public School Capital Improvement Fund ("Fund"), which shall be separate from the General Fund of the District of Columbia and which shall be used to provide a revenue source for the District of Columbia Public Schools capital budget."[17] And: "Beginning in fiscal year 2007, the Chief Financial Officer shall deposit the first $100 million of non-dedicated sales tax revenue collected annually, beginning April 1 of each fiscal year…into the Public School Capital Improvement Fund."[18] This $100 million is in addition to any debt financing.

The legislative record on the Modernization Financing Act, including a report by the Committee on Education, Libraries and Recreation, point to a consensus that new funding would come from annual revenues in the form of pay-as-you-go (Pay-Go) capital financing. Pay-Go is a transfer of funds from the General Fund to the General Capital Improvement Fund. Assigning dollars in the annual budget process to school construction, as a priority over other demands on District dollars, was a signal of the issue's importance. A variety of revenue streams were debated and the source settled on was the sales tax.

Chief Financial Officer Natwar Gandhi had testified about the negative impact that would result from simply borrowing the additional funds needed, stating, it would have a negative effect on the District's debt profile. The Committee on Education report states that "the Committee favors a blended funding package that draws from multiple revenue sources, but does not support increasing the District's debt burden at this time."

The law took effect June 8, 2006 and the following April, 2007, the CFO transferred revenues totaling $100 million from the General Fund, according to a May 13, 2015 letter from CFO Jeffrey S. DeWitt, responding to questions from D.C. Auditor, Kathy Patterson. "General Fund revenues were similarly transferred in FY 2008 and FY 2009," he wrote. In FY 2010, however, the funding plan set forth in 2006 was abandoned. Notes the DeWitt letter: "Beginning in FY 2010, the Mayor and Council switched the

[17] *See* D.C. Law 16-123, Sec. 101.
[18] *See* D.C. Law 16-123, Sec. 121(b). This provision was later repealed in 2011 (*see* D.C. Law 19-21).

schools modernization funding efforts," by increasing the amount by which capital expenditures were funded with G.O. Bonds instead of Pay-Go financing.

Budget documents substantiate that summary. The FY 2008 budget states "the FY 2008 Pay-Go total of $108 million consists primarily of the second year's installment of the plan for schools modernization…as enacted in the School Modernization Financing Act of 2006." Similarly, in the FY 2009 budget "The FY 2009 Pay-Go total of $145 million consists primarily of the third year's installment of the plan for schools modernization." However, as shown below, beginning in FY 2010 the District began to fund the program primarily through debt. Figure 2 shows school modernization funding for FY 2007 – FY 2016.

**Figure 2**

**School Modernization Funding FY 2007- FY 2016**

(Note amounts listed above reflect proposed budget amounts for all of the District's capital projects.)

| Fiscal Year | Pay- Go | G.O. Bonds |
|---|---|---|
| 2007 | $100,000,000.00 | $63,299,000 |
| 2008 | $100,000,000.00 | $89,994,000 |
| 2009 | $105,999,707.00 | $117,449,000 |
| 2010 | $0 | $236,435,137 |
| 2011 | $0 | $262,343,776 |
| 2012 | $0 | $268,536,000 |
| 2013 | $0 | $385,361,997 |
| 2014 | $0 | $455,183,000 |
| 2015 | $0 | $433,962,274 |
| 2016 | $789,000 | $334,013,000 |
| **Total** | **$306,788,707** | **$2,646,577,184** |

The 2010 budget suggested that this change was the result of a: "significant decline in District revenue forecasts as a result of the weakened U.S. economy," with the Pay-Go of prior years "replaced by additional bond financing for FY 2010 through 2013." A recent Auditor's report takes exception with the severity of the revenue forecast in the FY 2010 budget document finding that "while the District experienced a moderate economic downturn due to the 2007 - 2009 recession" the revenue totals rebounded "and by FY 2012 tax revenues had surpassed their previous peak."

Despite action by District leaders to increase borrowing for school modernization, the law requiring the use of approximately $100 million a year in sales tax revenues for that purpose remained in place. The provision was subsequently amended in the FY 2012 Budget Support Act which took effect September 14, 2011, eliminating the sales tax funding provision.[19] Decisions made by the Mayor and Council and effectuated by the independent CFO in fiscal years 2010 and 2011, essentially violated the letter as well as the spirit of the School Modernization Financing Act of 2006 with regard to use of annual revenue for rebuilding schools.

**The District borrowed $2.6 billion between FY 2007 and FY 2015 for its school modernization program**

In the first three years following enactment of the law, policymakers allocated $306 million in annual revenue/Pay-Go to school modernization (FY 2007 – FY 2009 Pay Go Funds listed above). In the years since, according to the CFO, that dropped to just $789 thousand (FY 2010 – FY 2016 Pay Go Funds listed above). The rest, FY 2007 through FY 2016, totaling $2.6 billion, has come from issuing new debt. Not only did the move away from sales tax revenues violate the provision in the 2006 law in 2010 and 2011, but the policy decision has helped drive the District's total debt to the point where annual debt service is projected to cost $650 million in FY 2016, representing nearly 10 percent of the District's Local Fund resources.

**Recommendation:**

6. The Mayor and Council should assess the impact of funding the District's school modernization program with debt. The District has steadily increased the amount of debt used to fund its school modernization program. The Mayor and Council should assess the impact of this debt on the District's finances and, as necessary, adjust the program or the manner in which it is funded.

[19] "Fiscal Year 2012 Budget Support Act of 2011" (D.C. Law 19-21, effective September 14, 2011). *See* section 7012.

## II. The District Government failed to monitor school modernizations for compliance with statute, contracts, best practices, and to secure cost savings.

### The District failed to collect required documentation for school modernization contracts and may have spent more on construction costs than was necessary or contractually required.

Every contract for modernization has contained requirements for recordkeeping; including a fund for contingencies which, at the conclusion of a phase of work or project completion, are generally accounted for and documented. When costs are higher than anticipated, they are paid from the contingency fund. Where actual costs have been less than budgeted the contract typically provides for a split between the District (as "owner") and the general contractor on the project. With regard to the $1.2 billion spent by the District during the four years covered by this audit, there is no record of any funds returned to the District nor is there record of any effort on the part of the District government to secure contingency savings. This record is well outside the parameters of best practices in construction oversight.

We selected three contracts to perform an assessment of contingency costs and buy out logs. This review included contracts for three high schools, Anacostia High School, Eastern High School and Wilson High School. All three contracts were Guaranteed Maximum Price (GMP) contracts. In order to understand what this analysis entails, assume the following definitions and scenario for a mock construction project.

#### Definitions

**Guaranteed Maximum Price (GMP)** – a form of contract between an owner and contractor where the total dollar value is the cost of the work plus a fee, with a ceiling price. Unless there have been any changes to the scope, the contractor is responsible for any costs above the ceiling price. If the final cost of the work plus a fee is below the ceiling price, then the savings are shared between the owner and contractor. Savings generally occur two main ways; 1) the Buy Out of subcontractors (cost of the work) is less than budgeted in the GMP, and 2) funds remain in the Contingency at the end of the job.

**Buy Out Log –** a detailed statement showing total GMP broken out into its constituent parts. It shows the variance between purchased subcontractor work and what was budgeted in the GMP. Any aggregate savings for actual costs that end up costing less than what was budgeted are subsequently added to the Contingency. Conversely, any aggregate overruns are funded from the Contingency.

**Contingency** – a line item established at the outset of a GMP contract. This allowance is intended for certain unforeseen costs that arise during construction. The contractor is required to submit and receive written approval to draw funds from the Contingency and to keep a log of the draws. Cost overruns in the Buy Out are funded from the Contingency. Any remaining funds from the Contingency, at the end of the job, are shared by the owner and contractor.

### Example Cost Assessment

ABC Contracting enters into a GMP agreement with the District to renovate XYZ High School. The cost of the work is budgeted at $10,000,000, the contractor's fee is 5 percent ($500,000), and a Contingency of 10 percent ($1,000,000) is established, resulting in a total GMP of $11,500,000. The contract dictates that any savings under the GMP will be split 50/50 between the contractor and the District.

**Summary GMP Contract**

| | |
|---|---|
| **Cost of the Work Budget** | $10,000,000 |
| **Fee** | $500,000 |
| **Contingency** | $1,000,000 |
| | |
| **GMP Contract Total** | $11,500,000 |

After the GMP agreement is executed with the District, ABC Contracting negotiates and enters into agreements with all of their subcontractors. Some subcontracts are purchased by ABC Contracting below the respective budget allowance and other subcontractors are purchased above the budget allowance. Overall, the aggregate cost of work is bought for $300,000 under budget.

**ABC's Buy Out Log**

| | Cost per Budget | Actual Value of Services Bought | Over/Under |
|---|---|---|---|
| Concrete | 1,000,000 | $900,000 | $100,000 |
| Roof | 1,500,000 | $1,500,000 | $0 |
| Walls | 1,000,000 | $1,100,000 | $(100,000) |
| Flooring | 500,000 | $700,000 | $(200,000) |
| HVAC | 2,500,000 | $2,300,000 | $200,000 |
| Plumbing | 1,500,000 | $1,400,000 | $100,000 |
| Electrical | 2,000,000 | $1,800,000 | $200,000 |
| **Total** | $10,000,000 | $9,700,000 | $300,000 |

The $300,000 in Buy Out savings is applied to the Contingency. Notice below that the GMP total remains the same.

**Revised Summary GMP Contract**

| | |
|---|---|
| **Cost of the Work Budget** | $9,700,000 |
| **Fee** | $500,000 |
| **Contingency** | $1,300,000 |
| | |
| **GMP Contract Total** | $11,500,000 |

During the course of construction numerous additional costs come up and ABC Contracting submits written requests to the District to draw on the Contingency. The District provides written approval to draw on the Contingency for each item and the additional items are paid for accordingly. Despite numerous draws on the $1,300,000 Contingency, the $500,000 in savings is split 50/50 between ABC Contracting and the District.

| | |
|---|---|
| **Base Contract Contingency** | $1,000,000 |
| Apply Buy Out Savings | $300,000 |
| **Revised Contingency** | $1,300,000 |
| Contingency Draw #1 | $(200,000) |
| Contingency Draw #2 | $(500,000) |
| Contingency Draw #3 | $(100,000) |
| **Savings on Job** | $500,000 |

## Analysis of Cost Savings

After reviewing the contracts for Anacostia High School, Eastern High School and Wilson High School, the Audit Team noted the following contract provisions were required by each contract:

1. Each contract required a written request and a written approval from DGS for any drawdowns of the contingency.
2. Monthly reports were required to disclose any transfers out of the Contingency.
3. Monthly reports were required to contain Buy Out variances.
4. Final payments were required to take into account any savings accruing to DGS.
5. Savings were to be split as follows:

    - Anacostia High School – 50/50 between DGS and contractor. (Section 8.7)
    - Eastern High School – 50/50 between DGS and contractor, with a cap on the contractor's share not-to-exceed 200 percent of the design-build fee. (Section 9.12.1.4)

- Wilson High School – contractor gets first $1.5 million and 35 percent thereafter, with DGS receiving remaining 65 percent in savings. (Change Order 3, Section 1.8)

**There was no evidence of an analysis of job cost savings for any of the projects reviewed**

We reviewed the supporting documentation provided by DGS and noted that there was no evidence that an analysis of job cost savings occurred at the end of any of the projects selected for review, as the contract terms required. As such, it does not appear that anyone made an attempt to determine if the District was owed savings and there could have been savings that rightfully belonged to the District, but were never captured.

Other project documentation that DGS could have used to produce a job cost savings analysis either did not exist or was not provided for review. For example:

- The monthly reports on all three projects failed to include specific information on Buy Out values compared to budgeted values;
- Except for Eastern High School, no records of Contingency use were provided;
- Except for Eastern High School, no records of written approvals were provided, confirming that DGS approved the contractor's draw on the Contingency;
- Job cost report dated November 15, 2011 for Wilson High School shows $0 for Contingency. However, there is no indication of how this Contingency amount of $4 million was spent; and
- The final payment application for Anacostia High School indicates $0 for Contingency, but provides no indication of how this $3 million set aside for contingencies was spent.

The contractual mechanism by which DGS would capture their share of any savings is a deductive change order to the GMP contract. None of the three projects have a change order that includes a credit to DGS for savings. Not every GMP project ends with savings, but it is ***highly unlikely*** that savings did not exist on all three of these projects. (For more information on the issue of contingency funds, see the companion report to this, *Audits of Public School Construction Programs: A Literature Review*).

**Recommendations:**

7. For the five high school modernizations covered in this audit (Eastern, Woodson, Cardozo, Anacostia and Wilson) totaling $465 million in District expenditures, we recommend that DGS perform an assessment of each contract to determine if any savings should have accrued to the District. This analysis should include an item-

by-item reconstruction of how the GMP contingency was used, including supporting documentation to verify that the District approved any draws on the contingency before they were made. Additionally, DGS should report on "buy-outs" including variances between subcontracts for base scope versus their respective Guaranteed Maximum Price schedule of values line item. Should this analysis identify any project savings that should have accrued to the District, DGS should secure the appropriate payment to the District.

8. DGS needs to enforce the terms of each of the contracts it signs for the District's school modernization projects. Specifically, DGS should:

   - Require that contractors provide Buy Out variances in their monthly reports, as required by each contract;
   - Require contractors to provide information in each monthly report on the use of Contingency funds, as required by each contract; and
   - Require contractors to provide written requests for the use of Contingency funds, as required by each contract. Additionally, DGS should not approve payment applications that show draws on the project's Contingency funds without prior written approval to do so.

9. For each project over a specific threshold, the Council should require DGS to present an analysis of job costs and savings to the Council before the final contractor payment application is approved and paid.

### High school modernizations have exceeded the cost per square foot standard included in the 2010 MFP.

We examined the cost per square foot for five high schools that were completed within our audit scope, or FY 2010 – FY 2013. High schools were selected specifically because they were intended to go through all stages of modernization simultaneously. We accumulated the cost of modernizing these schools from the start of each project, until the end of FY 2013.

The 2010 MFP included cost standards for the District's school modernization projects. Project budgets were expected to fall in the range of $210-$255 per square foot. None of the five projects that we reviewed were within this range, with cost per square foot amounts ranging between $259 and $348 per square foot. Figure 3 shows the total cost to completely modernize five high schools, the square footage of each school and the cost per square foot.

**Figure 3**

**Total Cost to Modernize High Schools, Square Footage of Each School and the Cost per Square Foot**

| School | Ward | Total[20] | Gross Square Footage | Cost/Square Foot |
|---|---|---|---|---|
| **Eastern High School** | 6 | $74,898,983 | 288,800 | $259 |
| **Woodson High School** | 7 | $95,814,978 | 275,000 | $348 |
| **Cardozo Education Campus** | 1 | $119,593,259 | 355,400 | $337 |
| **Anacostia High School** | 8 | $60,881,131 | 207,000 | $294 |
| **Woodrow Wilson Senior High School** | 3 | $113,898,455 | 376,448 | $303 |

[20] In order to determine the total cost to complete the high school modernizations, ODCA expanded the audit scope to include fiscal year 2008 and fiscal year 2009 expenditures for the five high schools.

As noted in this section, DGS has not performed the necessary due diligence to properly manage the District's school modernization projects. They are not ensuring that contractors are adhering to the terms of the contracts that they sign with the District, which include several mechanisms for monitoring and controlling costs. In short, their control environment does not include the internal controls necessary to properly manage and assess these costs. And the costs appear to be increasing with subsequent high schools, outside the scope of this audit. According to the FY 2016 budget documents and information posted on contractor websites, the cost per square foot for Roosevelt High School, slated to open this year, will be more than $400 per square foot and the cost for Duke Ellington School of the Arts, scheduled to open in 2016, will be more than $1,000 per square foot.

Because DGS is not employing any of the contract mechanisms it has for controlling costs on its contracts, some school modernization projects are exceeding their original budgets. Spending more than originally budgeted will impact work at other schools and reduce the amount of funds available for other projects.

**Recommendations:**

10. DGS needs to enforce existing cost control mechanisms for its projects and to devise a method for managing and assessing those mechanisms, including contract provisions in their existing contracts which establish how contractors may spend funds set aside for contingencies.

11. The most recent revision to the MFP, which occurred in 2013, does not include cost standards for school modernizations. D.C. Code § 38-2973.05 mandates that ODCA assess whether the District has met the cost objectives included in the MFP. Without cost objectives for school modernizations, it is impossible for ODCA to fully comply with that mandate.

    The Mayor and Council should require that each iteration of the MFP include cost standards for school modernizations in the District as a check on spiraling costs and to enable the ODCA to comply with the requirements set forth in D.C. Code § 38-2973.05.

### A majority of modernization projects reviewed exceed the District's LEED standards, potentially driving costs beyond projections.

DGS exceeded planned environmental quality standards for seven out of the eight projects we reviewed. LEED Certifications require a commitment to pollution controls, water efficiency, optimized energy performance and indoor air, chemical and light standards. While adhering to District standards for environmental quality is commendable, cost-benefit questions arise when projects exceed those standards.

The 2010 MFP states that OPEFM (the predecessor agency to DGS) "stands committed to continue advancing sustainable design and building practices and have targeted, at minimum, a LEED Silver certification for all projects."

Specifically, the MFP employs the U.S. Green Building Council's Leadership in Energy and Environmental Design (USGBC) program (LEED). To achieve LEED certification, projects earn points as the design and construction of the building is assessed in several categories, including:

- The sustainability of the site's design, with methods for reducing pollution during construction and assessments of light pollution;
- Consideration of how to reduce water consumption;
- Optimization of energy performance and any renewable energy sources installed onsite;
- Key metrics for indoor environmental quality, including air, chemical and light standards; and
- The use of environmentally friendly materials in the site's construction.

The 2010 MFP identifies a LEED certification objective of Silver for all school modernization projects, with the USGBC offering LEED Basic, Silver, Gold and Platinum certifications. In order to test for adherence to this quality standard, we requested LEED certificates for the following DGS projects:

1. Eastern High School;
2. Woodrow Wilson High School;
3. H.D. Woodson High School;
4. Anacostia High School;
5. Cardozo Education Campus;
6. Dunbar High School;

7. Stoddert Elementary; and
8. Janney Elementary.

The 2013 version of the MFP, which we reviewed, did not include standards for quality, such as the LEED Silver Certification noted in the 2010 District MFP.

We noted that each school modernization project achieved a LEED status of Gold, the rank higher than Silver, with the exception of Dunbar High School, which achieved a LEED status of Platinum, the highest ranking, and Anacostia High School, which did not achieve any LEED status.

**DGS exceeded planned quality standards for seven out of eight projects**

According to DGS, the modernization of Anacostia High School was completed in 2012. News media accounts confirm that ribbon cutting ceremonies were held at the school in September of 2012. However, the school has not yet achieved LEED certification. Per DGS, Anacostia High School's submission for LEED certification has not yet been completed because DGS is having difficulty obtaining required information from its contractors.

A 2004 U.S. General Services Administration study of the cost of earning LEED certification standards predictably shows that costs increase as schools achieve higher level LEED certifications (the study did not review school construction, and the report contains many caveats, but it is suggestive that building environmentally friendly buildings can add costs).

In addition, a recent technical evaluation report for the Los Angeles Unified School District Inspector General raised questions about the cost-effectiveness of LEED-certified schools. According to the report's cover letter, "We also concluded that the projected cost savings and operational efficiencies of this initiative have not yet been realized." DGS has successfully integrated LEED certification quality standards into its school modernization projects and as a result, District students are enjoying environmentally friendly schools. At the same time, there has been no discernible analysis of the costs of LEED-qualified buildings, especially with regard to construction that exceeds current District requirements.

**Recommendation:**

12. The Mayor and Council should require an analysis of the costs and benefits of LEED-qualified construction and clarify the standards that should be sought. And DGS should continue to gather the necessary information for Anacostia's LEED submission. Should Anacostia be deficient in the quality of its design as compared to other District schools, any deficiencies preventing LEED certification should be remedied immediately.

## III. OPEFM/DGS failed to provide basic financial management, creating the risk that the District has not obtained maximum value for taxpayer dollars and the potential for the misuse of taxpayer funds.

By way of background, the findings included in this report are particularly concerning because many of them are similar to the findings noted in the May 11, 2011 ODCA report on the school modernization program. In that report we found:

- OPEFM established a poorly designed contract and procurement records management system that obstructed review;
- Project manager vendor payment records were inaccurate;
- OPEFM failed to document consultations with the DCPS Chancellor and State Superintendent of Education regarding school modernization;
- OPEFM's contract and procurement files did not contain documentation to support $15.3 million in payments;
- OPEFM made payments totaling $411,425 without a valid written contract;
- OPEFM paid $12.7 million for project management services but did not require written documentation of issues and recommendations.

**DGS' internal control environment hindered ODCA's review of the District's school modernization program and requires substantial improvement.**

The GAO's Standards for Internal Control in the Federal Government defines the entity's control environment as follows:

> *The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.*

Further, the standard identifies the constituent parts of a well-designed control environment as follows:

- The entity should demonstrate a commitment to integrity and ethical values. Furthermore, the entity's management should reinforce a commitment to doing what is right, not just maintaining the minimum level of performance necessary to comply with applicable laws and regulations.
- Management should oversee the entity's internal control system including the design, implementation and operation of the entity's internal control system. This includes both the control activities at DGS and DC PEP (processes such as review/approval of invoices, account reconciliations, etc.), and management's monitoring of those control activities.
- Management should establish an organizational structure, assign responsibility and delegate authority to achieve its objectives. This includes a commitment to document the entity's internal control system. This documentation will establish the who, what, when, where, and why of internal control. It will help the organization retain organizational knowledge and communicate that knowledge to external parties, including auditors.
- Management should demonstrate a commitment to recruit, develop and retain competent individuals.
- Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

As this audit progressed, we noted a number of deficiencies in the control environment over the District's school modernization process, as operated by DGS and DC PEP. We began to document some of these

failures in order to provide a clear understanding of the problems noted with DGS' control environment.

Listed below are some of the deficiencies noted. It is important to note that this is just a sample of the issues that we encountered as we performed this audit. Collectively, they demonstrate the need for major improvements in the entity's control environment.

**ODCA sometimes received altered payment applications in response to its inquiries**

- A payment application represents the set of documents, including invoices and supporting documentation that each contractor submits when they request payment from DGS. As we received support for the payment applications sampled, we noted several issues that raise concerns with the manner in which DGS and DC PEP dealt with ODCA. On occasion, when we questioned the supporting documentation provided with some of the payment applications we reviewed, we were provided with another set of documents that differed from the original set. For example, we noted the following:

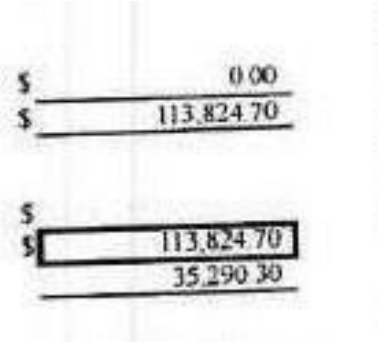
  **Payment Application #1** - The original set of documents provided was for Invoice No 13007-04, while the revised set of documents was for Invoice No 14007-04, although we could not determine why the revised set of documents were for a different invoice number. Both sets of documents included current due amounts of $3,695,438. Even more perplexing was the fact that both payment applications arrived at the same total using different sets of itemized bills. For example, the original set of documents included a line item for "A/E Leed Costs" with an amount of $0, whereas the revised set of documents included an amount of $9,625 for this exact same line item. We were unable to determine which amount was in fact paid for "A/E Leed Costs" because it did not agree to the supporting documentation that was provided to support the total.

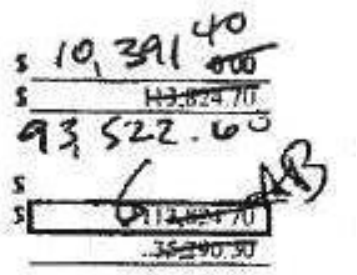
  Furthermore, the total amount of the payment application at $3,695,438 does not even match the expenditure listing that we used to select this item for review. That expenditure listing showed that the contractor was paid $3,337,223 for this invoice and not the $3,695,437 amount shown on either of the two payment applications that we received.

  **Payment Application #2** - The original set of documents included 173 pages, while the updated payment application includes 29 pages of support. Payment applications often include multiple invoices representing bills submitted by both the primary contractor and any subcontractors working on the project. These

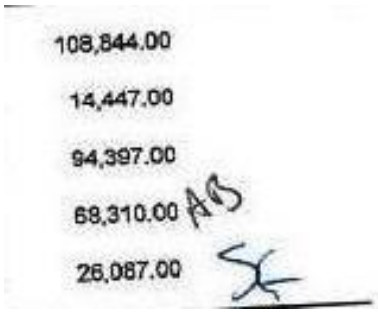
invoices are then added up to arrive at the total amount DGS will pay for the payment application.

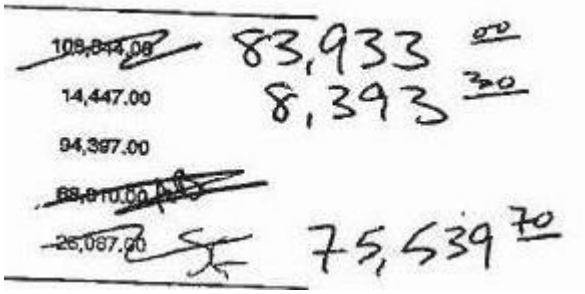
In this instance, for one set of invoices, we received the original document with a payment amount of $113,825. Because we could not support the total amount of the payment application, we requested an explanation from DC PEP. DC PEP provided the second set of supporting documents as a result of this inquiry. The second set of documents included hand written notes scratching out the amount of $113,825 and replacing it with a hand written amount of $93,523.




For another set of invoices within the same payment application, we noticed this occurred again, with a payment amount for $26,087 in the original payment application, scratched out in the revised version with the amount changed to $75,540. Because we were not able to verify the total amount of the payment application for this sample item, we cannot determine whether the amount DGS paid to the contractor was properly supported, given that the original payment amounts listed on the subcontractor invoices were different than the revised version with the hand written amounts.



**Payment Application #3** - We tested a number of sample items from the perspective of both DC PEP's submission of payment applications and DGS' approval of those same payment applications. This payment application shows different amounts on both sets of invoices for the same time period. For example, the version that we received from DGS shows a line item for "earthwork" in the amount of $121,547, whereas the version received from DC PEP shows an amount of $227,800.

**The review and approval of contractor payments is an excessively complex process prone to error**

- Documentation was extremely difficult to review and lengthy. In one case, we noted one payment application was 552 pages in length. When an individual is asked to review supporting documentation in excess of 500 pages in order to release a payment, the potential for this individual to make an error is high, particularly as that individual will experience fatigue in a review of documentation of that length.

  We also believe that the supporting documents included with each payment application are excessively complex. For example, a review of the supporting documents included with the same 552 page payment application showed hand written notes on a number of pages, which represent the actual amount the contractor is attempting to bill. Forms and supporting documentation are not standardized amongst the various contractors working on the District's school modernization program. The hand written invoices included among the pay applications that we reviewed also raise concerns about the invoice review and approval processes that the District's contractors employ.

**It took 64 days for DGS to respond that it does not tag IT equipment**

- On occasion, the length of time that it took for either DGS or DC PEP to answer questions was excessive. We attempted to gather information on how IT equipment was procured and tagged for the District's school modernizations, posing this question on January 5, 2015:

  > *When DGS orders fixed assets for school modernization projects, does it tag and inventory the items, or does some other District agency perform this task. If DGS is responsible, can you please provide a list of fixed assets recorded for the schools that DGS renovated between 2010 and 2013. If it is easier to provide a complete listing please do so. Additionally, in reviewing the invoices we have where fixed assets have been purchased, how can we map our purchased items to the fixed asset tag included with the physical item.*

DGS followed up with us requesting clarification on what type of fixed assets we were referring to on February 4, 2015.

We finally received the following response on March 10, 2015:

> *DGS Information Technology does not tag any IT equipment (LAN closet switches, PCs, Electronic Whiteboards and etc.). Each school has its own IT Department that would be responsible for tagging and inventory.*

Had DGS sufficiently designed and documented policies and procedures for the District's school modernization program, it would have a readily available list of control activities applicable to this process. It would have been able to immediately refer to a specific section of this manual and address the question in a matter of days instead of months.

Even worse, because DGS did not answer the question for 64 days, we had to delay test-work we had planned for this audit. An immediate answer would have allowed us to then seek out additional information from other District agencies that would help address this question.

As discussed at the beginning of this section, several of the findings that we noted were also identified in ODCA's last audit report, issued in May of 2011. It does not appear as though anyone is holding DGS and DC PEP employees accountable for the findings in ODCA's audit reports. Without accountability, DGS and DC PEP employees have no reason to remediate these audit findings.

The effectiveness of internal controls ultimately depends on the control environment they are operating in. The items noted above may not have led to fraud, waste or abuse, but they increase the likelihood of such an event occurring. Furthermore, they have delayed the completion of this audit.

**Recommendations:**

13. The Mayor should direct DGS to improve its internal controls environment, by designing, ***documenting,*** and implementing effective internal controls.
14. DGS should familiarize itself with the statutory references to the District's school modernization program, and in particular, the audit requirements outlined by District law so as to create controls and processes designed to meet those expectations set by policymakers.

**For 166 out of 458 project budget transfers reviewed, representing $168,997,484 in budgetary authority, ODCA could not verify that the project expenditures were approved before they were made.**

The District of Columbia's Municipal Regulations (DCMR) provides agency director's with guidance for proper document retention and management of internal controls. Specifically, DCMR Title 1, Rule 1502.1 states:

> Agency heads shall establish controls over the creation of records to ensure that adequate and proper records are made and preserved in the District government.

Furthermore, DCMR Title 1, Rule 1502.3 states:

> The record of every transaction of public business by any District official or employee shall be complete to the extent required by the following:
>
> (a) To facilitate actions by incumbents and their successors in office;
>
> (b) To make possible proper oversight by the Council of the District of Columbia, courts and other authorized agencies of the government, and other persons responsible for the manner in which public business has been discharged; and
>
> (c) To protect the financial, legal and other rights of the government and of persons affected by the government's actions.

The FY 2010 and FY 2011 Capital Improvement Plans (CIP) for the District's school modernization program did not provide a great deal of specificity. The plans included timelines and projected funding, but only for broad project descriptions such as "modernization underway" or "elementary and middle school modernization." These plans violate D.C. Code § 38-2803(d), which require a school specific CIP.

When the time came for DGS to allocate the funding so that the projects could begin, DGS transferred funds out of the broad project categories and into school specific projects, such as "Cardozo High School" or "Eastern High School." These budget transfers were initiated via memo from the Chief Financial Officer of DGS to either the Director or the Deputy Director of the Capital Improvement Program in the Office of Budget and Planning (OBP). Both parties signed each memo indicating their approval of the transfer.

In FY 2010, there were a total of 300 budget transfers made out of these broad budgetary authorizations into more specific project categories. But for 157 of these budget transfers—more than half--neither OBP nor DGS could produce an approved budget transfer memo. In total these transfers represent a total of $102,603,046 in taxpayer funds. In FY 2011 there were 9 budget transfers out of a total of 158 for which neither OBP nor DGS could produce an approved budget transfer memo, representing an additional $66,394,438 of District tax dollars.

**Where documentation does not exist, ODCA cannot verify proper stewardship of public resources**

As neither DGS nor OBP retained the necessary documentation to support these budget transfers, we were not able to determine who made these decisions, how they were made, or whether they were approved—and if so—by whom. The gross lack of documentation supporting these decisions suggests both entities lack the internal control procedures necessary for documenting, approving, and retaining the data necessary for this type of review in the future.

As a result, for these combined 166 budget transfers accounting for $168,997,484, there is no way for us to verify that project expenditures were approved or appropriate before they were made.

**Recommendation:**

15. In the future, DGS should ensure that the CIP includes school specific project listings, which will reduce the need for budget transfers during the fiscal year. Should DGS still require some transfers throughout the fiscal year, it should ensure that it retains the necessary documentation to support why transfers were made and who approved them.

**Neither DGS nor DC PEP could properly support a substantial number of payments made to District contractors, creating the risk of improper payments.**

In addition to the record retention and internal control standards outlined above and referenced in the DCMR[21], DC PEP also has record retention requirements included in its contract. They are required to preserve all records for seven years from the date that a project is deemed substantially complete. Furthermore, they are required to review, for accuracy and completeness, monthly payment applications submitted by contractors working on the school modernization program, and to recommend whether or not DGS should pay the contractor in full based on support included with the payment application.

School modernization expenditures totaled $1,229,122,889 for the period FY 2010 to FY 2013. A review of expenditures made to modernize the District's public schools required ODCA to audit expenditures broken down in two different ways: a project specific expenditure listing and an expenditure listing by school. The project specific expenditure listing broke down most expenditures by school, but included some broad categories of expenditures that were made at more than one school. The expenditure listing broken down by school was an attempt to allocate the payments made for work at multiple schools, such as electrical upgrades or boiler repairs, to the specific schools in which the work was performed. This method of accounting for expenditures provides a more accurate picture of how much it costs to build and maintain a school. We did not test the method DGS used to convert the project specific listing into the school-by-school listing.

Based on the walkthroughs that we held with DGS and DC PEP, as well as our review of the actual payment applications that DGS and DC PEP provided, we were able to compile information on the process we believed was used to review and approve payment applications. This is the process that we tested and the results of that test-work are noted below.

DC PEP employed a two part process to approve and pay invoices submitted by contractors. First, DC PEP received a packet of documents, referred to as a payment application, which should have included the following:

- Invoices from the contractor and/or any subcontractors performing work.

[21] DCMR Title 1 Rule 1502.1 and 1502.3.

- Certified payroll records. The Davis Bacon Act[22] applies to each District of Columbia contract in excess of $2,000 for the construction, alteration, or repair of public buildings. Contractors and subcontractors must pay laborers the local prevailing wage and submit certified payroll records to demonstrate their compliance on a weekly basis.
- Lien releases. Contractors and subcontractors must waive their right to assert a lien against the land and/or improvements that comprise the project.
- Support for project participation from Certified Business Enterprises (CBE). DGS requires contractors to employ local, small and disadvantaged business enterprises on its school modernization contracts.[23] CBE reporting forms demonstrate compliance with CBE participation rates and list award amounts by CBE vendor.

Then, DC PEP project managers were supposed to review all supporting documentation for each payment application. As necessary, DC PEP attached supporting documentation identified in a payment application checklist and prepared a letter recommending that the District make the payment. Management at DGS subsequently reviewed and approved the letter from DC PEP.

We selected a sample of 779 items in order to test DGS' portion of the process. We reviewed the information in the payment applications to see if DGS was compliant with specific attributes, such as whether the correct amount was charged, whether the expenditure was charged to the correct purchase order, and whether the payment application included a signed letter recommending payment. It is important to note that not all attributes applied to each of the 779 items included in the sample for a variety of reasons, and therefore the number of items tested may differ based on the attributes tested. For example, in some years DGS was given authority to expend funds out of a large pool of funds allocated collectively to all high schools. In those years, it would not be possible to test whether or not payments were properly allocated to an individual school.

A review of DGS' portion of the process found the following points of concern:

- DGS could not produce *any* documentation for 32 of the 779 items selected for testing, representing payments of

[22] *See* 40 U.S.C. 3141 *et seq*.
[23] *See* D.C. Code § 38-2973.04.

$5,866,309. However, we were able to obtain support for 5 of the 32 missing items from DCPS.

- We tested to see if payments to contractors were allocated to the school where the work was done. We noted 75 payments, out of the 455 tested, that may have been charged to the wrong school, totaling $13,820,233. For each of the 75 payments there was no way to verify that work was performed at the school where the payment was expensed. For example, some invoices included work completed at multiple schools but lacked any kind of support for the breakdown of that work between the individual schools. There were several invoices that did not identify the school in which work was performed, and some invoices for personnel or project management fees, which failed to include support for how those costs were charged to individual schools.
- The District budgets for capital using a six-year Capital Improvements Plan (CIP), which is updated annually. For each project, the CIP includes a description and proposed funding amounts listed by year. We tested to see if each payment was charged to the correct project code, per the description in the CIP. There were 90 payments, out of the 750 that were tested, which were charged to the wrong project code. These 90 payments represent a total of $5,914,723. A large number of these payments represented legal and project management fees charged to the wrong project code. For example, there were invoices for legal fees charged to "selective additions" and "new construction project" codes, when the fees were actually related to a park under the authority of the Department of Parks and Recreations.
- We audited payment amounts to verify that they were supported by a vendor invoice. For example, one of the selected sample items represented a payment that was made in the amount of $25,017, so we tested to make sure that a bill or invoice existed for the $25,017 payment that was made. We noted that, for 76 out of the 752 payments tested, the amount paid was not supported by the vendor invoices that we reviewed. These 76 payments represent a total of $32,067,287. Some payments did not have a vendor invoice included in the payment application, in others, vendor invoices only supported a portion of the payment that was made. Still others included large invoices in which the payment amount may have been buried within supporting documentation, but which was impossible for either DC PEP or ODCA to identify.
- We also reviewed each payment to verify that it was paid out of the correct purchase order. There were 4 payments, out of the 748 items tested, where the purchase order number was

incorrect or could not be verified, representing $1,432,000. In some instances, the purchase order number could not be verified because the supporting documentation did not include a purchase order number.

- We tested each recommendation for payment sent from DC PEP to DGS, verifying that both DGS and DC PEP indicated their approval, as evidenced by the signature of both entities. There were 7 payments where DGS could not demonstrate evidence of their approval, and 1 payment where DC PEP could not demonstrate their approval prior to payment, out of the 751 items that we tested. These 8 payments represent a total of $1,757,372.

We selected a sample of 174 items for testing of DC PEP's portion of the process. It is important to note that not all attributes applied to each of the 174 sample items for a variety of reasons; and therefore, the number of items tested may differ based on the attribute. For example, a payment application submitted by a vendor that the District has not approved as a Certified Business Enterprise (CBE) will not include CBE reporting forms.

Even so, a review of DC PEP's portion of the process noted a number of deficiencies with respect to compliance and monitoring. Specifically, we found the following:

- DC PEP could not produce any supporting documentation for 7 out of 174 samples tested, totaling $5,120,694.
- We found that 59 of 167 payments lacked the necessary documentation to support the amount paid, representing $84,127,423. In each case, the invoices included with the payment application did not support the amount of the payment or there were no invoices at all for portions of the payment.
- We found that 21 of 167 payments did not contain the supporting documentation identified by DC PEP on its own invoice approval checklist. Collectively, these items represent a total of $8,462,110. DC PEP did not require contractors to submit a consistent set of documents for each payment application.
- 87 of 167 payments were missing the invoice checklist, representing a combined total of $29,334,125.
- 32 of 71 payments were missing certified payroll records, totaling $37,804,620. For these projects, DGS cannot demonstrate that its contractors and/or subcontractors were paid the local prevailing wage, in compliance with the Davis-Bacon Act.
- 32 of 78 payments were missing CBE reporting forms, representing $29,903,195. Without an accurate accounting of CBE

participation rates on DGS contracts, DGS will struggle to demonstrate compliance with District CBE laws.

- 36 out of 68 payments were missing lien releases representing $41,153,837. Without a lien release, the District cannot ensure that subcontractors have been paid on time and in full.

**Both DC PEP and DGS lack appropriate policies and procedures for the review, approval and retention of payment applications**

Both DC PEP and DGS lack appropriate policies and procedures for the proper review, approval and retention of invoices for the District's school modernization projects. Because neither DGS nor DC PEP could produce documentation to support a substantial number of the payments made to the District's contractors, we have concluded:

- The District may have paid fraudulent or inaccurate invoices;
- Funds spent on unrelated projects reduced the amount of funds available for the modernization of schools;
- The total cost to build each school is not accurate;
- Contractors and subcontractors may not be paying their laborers the local prevailing wage as required by the Davis Bacon Act; and
- The District cannot consistently demonstrate that its contractors and subcontractors have been paid in full and on time.

**Recommendation:**

16. DGS and DC PEP – or any successor project management firm -- must develop and document a process for properly reviewing and approving all invoices before they are paid. These procedures must provide detailed instructions to both DC PEP and DGS employees on the exact nature of the documentation that should be included with each pay application. They should also describe how to retain documentation so that auditors can review invoice approval and payment processes in the future.

    Furthermore, employees reviewing payment applications must be able to determine, based on the type of payment application, whether the supporting documentation noted on the pay application checklist is sufficient for the application they are reviewing. Because additional documentation—such as lien releases, CBE reporting forms, or certified payroll records—are necessary for some payment applications but not others, DC PEP and DGS employees need clear guidance on the types of payments that require additional documentation. If staff cannot determine this fact, a review of the payment application will not be adequate. Simply noting that the lien release box on a checklist has been marked "no" does not mean that it is not required.

It is particularly concerning that neither DC PEP nor DGS have documented, verifiable procedures for the proper review, approval and retention of payment applications, since this concern was raised in ODCA's last review of the program. That review — covering FY 2008 and FY 2009 – was issued in 2011.

17. Given the importance of a program designed to modernize the District's school system, DGS should occasionally conduct random mini-audits of DC PEP to ensure that the District's contractors are submitting all the documentation required by their contracts, and to ensure that DC PEP is properly managing those contracts.

**DGS record keeping does not provide an accurate accounting of the total cost to modernize each District school.**

As we performed testing for this audit, we noted a number of issues that, when examined as a whole, suggest DGS cannot provide an accurate accounting of the cost to modernize each District school. At a minimum, DGS could not produce the documentation necessary to instill confidence in their cost reports.

As previously mentioned, we found 75 payments where DGS had charged expenditures to the wrong school project, representing a total of $13,820,233. DGS also struggled to consistently allocate project management fees to individual schools. DGS sometimes charged project management fees directly to a school but other times grouped them together into broad "project management" codes. Project management fees represent administrative expenditures that can be allocated to individual schools. We found DC PEP project management fees, Leftwich and Ludaway legal fees, and miscellaneous expenses that totaled $42,536,763 for FY 2010 to FY 2013, were not allocated to individual schools. Therefore, the cost to modernize each school is understated by the $42,536,763 not allocated to specific schools.

We also noted that DGS charged legal fees for unrelated work to school modernization project codes. For example, some of these unrelated legal fees were for work performed on behalf of the Metropolitan Police Department and the Department of Parks and Recreation. In total, we noted 25 expenditures for work unrelated to school modernization, representing a total of $16,030.

We also noted 11 expenditures for temporary personnel expensed directly to DGS school modernization codes. We found that there was no documentation to support what these individuals worked on, which could have included any number of different projects ongoing at DGS. Without support showing why these 11 expenditures were charged to school modernization codes, we could not conclude that they were properly allocated to an individual school. These costs represent a total of $2,939.

As a result, these expenditures, totaling $ $56,375,965, lead to an inaccurate school-by-school listing of expenditures, and represent approximately 5 percent of the total amount the District spent on school modernizations for the period FY 2010-FY 2013. Therefore, the report DGS provided to us that lists the total amount spent on each school is not accurate.

Furthermore, it is important to note that this $56 million in questionable expenditures were noted as we reviewed a sample of 779 expenditures from amongst a total of 11,838 expenditures. This sample represented

$215,331,045 out of a total population of $1,229,122,889. It is likely that we would have found significantly more errors had we reviewed the remainder of the population.

As a result of these errors, DGS mistakenly spent funds allocated for the modernization of District schools on unrelated projects, reducing the amount of funds available for the District's schools. We also found a number of expenditures that were improperly allocated to individual schools or not allocated to individual schools at all. Ultimately, this means that the District does not know the precise amount that was spent on modernizing each school.

**Recommendation:**

18. District law requires CIP funds to be allocated on a school-by-school basis. ODCA recommends that expenditures be recorded on a school-by-school basis as well, to match appropriations.

    DGS should develop a process for allocating costs from individual invoices to multiple schools, as necessary. Additionally, project management fees should be charged directly to the schools where project managers worked.

    Recording expenditures on a school-by-school basis will also help prevent the comingling of funds from different sources. This will help ensure that school modernization funds are not spent on unrelated projects.

### $44,945 of funds allocated for the District's school modernization program were instead spent on parks and community centers.

D.C. Code §38-2971.03 states that the Public School Capital Improvement Fund is to be used to "finance… the modernization of public school facilities." However, between FY 2010 and FY 2013, DGS spent $44,945 at four parks and/community centers in the District. Figure 4 displays FY 2010 – FY 2013 school modernization funds that were used for parks and community centers.

**Figure 4**

**FY 2010 – FY 2103 School Modernization Funds Used for Parks and Community Centers**

| Name of Park | FY 2010 | FY 2011 | FY 2012 | FY 2013 | Total |
|---|---|---|---|---|---|
| Banneker Park/Community Center | $0 | $8,627 | $0 | $0 | $8,627 |
| Riggs LaSalle Recreation Center | $2,762 | $14,123 | $0 | $0 | $16,885 |
| Fort Stanton Park | $0 | $15,296 | $0 | $0 | $15,296 |
| Benning Park Recreation Center | $0 | $4,137 | $0 | $0 | $4,137 |
| **Total** | $2,762 | $42,183 | $0 | $0 | $44,945 |

Again, DGS needs to improve its internal control environment to ensure that funds are spent as intended. While spending District funds on the maintenance and improvement of District parks/recreation centers is beneficial for the community, these funds were intended for a specific purpose. By spending these funds on District parks and recreation centers, DGS is shortchanging the District's schools out of necessary maintenance and capital improvements.

**Recommendation:**

19. DGS and DC PEP -- or any successor project management firm -- must revise their process for reviewing and approving invoices for payment. This review and approval process should ensure that funds allocated by the Council, are in fact spent as intended. The Council allocates funds for both District schools and District parks/recreation centers and DGS should ensure that these two sources are not comingled.

### IT equipment is not being properly monitored as DGS purchases and installs the equipment in District Schools.

The GAO's Standards for Internal Control in the Government state that management should design internal controls to prevent or promptly detect and correct any unauthorized acquisition, use or disposition of an entity's assets. Control activities should include both physical controls that secure and safeguard the organization's assets and periodic counts of the type and quantity of assets, which should be compared to the organization's accounting records.

When we tested disbursements from DGS for the District's school modernization program, we found several purchase orders and payments were made for the purchase of IT equipment. DGS purchased this equipment for installation in the District's schools as they were modernized. For example, in August of 2012 DGS purchased over $30,000 in IT equipment from DELL, including computers, keyboards, and software for installation at Anacostia High School.

When an organization procures goods, it must design processes to inspect and accept items when it receives them. This ensures that goods are in working order, that they are in fact the goods the organization ordered, and that the organization has received the correct quantity. Once an agency accepts delivery of items, particularly those with high value, the agency must uniquely identify the goods so that it can monitor and identify them in the future. These processes are relatively standard for any organization public or private which procures goods.

We attempted to gather information from DGS on how it procures and monitors the IT equipment it purchases for each school modernization project. After waiting over two months (64 days) for DGS to respond, we were told that the IT staff at each school was responsible for uniquely identifying this equipment and performing periodic inventories over these purchases. This is cause for concern.

If DGS is purchasing equipment for installation at a school, it is not clear how the staff at the school becomes aware of the purchase and ensures that custody is transferred properly between the two agencies. Additionally, the OCFO's policies and procedures manual states that "All capital assets that have been acquired by an agency must be included on the agency's capital asset listing," confirming that DGS should have been tracking this equipment in some manner.

Currently, between the time that DGS purchases any IT equipment for a school and the time that they actually inform the IT staff at the school of what has been bought, that equipment is vulnerable to theft. In fact, the mere lack of any policies and procedures governing how items should be

inventoried and monitored encourages malfeasance, as individuals became aware of the lack of oversight. Our review of contract files included a memorandum for a school undergoing a Phase I Modernization. This memo described the theft of LCD projectors and computers from the site and authorized the purchase of replacement equipment, with a purchase limit in excess of $35,000. It is possible that additional controls and processes would not have prevented this particular theft, but it is also likely that additional controls would reduce the likelihood of such an event occurring.

**Recommendation:**

20. Proper stewardship of each school's new IT equipment will require accountability from DGS. Ceding this responsibility to the IT department of each school ignores the fact that DGS is procuring this equipment, and maintaining custody over it until the school's IT department is notified.

    DGS should design policies and procedures to ensure that IT equipment is properly monitored and uniquely identified from the time that it is purchased until custody of this equipment is transferred over to each school's IT department.

**DGS's restricted capacity to oversee DC PEP has resulted in an over-reliance on private contractors to manage the policy and the process in school modernization.**

Since 2007, the District has contracted with DC PEP to manage the District's school modernization program. At that time, the state of the District's schools was such that students, teachers and staff were subjected to the types of serious safety and health concerns that might be described as an "emergency" situation.

The School Modernization Financing Act acknowledged as much, stating that the Board of Education—then the policy-maker for schools, prior to the 2007 mayoral takeover legislation[24]—could decide to build internal capacity or seek private project management. The statute itself required that the board submit for Council approval

> *"a comprehensive facilities management organizational strategy that shall include (1) the specific staffing and organizational structure charged with overseeing and implementing the school capital improvement program, which **may include creating in-house capacity or using private project management** or a combination thereof, and the rationale for the structure chosen."[25](emphasis added)*

**DGS has relinquished at least some of its responsibilities to its private contractors**

Our review of the recommendations for payment that DGS received from DC PEP has demonstrated troubling concerns with regards to the District's contract with DC PEP. Over the course of the audit, we noted that DC PEP plays a substantial role in the selection of the contractors that design and build the District's schools. Furthermore, we found that the DGS employee in charge of contracting for the school modernization program was unfamiliar with the basic terminology and accounting practices one would expect of an individual overseeing construction contracts of this magnitude.

When reviewed as a whole, it would appear that the District government has relinquished at least some of its responsibilities to its private contractors. In researching how DGS should assess whether to continue with the privatization of the District's school modernization program, we noted that both the GAO and District government have guidelines for determining when to contract out government functions.

The GAO found that government entities generally use contractors to administer functions due to a shortage of staff, or a lack of staff with

[24] See the "Public Education Reform Amendment Act of 2007" (PERAA) (D.C. Law 17-9, effective June 12, 2007).
[25] Report on Bill 16-250, "School Modernization Financing Act of 2006"

sufficient expertise to perform the work. According to the GAO, the key factor in determining whether or not to contract out work is to assess:

> *"...whether the government maintains sufficient in-house capability to be thoroughly in control of the policy and management functions of the agency. In this context, government decision making power means more than simply being a final authority or signatory to a document."*[26]

With respect to our review of DGS' payment applications, this is precisely what DGS appears to be doing -- simply providing the final signature necessary for a payment to be disbursed.

The management contract between DGS and DC PEP meets the definition of a privatization contract under D.C. Code.[27] D.C. Code sets numerous procedural requirements prior to soliciting and awarding such a contract. Among these requirements are:

- A comparison of the cost to provide the service using District government employees, departments, or agencies, against the cost of contracting for the service;
- The ability to demonstrate savings of at least 5% over the duration of the contract; and
- A description of the expected impact of the privatization contract on the quality of goods and services.[28]

Such statutory requirements predate the original contract between DGS and DC PEP but no such analysis is available. Given that the District government, within the four years covered by this audit, has spent $37 million with DC PEP, such an analysis should be performed, albeit after the fact, to determine whether such funds would be better employed rebuilding the District's own project management capability.

**Recommendation:**

21. The Mayor should perform an analysis of the relationship with DC PEP in accordance with D.C. Code § 2-352.05. It may be beneficial for the District to continue using private contractors to manage the District's school modernization efforts, but the government

[26] GAO report "Are Service Contractors Performing Inherently Governmental Functions?"
[27] D.C. Code § 2-351.04(47): "Privatization contract" means a contract by which the District government enters into an agreement with a person who is not part of the District government to provide a good or service to or on behalf of the District government that is being provided by a District government agency or instrumentality.
[28] *See* D.C. Code § 2-352.05

should periodically reassess the relationship. At a minimum, and if policymakers choose to retain the current practice of contracting for project management for the entire program, DGS should improve its in-house payment and contract monitoring capabilities as it continues to employ private contractors that can address staff shortages or the need for specialized expertise.

## IV. Cost Per School Data Accumulated for FY 2010 - FY 2013

We also accumulated school modernization expenditure totals for each school in the District, for the period FY 2010 – FY 2013 covered in this review. The school-by-school totals by fiscal year, total gross square feet per project, school enrollment, cost per square foot and cost per student are included in Appendix II. The yellow lines in the spread sheet represent parks that received school modernization funds, rather than schools. The orange lines represent schools that have been closed. In addition, ODCA is providing an interactive map of schools and funding broken down by individual campus and by ward, available here: http://maps2.dcgis.dc.gov/DCAGOL/basicviewer/?appid=e132dfcfa13e4335a7a15ba81b8d1f7a.

As noted in this audit report, our testing found several problems with the accuracy of the school-by-school expenditure totals provided by DGS. Although we have provided access to this data as noted, we recommend a close review of the findings included in this report as context for use of the data included on the school-by-school listing or the DGIS maps website.

Appendix I, which follows the Agency Comments and Auditor's Response, provides information on whether individual school projects are consistent with the MFP, and explanatory comments from DGS.

# Audit Results Summary

Our audit identified 21 recommendations that could strengthen the District's school modernization program and ensure compliance with legislative requirements and management authorizations. What follows are summaries; for full explanations of recommendations please see the findings sections above.

| Finding | Recommendations |
|---|---|
| • The District has not met the process and schedule objectives of the Master Facilities Plan and does not have a process in place for selecting schools for modernization. | 1. Currently there is no mechanism in place that describes how, or even who, should create a schedule for modernizations based on the MFP. The Council should require the development of a clear and consistent selection process, without which the MFP will remain a largely inconsequential document. This process should continue to allow for input from the public as well as each affected District agency, particularly DCPS. A collaborative process will improve transparency with respect to school selection, increase the likelihood that school district stakeholders will accept the outcome and likely yield a more favorable outcome for the District's students. Whatever the process, it should be clear where accountability resides for which schools are selected for modernization.<br><br>2. Once the policy makers have defined a selection process, they should ensure that this information is efficiently disseminated to the public. Transparency is key to making sure the process remains equitable in fact and appearance. We believe the District should include these items in a central, web accessible location, along with a brief description of how the District selects schools for modernization.<br><br>• The most recent iteration of the MFP and any documentation necessary to understand how DGS used the MFP to develop the District's school |

| Finding | Recommendations |
|---|---|
| | modernization schedule.<br>• The most recent iteration of the District's CIP, with specific sections that pertain to the District's school modernization program.<br>• Project descriptions for all schools scheduled for modernization in the next six years, as outlined in the CIP. (Currently, DGS publishes information about its projects online and this should be expanded to include the complete list of projects scheduled for modernization over the next six years.<br>• Justification for any deviations made from the process or schedule by the Council, the Mayor, DCPS, DGS, or any other District agency.<br>• Expenditures on modernization projects by school for the past three fiscal years, to be updated annually by DGS.<br><br>3. The Deputy Mayor for Education should revise the MFP to include a schedule and the process for school modernizations in the District. In addition to the clear public benefit, this will also make it possible for ODCA to comply with the requirements set forth in D.C. Code § 38-2973.05. |
| • The Mayor's Capital Improvement Plan did not comply with D.C. Code 38-2803(d), omitting important information about the future of the District's schools. | 4. The mayor must ensure that all of the elements in D.C. Code § 38-2803(d) are included in the annual budget submission. |
| • The District's Modernization Advisory Committee could have provided valuable technical expertise to the District's school modernization program and identified deficiencies in the MFP and CIP, but due to inadequate support, stopped meeting in 2008. | 5. The Mayor and Council should reappoint the Advisory Committee or amend the law and seek alternative means to meet the intent of the provision: accountability, transparency, and oversight. |
| • The Mayor, D.C. Council, and CFO disregarded the funding provisions of the School Modernization Financing Act of 2006. | 6. The District has steadily increased the amount of debt used to fund its school modernization program. The Mayor and Council should assess the impact of this debt on the District's |

| Finding | Recommendations |
|---|---|
| | finances and, as necessary, adjust the program or the manner in which it is funded. |
| • The District failed to collect required documentation for school modernization contracts and may well have spent more on construction costs than was necessary or contractually required. | 7. For the five high school modernizations covered in this audit (Eastern, Woodson, Cardozo, Anacostia and Wilson) totaling $465 million in District expenditures, we recommend that DGS perform an assessment of each contract to determine if any savings should have accrued to the District. This analysis should include an item-by-item reconstruction of how the GMP contingency was used, including supporting documentation to verify that the District approved any draws on the contingency before they were made. Additionally, DGS should report on "buy-outs" including variances between subcontracts for base scope versus their respective Guaranteed Maximum Price schedule of values line item. Should this analysis identify any project savings that should have accrued to the District, DGS should secure the appropriate payment to the District.<br><br>8. DGS needs to enforce the terms of each of the contracts it signs for the District's school modernization projects. Specifically, DGS should:<br><br>Require that contractors provide Buy Out variances in their monthly reports, as required by each contract;<br><br>Require contractors to provide information in each monthly report on the use of Contingency funds, as required by each contract; and<br><br>Require contractors to provide written requests for the use of Contingency funds, as required by each contract. Additionally, DGS should not approve payment applications that show draws on the project's Contingency funds without prior written approval to do so.<br><br>9. In addition, the Council should require DGS to present an analysis of job costs and savings to |

| Finding | Recommendations |
|---|---|
| | the Council before the final contractor payment application is approved and paid. |
| • High School modernizations have exceeded the cost per square foot standard included in the 2010 MFP. | 10. DGS needs to enforce existing cost control mechanisms for its projects and to devise a method for managing and assessing those mechanisms, including contract provisions in their existing contracts which establish how contractors may spend funds set aside for contingencies.<br><br>11. The Mayor and Council should require that each iteration of the MFP include cost standards for school modernizations in the District as a check on spiraling costs and to enable the ODCA to comply with the requirements set forth in D.C. Code § 38-2973.05.<br><br>The most recent revision to the MFP, which occurred in 2013, does not include cost standards for school modernizations. D.C. Code § 38-2973.05 mandates that ODCA assess whether the District has met the cost objectives included in the MFP. Without cost objectives for school modernizations, it is impossible for ODCA to fully comply with that mandate. |
| • A majority of modernization projects reviewed exceed the District's LEED standards, potentially driving costs beyond projection. | 12. The Mayor and Council should require an analysis of the costs and benefits of LEED-qualified construction and clarify the standards that should be sought. And DGS should continue to gather the necessary information for Anacostia's LEED submission. Should Anacostia be deficient in the quality of its design as compared to other District schools, any deficiencies preventing LEED certification should be remedied immediately. |

| Finding | Recommendations |
|---|---|
| • DGS' internal control environment hindered ODCA's review of the District's school modernization program and requires substantial improvement. | 13. The Mayor should direct DGS to improve its internal controls environment, by designing, *documenting,* and implementing effective internal controls.<br><br>14. DGS should familiarize itself with the statutory references to the District's school modernization program, and in particular, the audit requirements and create controls and processes that meet these expectations set by policymakers. |
| • For 166 out of 458 project budget transfers reviewed, representing $168,997,484 in budgetary authority, ODCA could not verify that project expenditures were approved before they were made. | 15. DC Code § 38-2803(d) established the requirement for a school specific CIP. In the future, DGS should ensure that the CIP includes school specific project listings, which will reduce the need for budget transfers during the fiscal year. Should DGS still require some transfers throughout the fiscal year, it should ensure that it retains the necessary documentation to support why transfers were made and who approved them. |
| • Neither DGS nor DC PEP could properly support a substantial number of payments made to District contractors, creating the risk of improper payments. | 16. DGS and DC PEP – or any successor project management firm -- must develop and document a process for properly reviewing and approving all invoices before they are paid. These procedures must provide detailed instructions to both DC PEP and DGS employees on the exact nature of the documentation that should be included with each pay application. They should also describe how to retain documentation so that auditors can review invoice approval and payment processes in the future.<br><br>17. Given the importance of a program designed to modernize the District's school system, DGS should occasionally conduct random mini-audits of DC PEP to ensure that the District's contractors are submitting all the documentation required by their contracts, and to ensure that DC PEP is properly managing those contracts. |

| Finding | Recommendations |
|---|---|
| • DGS record keeping does not provide an accurate accounting of the total cost to modernize each District school. | 18. District law requires CIP funds to be allocated on a school-by-school basis. ODCA recommends that expenditures be recorded on a school-by-school basis as well, to match appropriations. DGS should develop a process for allocating costs from individual invoices to multiple schools, as necessary. Additionally, project management fees should be charged directly to the schools where project managers worked. Recording expenditures on a school-by-school basis will also help prevent the comingling of funds from different sources. This will help ensure that school modernization funds are not spent on unrelated projects. |
| • $44,945 of funds allocated for the District's school modernization program were instead spent on parks and community centers. | 19. DGS and DC PEP -- or any successor project management firm -- must revise their process for reviewing and approving invoices for payment. This review and approval process should ensure that funds allocated by the Council, are in fact spent as intended. The Council allocates funds for both District schools and District parks/recreation centers and DGS should ensure that these two sources are not comingled. |
| • IT equipment is not being properly monitored as DGS purchases and installs the equipment in District Schools. | 20. DGS should design policies and procedures to ensure that IT equipment is properly monitored and uniquely identified from the time that it is purchased until custody of this equipment is transferred over to each school's IT department. |
| • DGS's restricted capacity to oversee DC PEP has resulted in an over-reliance on private contractors to manage the policy and the process in school modernization. | 21. The Mayor should perform an analysis of the relationship with DC PEP in accordance with D.C. Code § 2-352.05. It may be beneficial for the District to continue using private contractors to manage the District's school modernization efforts, but the government should periodically reassess the relationship. At a minimum, and if policymakers choose to retain the current practice of contracting for project management for the entire program, DGS should improve its in-house payment and contract monitoring capabilities. |

# Conclusion

Although a significant number of the District's public schools have now received extensive, high-end renovations, the school modernization program has not been operated as originally envisioned in the School Modernization Financing Act. The accountability provisions built into the 2006 law, including the advisory committee, have not been put into effect as intended, and the funding structure was put into effect, abandoned, and then altered. In many respects the program has not adhered to the process, quality, schedule or cost objectives of the District's MFP. In some cases these elements have been outright ignored. This office itself has not been compliant with the terms of the legislation that required annual audits. The 2011 report by the ODCA covered fiscal years 2008 and 2009, and this report covers the subsequent four fiscal years. But the purpose of the annual audit requirement was to aid in keeping the program on track: accountable, transparent, and consistent with intent. Two audits in nine years does not meet that intent.

Information about the program remains difficult for the average District resident to obtain, understand and analyze. From the viewpoint of a prospective DCPS parent, what information can he or she learn about the program? Their neighborhood school might be included in a six-year Capital Improvement Program, only to be deleted the following year, or even closed. If a parent is unhappy about a change made in the District's modernization program, how could he or she learn who was responsible for making that decision? If there was an ongoing modernization at the child's school, would the child's parent be confident that the modernization would be able to access the same level of resources as every other school in the city?

The program's management needs significant improvement regardless of whether the current structure is maintained or altered. Improvements did not occur following the 2011 ODCA report. The Council's own oversight of school modernization has been impacted by changes in committee structure. From 2006 through 2012, the public schools were overseen by the Committee of the Whole and for the last three years by a revived Committee on Education. But the implementing agency, the Department of General Services, has been under the auspices of the Committee on Government Operations then, in the current Council period, the Committee on Transportation and the Environment.

Looking forward, the Mayor should ensure that the MFP includes specific objectives for the program and that all required elements are included in the CIP that is submitted each year. The Mayor and Council can consider redesigning some elements of the program. Should policymakers not view the Modernization Advisory Committee as valuable and reconvene the body, they should assign the oversight and advisory roles to another entity. They could also codify a revised process that will address the problems identified in this report and strengthen public confidence in the decision making process for this program to ensure accountability, transparency, and value received for the expenditure of significant taxpayer funds.

# Agency Comments

On June 11, 2015, we held a close-out meeting with Department of General Services (DGS) and shared a draft text of the report later that day, and requested formal comments by close of business June 25. We provided an updated copy on June 16 with one additional recommendation pertaining to the five high school modernizations referenced in the report and several language alterations requested in the close-out meeting. On June 29, 2015, we received written comments from DGS. The response is included with this report.

June 29, 2015

Kathleen Patterson
District of Columbia Auditor
717 14th Street, Suite 900
Washington, DC 20005

RE: *Preliminary* DGS Response to ODCA Revised Draft Report dated June 16, 2015 and entitled "*The District's School Modernization Program Has Failed to Comply with D.C. Code and Lacks Accountability, Transparency and Basic Financial Management*" (the "Draft Report")

Dear Ms. Patterson:

Thank you for the opportunity to provide comments to the Draft Report. We welcome the opportunity to review the processes utilized by the District in its school modernization efforts and invite the opportunity to improve the school modernization program. We recognize the importance of the school modernization program in improving the quality of life for the District's students and our role as stewards of the public resources in the execution of school modernizations.

The Department of General Services (DGS) is in receipt of the above-referenced Draft Report dated June 16, 2015. The Office of the District of Columbia Auditor (ODCA) requested that DGS provide its response to the Draft Report by June 25, 2015 and did not agree to delay release of the Draft Report in order to provide DGS with two (2) additional weeks to provide more thorough comments. Unfortunately, given that the audit covers FY 2010 to FY 2013 and that it provides numerous findings and recommendations across multiple agencies, it was not possible to conduct a thorough review and provide complete and thoughtful responses within this timeframe. Therefore, this response is intended to provide preliminary responses to the findings, which DGS – in conjunction with the Mayor, City Administrator and Deputy Mayor for Education, will supplement through our testimony at the upcoming hearing on July 8, 2015 and in writing as part of a final response. Be assured that we take the findings relating to previous school improvement contracts seriously and that the painstaking review of the Auditor will factor into our contracts management, facilities planning and internal auditing on a going-forward basis.

While DGS acknowledges the need for immediate corrective measures to improve the school modernization program, the program has numerous successes that have contributed to the quality of our infrastructure and education, and even quality of life more broadly for District residents. Since the inception of the modernization program in 2007, more than 79 District schools in all eight wards have undergone full modernization, while 22 are in the planning, construction or close-out stage of modernization. As the recipient of more than 50 awards for design excellence, school modernization projects continue to receive local and national recognition as examples of excellence in architecture and design. We are proud to have set ever higher goals for environmental sustainability and attainment of LEED standards. It is also worth highlighting that school modernization projects have also consistently exceeded the District's goals for economic inclusion of Certified Business Enterprises (CBE's), Small Business Enterprises (SBEs) and District residents.

AUDIT FINDINGS

*Introduction:* As might be expected with a Report containing so many findings, we agree in part and disagree in part. The Draft Report provides fourteen (14) findings and twenty-one (21) recommendations for consideration. Four (4) findings do not require any specific action from DGS, the agency being audited, but we have certainly shared the Draft Report internally across agencies and are taking an interdisciplinary, cross-agency approach to fixing construction contracting issues and school modernization efforts. We, DGS, agree with several findings and will propose corrective measures to address deficiencies as noted herein. In contrast, there are several findings with which DGS disagrees because they are based upon factually inaccurate information. Furthermore, we observe that in some instances, where we agree with the Auditor that a problem exists, we may disagree with the proposed solution.

*Substantive Responses:* The first four (4) findings and recommendations within the Draft Report are as follows and relate primarily to the scheduling of school modernization activities, contents of and adherence to the Master Facility Plan (MFP) and the submission requirements for the Capital Improvement Budget:

1. **The District has not met the process and schedule objectives of the Master Facilities Plan and does not have a process in place for selecting schools for modernization. Finding 1**
2. **The Mayor's Capital Improvement Plan did not comply with D.C. Code § 38-2803(d), omitting important information about the future of the District's schools. Finding 2**
3. **The District's Modernization Advisory Committee could have provided valuable technical expertise to the District's school modernization program and identified deficiencies in the MFP and CIP, but due to inadequate support, stopped meeting in 2008. Finding 3**

4. **The Mayor, D.C. Council, and CFO disregarded the funding provisions of the School Modernization Financing Act of 2006. Finding 4**

The above findings do not include any specific action items for DGS. While DGS has primary responsibility for execution of the school modernization activities, DGS does not determine the schedule for modernizations or the content of the MFP. DGS has no oversight responsibilities with respect to the Modernization Advisory Committee. While DGS works with the Mayor's Budget Office, the Council Budget Office and the Office of Budget and Planning, the budget submission is under the purview of the Mayor and must adhere to the standards and format as determined by the Mayor. DGS and the appropriate stakeholders are aware of these findings and recommendations and are committed to transparency and strong communications regarding the MFP.

The above findings emphasize the importance of the Master Facilities Plan (MFP) prepared pursuant to §38-2803 and suggest that the Council, as opposed to the Mayor, should develop a process for scheduling school modernizations. In order to ensure proper alignment between the MFP and the CIP, responsibility for establishing the scheduling of schools for modernization should remain with the Mayor. The legal requirements and current practice already include collaboration with and involvement of many stakeholders, including the Council. More specifically, §38-2803 specifically requires the Mayor to submit to the Council for its approval any material changes to the MFP along with the Mayor's annual submission of a capital budget recommendation. This section also specifically requires that the Mayor consult with the Council and other key community stakeholders in developing the MFP. Variations between the MFP and the CIP, including deviations in scheduling and sequencing of modernization activities, often result from changes made by the Council in their approval of the CIP budget. Although it is DGS' position that responsibility for scheduling modernization of schools logically flows from the Mayor's statutory obligation to develop the MFP, we are committed to working with the Mayor and the Council to ensure: 1) that greater clarity exists in the sequencing of schools for modernization, 2) that clear explanations are provided where scheduling differs from the MFP and 3) that communication of school selection for modernization is consistently and clearly provided to the public.

Despite the successes and continuing improvements to the modernization program since its inception, DGS does agree with several findings and as part of our final response to the Draft Report, will propose corrective measures to immediately address the deficiencies noted:

**FINDING 6 - High school modernizations have exceeded the cost per square foot standard included in the 2010 MFP.**

DGS agrees that modernizations have exceeded the cost per square foot estimates outlined in the 2010 MFP and will propose additional cost control and tracking measures

to ensure that costs reflect market conditions. One such cost control measure already implemented by DGS includes a detailed cost database for completed DCPS school modernization projects that is used in developing the CIP, budgets, and reconciling Contractor estimates.

Although modernization costs have exceeded the costs provided in the MFP, it is important to note that the intent of the 2010 MFP was to provide budgets based on a level of assumptions appropriate for master planning and as stated in the MFP, are subject to significant refinement at the time of actual project implementation. The budgets developed in connection with the MFP, were done so with the best available information and utilized as a tool for informing future capital plans. The MFP was never intended to directly inform cost and project scopes as market conditions do, and as is the case in applying industry standard best practices.

Excerpt from the 2010 Master Facility Plan:

*"**5.1.2 Uses of Funds***
*The uses of funds in the OPEFM model are as estimated by OPEFM based on the phasing schedule outlined in Section 4.0 of this document and reasonable budgeting assumptions. It should be noted that all cost estimates rely on a level of assumptions appropriate to master planning and are not based on detailed design. They are therefore subject to significant refinement at the time of actual project implementation."*

*"**5.2.1 Conceptual Nature of Budgeting***
*It must be emphasized that all budgeting has been completed as accurately as possible, but remains a function of a master plan document. As such, full designs have not been created for each project and all budgets must be considered conceptual, planning-level projections. As each project is designed and implemented, budgets and programs will be refined to provide school-specific data."*

**FINDING 7 - A majority of modernization projects reviewed exceed the District's LEED standards, potentially driving costs beyond projections.**

DGS agrees that modernization projects often exceed District LEED standards; however, DGS considers several factors when looking at sustainability, which go beyond meeting the minimum requirements of the law, including initial capital costs, long term operational cost savings, life cycle cost analysis when looking at the various building systems and minimum design elements necessary to ensure that certification is attainable. In summary, a cost benefit analysis is currently completed for every modernization project by the LEED consultant, design team, builder, and DGS to determine the most

suitable approach with cost in mind, whether it is the initial capital costs, or long term maintenance and operating costs. We are proud of our sustainability efforts, which we have studied, and verified are in the public interest both from an economic and public policy point of view.

**FINDING 9 - For 166 out of 458 project budget transfers reviewed, representing $168,997,484 in budgetary authority, ODCA could not verify that the project expenditures were approved before they were made.**

DGS agrees that DGS could not provide all the support for these budget transfers; however, it must be noted that DGS does not make any budget transfers. All budget transfers are done by the Office of Budget and Planning (OBP). The process during the time period covered by the audit was that OPEFM would request a budget transfer, but any transfer had to be approved by OBP and then OBP would transfer any budgets. Only then, would it be an "official" budget transfer. Notwithstanding the above, this was the practice back in FY 2010 and FY 2011 and budgets since FY 2010 and FY 2011 are appropriated at mainly school specific projects as well as some small cap/stabilization/project management-legal fee projects.

**FINDING 12 - $44,945 of funds allocated for the District's school modernization program were instead spent on parks and community centers.**

DGS agrees that the above funds were inadvertently charged to the incorrect purchase order and that project managers must ensure that funds are spent as intended and in accordance with the appropriation. Although we do agree with this isolated occurrence, the funds identified in this finding represent an extraordinarily small portion of the overall modernization expenditures and are not reflective of any significant portion of school modernization expenditures.

Although DGS acknowledged the need for additional improvements to ensure transparency, accountability and appropriate controls, there are several findings within the Draft Report which are incorrect and rely upon inaccurate factual information.

**FINDING 5 - The District failed to collect required documentation for school modernization contracts and may well have spent more on construction costs than was necessary or contractually required.**

Although there are opportunities for improvement in this area, DGS does require contractors to submit required documentation and each project includes a reconciliation

of actual costs. DGS (and its predecessor OPEFM) has utilized the following process since 2008 to ensure transparency and accountability as it relates to construction costs;

1. During the development of the Contractors GMP, DGS receives bids and bid tabulation for every trade cost. The trade contractor bid tabulation, reflects the bids received by the Contractor, and scope of work to determine the lowest responsive bidder.

2. Buyout variances are reflected in the Contractors "Job Cost Report", which contractors are required to submit monthly. The Job Cost Report outlines the buyout variances, as the report outlines all costs associated with the GMP, on a divisional / trade contractor break down, identifying the original estimate, and actual trade contractor commitments.

3. Contractor construction contingency definition and utilization is standard in the industry and well defined in the agreement between DGS and the contractor. Contingency reporting is to be provided monthly and reflected in the Job Cost Report. Utilization of Contractor contingency for costs necessary to address scope expansion that is a logical development of the design, emergencies, and unforeseeable changes in market conditions for materials or labor, or subsurface, soils or site conditions is reviewed monthly between the Contractor and the Project Manager for approving utilization of the Contractor's contingency. DGS will look to employ a more formal process to ensure that written requests and approvals are being undertaken by the Contractor and the Project Manager.

Prior to issuance of final payment to a contractor, a reconciliation of the project costs occurs between the Contractor and assigned Project Manager to determine and reconcile the actual cost of the work, determination of savings, in addition to completion of any outstanding work, punch list related work, release of subcontractor liens, training, acceptance, receipt of O&M manuals and warranties. The submission of a job cost analysis to the Council for every project prior to remitting payment, as recommended by the ODCA, would create an administrative burden to the Council, but more importantly would serve as a deterrent and a burden for contractors, as final payment would be further delayed awaiting Council action.

**FINDING 8 - DGS' internal control environment hindered ODCA's review of the District's school modernization program and requires substantial improvement.**

Although DGS concurs with the need for adequate internal controls, contrary to the Draft Report, all support for the three pay applications relied upon by the ODCA in connection with this finding were properly attached in the Procurement Automated Support System (PASS). The official payment record includes all proper approvals and contained no "scratched out" or "handwritten amounts" as stated within the Draft Report. ODCA used project manager unofficial working documents, as opposed to DGS official records, as the basis for this finding and therefore reached an inaccurate conclusion.

More specifically:

**ODCA Audit Finding –Payment Application #1** - The original set of documents provided was for Invoice No 13007-04, while the revised set of documents was for Invoice No 14007-04, although we could not determine why the revised set of documents were for a different invoice number. Both sets of documents included current due amounts of $3,695,438. Even more perplexing was the fact that both payment applications arrived at the same total using different sets of itemized bills. For example, the original set of documents included a line item for "A/E Leed Costs" with an amount of $0, whereas the revised set of documents included an amount of $9,625 for this exact same line item. We were unable to determine which amount was in fact paid because it did not agree to the supporting documentation that was provided to support the total payment amount of $3,695,438. Furthermore, the total amount of the payment application at $3,695,438 does not even match the expenditure listing that we used to select this item for review. That expenditure listing showed that the contractor was paid $3,337,223 for this invoice and not the $3,695,437 amount shown on either of the two payment applications that we received.

**Response to Payment Application #1:**

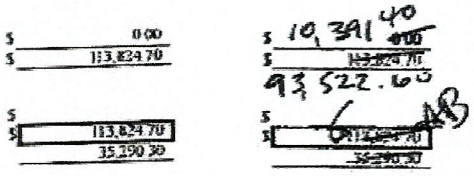
The documents contained in the DC Auditors support for payment application #1's finding, are not from the District's ( official system of record, nor were they provided to the auditors by DGS OCFO. DGS OCFO has provided a copy of the referenced pay application, obtained from the invoice attachment in the Procurement Automated Support System (PASS) (the District procurement system), which have all proper approvals for payment and supports the payment made and recorded in System of Accounting and Reporting (SOAR), the District's general ledger. Payment application #13007-04, which DGS OCFO paid, contains no "alterations" of any kind.

The records referenced in the finding appear to be working documents obtained from DCPEP project managers for school capital construction, not "altered payment applications". Working documents, or "pencil copies" are by their very nature, subject to change as the project manager and the construction contractor determine the proper amount to be billed and paid in the current period. Changes to amounts submitted by the general contractor in addition to changes to subcontractor invoices, are expected during the "pencil copy" process, and represent construction industry standards.

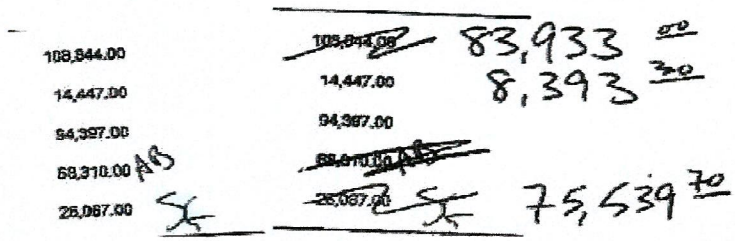
The auditor selection consisted of one of the three PO's by which the invoice was paid, in the amount of $3,337,223. The other two amounts, $124,066.00 and $234,148.78, which were not a part of the audit sample, were paid out of purchase order numbers PO468551

and PO470242, respectively, a totaling $3,695,437.75. Invoice number 13007-04 was for $3,695,437.75. The breakout of the payment by purchase order is clearly listed on the certification letter. The auditors were told on numerous occasions that their sample selections often included only a portion of the total invoice payment, in cases where the invoice is paid from multiple PO's.

**ODCA Audit Finding - Payment Application #2** - The original set of documents included 173 pages, while the updated payment application includes 29 pages of support. Payment applications often include multiple invoices representing bills submitted by both the primary contractor and any subcontractors working on the project. These invoices are then added up to arrive at the total amount DGS will pay for the payment application. In this instance, for one set of invoices, we received the original document with a payment amount of $113,825. Because we could not support the total amount of the payment application, we requested an explanation from DGS. DGS provided the second set of supporting documents as a result of this inquiry. The second set of documents included hand written notes scratching out the amount of $113,825 and replacing it with a hand written amount of $93,523.



For another set of invoices within the same payment application, we noticed this occurred again, with a payment amount for $26,087 in the original payment application, scratched out in the revised version with the amount changed to $75,540. Because we weren't able to verify the total amount of the payment application for this sample item, we cannot determine whether DGS paid the original payment amounts listed on each invoice, or the hand written amounts included with the revised documentation that we received.



**Response to Payment Application #2:**

The documents contained in the DC Auditors support for payment application #2's finding, are not from District's official system of records, nor were they provided to the auditors by DGS OCFO. DGS OCFO has provided a copy of the referenced pay application, obtained from the invoice attachment in PASS (procurement system), which have all proper approvals for payment and support the payment made and recorded in SOAR, the District's general ledger. Pay application #6, invoice 3052080, which DGS OCFO paid, contains no "alterations" of any kind.

The statement "we cannot determine whether DGS paid the original amounts listed on each invoice, or the hand written amounts included with the revised documentation that we received" reflects the fact that documentation from the District's official system of record were not reviewed to arrive at such a conclusion.

The documents referenced in the finding appear to be working documents obtained from DCPEP project managers for school capital construction, not "altered payment applications". Working documents, or "pencil copies" are by their very nature, subject to change as the project manager and the construction contractor determine the proper amount to be billed and paid in the current period. Changes to amounts submitted by the general contractor in addition to changes to subcontractor invoices, are expected during the "pencil copy" process, and represent construction industry standards.

**ODCA Finding - Payment Application #3** - We tested a number of sample items from the perspective of both DC PEP's submission of payment applications and DGS' approval of those same payment applications. This payment application shows different amounts on both sets of invoices for the same time period. For example, the version that we received from DGS shows a line item for "earthwork" in the amount of $121,547, whereas the version received from DC PEP shows an amount of $227,800. Documentation was extremely difficult to review and lengthy. In one case, we noted one payment application was 552 pages in length. When an individual is asked to review supporting documentation in excess of 500 pages in order to release a payment, the potential for this individual to make an error is high, particularly as that individual will experience fatigue in a review of documentation of that length.

We also believe that the supporting documents included with each payment application are excessively complex. For example, a review of the supporting documents included with the same 552 page payment application showed hand written notes on a number of pages, which represent the actual amount the contractor is attempting to bill. Forms and supporting documentation are not standardized amongst the various contractors working on the District's school modernization program. The hand written invoices included

among the pay applications that we reviewed also raise concerns about the invoice review and approval processes that the District's contractors employ.

**Response to Payment Application #3:**
The documents contained in the DC Auditors support for payment application #3's finding, are comparing documents from the District's official system of records to what appear to be DCPEP's, project managers for school capital construction, working documents or "pencil copies", and do not represent "altered payment applications". Working documents, or "pencil copies" are by their very nature, subject to change as the project manager and the construction contractor determine the proper amount to be billed and paid in the current period. Changes to amounts submitted by the general contractor in addition to changes to subcontractor invoices, are expected during the "pencil copy" process, and represent construction industry standards. Thus, a change in the line item for "earthwork" from $227,800, to the amount ultimately billed of $121,547 is not unusual or abnormal.

The support for this finding contains a copy of the referenced pay application, obtained from the invoice attachment in PASS (procurement system), which have all proper approvals for payment and supports the payment made and recorded in SOAR, the District's financial system of record. Payment application #6, which DGS OCFO paid, contains no "alterations" of any kind.

The support for any construction invoice must include all detailed information to support charges for Certified payrolls, sub-contractor invoices, CBE participation, etc. and most (if not all) are contractually mandated. This type of support protects the District from making any payments without proper support and meeting contractual terms. A thorough review of the support is required by the respective PM for the District to do their due diligence before making any payments to ensure contractual compliance and to ensure the interests of taxpayers.

**FINDING 10 - Neither DGS nor DC PEP could properly support a substantial number of payments made to District contractors, creating the risk of improper payments.**

While DGS agrees that during the audit period of FY 2010 through FY 2013, which covered transactions in several agencies, there were some items that were not able to be

produced and with adequate support, DGS does not agree that those items are "substantial" as characterized in the audit report.

As mentioned in other parts of this response, DGS did not have the opportunity to discuss and review preliminary findings to clear up any misunderstanding or misinformation. Per ODCA's handbook, the Field Work Phase should have included a Closeout Meeting as described in the handbook.

*"After completing our field work analysis, the audit team holds a meeting with agency management to discuss our preliminary findings and conclusions. The audit team works to clearly convey the facts and circumstances surrounding each finding and attempts to correct any misunderstanding and/or inaccuracies prior to moving to the reporting phase of the audit process."*

This was not done in this audit and the draft report was issued without benefit of a proper close out meeting. There was a meeting on June 11, 2015 with ODCA, but at that meeting there was no opportunity to discuss and review, in detail, preliminary findings. Rather, the meeting was to review, on a summary level, the findings already included in the draft report.

Because of the large number of items requested covering four (4) fiscal years and across multiple agencies, DGS believes that a detail discussion and review of preliminary findings would have been essential to arrive at any audit report findings.

Roughly 85% of DCPS CIP projects are appropriated to school specific projects, with the remainder of the CIP budget appropriated to projects that are not school-specific.

In addition to "system" reports that capture financial information at the appropriated CIP project level and as reflected in SOAR, DGS creates other management reports to look at DCPS capital spending from different perspectives other than the SOAR level. One perspective is a school-by-school listing which attempts to allocate non-school specific CIP projects to specific schools. This involves DGS researching requisitions, purchase orders and related invoices and then working with the project management team to allocate non-school specific projects, such as ADA compliance, to specific schools.

ODCA states in the audit report that "We did not test the method DGS used to convert the project specific listing into the school-by-school listing". DGS does not agree with this statement because the school-by-school listing was requested by and provided to ODCA and became the basis for a large selection of test samples. Additionally on page 46 of the report ODCA states "As a result, these expenditures..... lead to an inaccurate school-by-school listing....." which would seem to indicate that the school-by-school

listing was used in this audit and seems to reflect a misunderstanding on the part of ODCA regarding appropriated CIP project expenditures captured in SOAR versus the information in the school-by-school listing which is a management report and not a reporting of CIP appropriated projects.

There is a statement "We noted 75 payments, out of 455 tested, that may have been charged to the wrong school….." DGS believes that this is referencing information on the school-by-school listing and not the SOAR appropriated projects.

Another statement "There were 90 payments out of the 750 that were tested, which were charged to the wrong project code……A large number of these payments represented legal and project management fees charged to the wrong project code." There are 5 projects that are appropriated to capture the costs for project management and legal fees:

-GM308C-PROJECT MANAGEMENT PROF. FEES & CONTINGE

-GM311C-HIGH SCHOOL LABOR - PROGRAM MANAGEMENT

-GM312C-ES/MS MODERNIZATION CAPITAL LABOR - PROG

-GM313C-STABILIZATION CAPITAL LABOR - PROGRAM MG

-GM314C-SELECTIVE ADDITIONS/NEW CONSTRUCTION LAB

These projects are budgeted to capture capital eligible items such as PM fees, Capital FTE's and Legal fees that span multiple specific school projects. The yearly amounts in the CIP for these projects are derived by an estimate of the efforts for the appropriated specific school projects in the CIP for that year.

Based on those estimates, the PM fees, Legal, FTE's etc. for any year are proportionally funded based on the appropriated amounts. Purchase orders (based on contracts) are then issued and proportionally funded on those estimates. When a bill for those services is paid, the PASS system allocates charges based on the funding allocation not specific charges in the bills. Therefore specific bills might not support the allocated amounts due to timing of work on projects, changes in scope of projects and other factors. Because of that, there could be instances where a specific bill was charged to High School PM fees versus Elementary School PM fees, but the charges were accurate in that they were for PM fees but based on an allocation.

Additionally, of the 76 "samples unsupported" comment, there were 27 items, which DGS believes were already provided to ODCA, which were easily found attached in PASS. DGS could have provided these to ODCA if a meaningful closeout meeting, timed in accordance with ODCA's policy, were held to verify the factual basis behind this finding.

**FINDING 11 - DGS record keeping does not provide an accurate accounting of the total cost to modernize each District school.**

While DGS agrees that there is improvement needed in capturing the costs to modernize each District school, it is essential to also understand the context in which DCPS CIP funds are appropriated and that an accurate accounting of total costs is not as a result of record keeping, but instead is a result of the manner in which funds are also appropriated on a non-school specific basis. DGS does not control how budgets are appropriated as they are appropriated by the Mayor, Council and ultimately Congress.

As previously mentioned, roughly 85% of DCPS CIP projects are appropriated to school specific projects, with the remainder of the CIP budget appropriated to projects that are not school-specific. Any specific modernization generally has a specific school project to capture those costs; therefore, 85% of funds are captured accurately by school in those projects. However, funds are also appropriated to small capital/stabilization/PM-Legal fee projects that cross many specific schools. They include:

- GM101C – Roofs
- GM102C – Boilers/HVACE
- SG106C – Windows
- GM304C – Life/Safety
- GM121C – Major Repairs/Maintenance
- GM120C – General Miscellaneous
- GM303C – ADA
- -GM308C-PROJECT MANAGEMENT PROF. FEES & CONTINGE
- -GM311C-HIGH SCHOOL LABOR - PROGRAM MANAGEMENT
- -GM312C-ES/MS MODERNIZATION CAPITAL LABOR - PROG
- -GM313C-STABILIZATION CAPITAL LABOR - PROGRAM MG
- -GM314C-SELECTIVE ADDITIONS/NEW CONSTRUCTION LAB

The expenditures for these projects are captured in SOAR at the appropriated system project level above. The challenge is to allocate any of these costs to specific schools since funds are not appropriated at that level. The majority of items mentioned in the ODCA's report include invoices not being tracked by school that are charged to the above projects. All invoices billed/charged in SOAR for the above projects have the correct capital project scope as stated in the budget book and per the appropriation. Actual invoices are charged accurately and in accordance with the legislated appropriated funds and the project scope.

On page 47, there is a statement "As a result of these errors, DGS mistakenly spent funds allocated for the modernization of District schools on unrelated projects, reducing the amount of funds available for the District's schools." This is factually incorrect, because the funds mentioned were appropriated for PM fees and could not be used for hard construction costs for the modernization of any specific schools

**FINDING 13 - IT equipment is not being properly monitored as DGS purchases and installs the equipment in District Schools.**

This finding is not factually accurate. DGS, in conjunction with DCPS, and OCTO / DCNET have developed over the years a formal process for monitoring IT equipment purchased on behalf of DCPS. OCTO/DCNET develops the bill of materials, from which OCTO procures the IT equipment associated with the IT infrastructure (i.e. MDF & IDF Equipment, etc.) and installs it, which is then monitored and maintained by OCTO/ DCNET.

As it relates to the balance of IT equipment, DCPS's Central Office monitors the installation and labels all equipment, which is then tracked in DCPS's IT inventory log.

**FINDING 14 - DGS's restricted capacity to oversee DC PEP has resulted in an over-reliance on private contractors to manage the policy and the process in school modernization.**

While DGS disagrees that "restricted capacity to oversee DCPEP has resulted in an over-reliance on private contractors", we do believe that adequate oversight and controls are necessary to ensure that private contractors satisfy the objectives of the school modernization program and adhere to the terms of their own contracts. Prior to the exercise of any upcoming renewal option with DCPEP in October 2015 or the issuance of a solicitation for a new contract thereafter, DGS will assess the benefits and costs associated with retaining private services. The procurement of private services is not as a

result of restricted capacity, but instead depends upon a policy decision which considers costs associated with such services, expertise offered by private consultants, existing resources within the agency and best practices utilized by other jurisdictions.

Although we recognize the importance of auditing the school modernization program, there were several challenges with respect to the audit that are worth noting:

- The District of Columbia Auditor has disregarded its statutory mandate to provide an annual audit of the use of the capital funds by the District of Columbia Public Schools during the preceding fiscal year. The scope of this audit, which commenced in 2013, spanned four (4) fiscal years (FY10-13) which required the agency to gather information dating back as far as 2009. The DC Auditor's failure to comply with its own statutory mandate places the undue burden upon the agency of locating and producing an exhaustive volume of older records spanning several years and deprives the District of the benefit of any improvements that may come from timely recommendations.

  ***§ 38-2973.05. Audit of capital improvement projects – provides:***

  *No later than June 1, 2007, and each year thereafter until the completion of all projects designated in the Facilities Master Plan, the District of Columbia Auditor shall prepare an annual report to the public on the use of the capital funds by the District of Columbia Public Schools during the preceding fiscal year. The report shall include a school- and project-specific audit of all expenditures for school facility capital improvements, maintenance, repairs, and operating costs and an assessment of whether the District has met the process, quality, schedule, and cost objectives of the Facilities Master Plan and Capital Improvement Plan and Budget.*

- The DC Auditor required nearly two years to conclude this audit as a direct result of the previous DC Auditor's failure to conduct annual audits. This audit commenced in June 2013. The assigned auditor left abruptly shortly after commencement of the audit, without explanation and the audit re-emerged anew in October 2013. The explanation offered by the DC Auditor for the interruption (inability to obtain critical documents) is not accurate. Due to the untimely performance of audits, the audits cover more fiscal years than legally anticipated and therefore, results in anextended, protracted audit timeline.

- As highlighted in the attached response, the audit process lacked adequate quality control mechanisms to ensure reliance upon official records and did not include final verification of information prior to inclusion in the report. As noted, several conclusions rely upon records maintained by employees/contractors and if the auditor verified against official

records, as suggested, the assigned auditor would have determined that some findings are incorrect.

- DGS did not have the opportunity to discuss and review preliminary findings to clear up any misunderstanding or misinformation. Per ODCA's handbook, the Field Work Phase should have included a Closeout Meeting as described in the handbook.

> *"After completing our field work analysis, the audit team holds a meeting with agency management to discuss our preliminary findings and conclusions. The audit team works to clearly convey the facts and circumstances surrounding each finding and attempts to correct any misunderstanding and/or inaccuracies prior to moving to the reporting phase of the audit process."*

ODCA issued the draft report without benefit of a proper close out meeting. The meeting on June 11, 2015 with ODCA did not provide an opportunity to discuss and review, in detail, preliminary findings. Rather, the meeting was to review, on a summary level, the findings already included in the draft report. Due to the large number of records requested spanning four fiscal years and across multiple agencies, a detailed discussion and review of preliminary findings would have been essential to arrive at accurate audit report findings.

Again, thank you for the opportunity to provide comments and if you have questions or require additional information, please do not hesitate to contact me at 202.727.2800.

Sincerely,

Jonathan Kayne
Interim Director

# Auditor's Response to Agency Comments

The Office of the District of Columbia Auditor (ODCA) greatly appreciates the written response from the Department of General Services (DGS) and the written and verbal commitment of the department and senior officials in the Bowser Administration to improve the school modernization program.

### Close-out Conference and Exit Meeting

With regard to the schedule of discussions of the audit findings, as noted, we held a close-out meeting with DGS on June 11, 2015, and shared a draft text of the report later that day, and requested formal comments by close of business June 25. We provided an updated copy on June 16, with one additional recommendation pertaining to the five high school modernizations referenced in the report and several language alterations requested in the close-out meeting. We offered to hold an "exit conference" to review more closely any questions or concerns with the text. DGS requested such a meeting and it was scheduled on June 18 at 2 p.m. At 1:30 p.m. that day, we received an email from DGS cancelling that meeting and we did not receive a subsequent request from the agency to reschedule the exit conference.

On June 24, we received a request from the Deputy Mayor for Education for an additional briefing on our findings, and held that briefing on June 25, including the Deputy Mayor, the Assistant City Administrator, the Chancellor of District of Columbia Public Schools (DCPS), and the Interim Director of DGS. While concerns with our findings were expressed, we were not provided with any documentation that challenged our findings. Finally, on June 26, we received an additional inquiry from the Office of the Chief Financial Officer (OCFO), and on June 29 a request from the OCFO for an additional briefing on the audit findings. That discussion was scheduled for June 30, 2015.

### Recommendations #1 and #2

The ODCA's first two recommendations relate to the need for a clear and consistent process for selection of schools for modernization. We have amended our initial draft language to specify that "the Council should require the development of a clear and consistent selection process" and that "policymakers," which include the Mayor and Council, should "ensure

that this information is efficiently disseminated to the public." We make this change based on recommendations by the Deputy Mayor for Education and the DCPS Chancellor to reflect the shared leadership role of the legislative and executive branches in setting policies regarding school modernization, generally, and the selection process more specifically. We had initially recommended that the Council determine that process and agree that collaborative policymaking is the more appropriate course.

## Comments on DGS Responses to Findings #5 and #8

What follows are specific responses to the DGS comments on our audit findings #5 and #8. With regard to each other finding and recommendation contained in our audit report, we stand by our work and our conclusions as outlined in the report.

Finding 5 refers to the failure of DGS to provide documentation demonstrating compliance with contract requirements for monthly reports and buyout logs that indicate how contingency funds are spent, and the conclusion that the agency failed to determine whether any payments were owed to the District. We initially requested copies of monthly reports and buy out logs on January 23, 2015. We sent a follow-up request, in the form of a letter from D.C. Auditor Kathy Patterson, to Interim DGS Director Jonathan Kayne on March 3, 2015 including the possibility that ODCA might be forced to use its subpoena authority. We continued to pursue the request for documentation in the face of being informed that no such documentation existed. We were forced to escalate our request to the Executive Office of the Mayor. We narrowed our request in term of the number of projects for which we sought monthly reports and buy out logs. We were finally convinced that the very limited documentation we received – as outlined in the report – was all that DGS was able to make available to us.

Because of this extensive but ultimately unsuccessful effort to secure documentation on contingency payments, we are very pleased to see in the DGS response that "prior to the issuance of final payment to a contractor, a reconciliation of the project costs occurs between the Contractor and assigned Project Manager to determine and reconcile the actual cost of the work, determination of savings, in addition to completion of any outstanding work." This assurance that DGS does, in fact, have access to the requested documentation -- despite the repeated failure to provide that documentation to the ODCA – is an indication that the agency is well positioned to comply with Recommendation 7: that for each of the five high school modernizations covered in the audit report, a reconciliation be documented in order to demonstrate how each project's contingency was expended, whether there were any savings to be apportioned, and to seek any outstanding savings amount owed to the District.

Finding 8 relates to the internal control environment illustrated with three specific payment applications and goes to the documentation of payments made to project subcontractors. As DGS acknowledges, they leave it to DC PEP to manage all aspects of subcontractor payments, including documentation. What they receive from DC PEP is a request for final payments, and those final payments are eventually reflected in the government databases. We are familiar with the information available in the District's financial accounting system and its procurement database and reviewed the final, total payments made to contractors. Our finding goes to documentation that DC PEP maintains and which is not included in District government databases. Whether the government should collect and maintain such documentation, is a separate but relevant issue and one that policymakers may wish to explore as they consider whether to continue contracting out the project management of the school modernization program.

We stand by the finding that there were inconsistencies in the samples obtained from DC PEP, and that the project management firm provided ODCA with differing and hand-written documents when we continued to seek accurate documentation. With regard to the sample, we were not able to substantiate that the final payments that were finally reflected in the District government database were in fact accurate and backed up by appropriate documentation.

# Appendix I

| High School & New Construction | Status 9/30/2012 | Corresponds to MFP | Comments from DGS/DCPS |
|---|---|---|---|
| Anacostia | Completed | Yes | N/A |
| Ballou | In progress | No | DGS stated that the design of the facility started in 2011 (per legislative change) as opposed to the 2012 start scheduled in the MFP. |
| | | | |
| Banneker | Starting in 2015 | Yes | N/A |
| Cardozo | Completed | Yes | N/A |
| Coolidge | Starting in 2014 | Yes | N/A |
| Dunbar | In progress | Yes | N/A |
| Eastern | Completed | Yes | N/A |
| Ellington | In progress | No | DGS indicated that Ellington was in progress as of 2012 in accordance with the MFP. However, ground breaking occurred on December 19, 2014 and is scheduled to end August 2016 per DGS online project listings. MFP had listed 2014 as the project completion date. |
| H.D. Woodson | Completed | Yes | N/A |
| Roosevelt | In progress | No | DGS indicated that project was in progress in 2012 but Roosevelt High School is not slated to be completed in 2014 as noted in the MFP. DGS online project listings state that the project is scheduled to be completed in August 2015. |
| Spingarn | Starting in 2015 | Yes | N/A |
| W. Wilson | Completed | Yes | N/A |

| Elementary & Middle School Modernization, Additions & New Construction | Status 9/30/2012 | Corresponds to MFP | Comments from DGS/DCPS |
|---|---|---|---|
| Burroughs (Addition) | In progress | No | Work was not completed until 2013 contrary to the 2010 completion date noted in the MFP. DGS noted that this was because site conditions and the scope of work required additional funding that was not made available until 2012. |
| Wheatley (Addition) | Completed | Yes | N/A |
| Stoddert Modernization | Completed | Yes | N/A |
| Janney Modernization | Completed | No | Janney has already had a modernization completed but work on an addition to the school started in 2013. This project was not included in the MFP's schedule. |
| Bunkerhill (Addition) | Removed | No | DGS stated that the school was removed from the schedule at the request of DCPS because additional room will be provided at Brookland and McKinley. |
| Fine Arts Middle School | Removed | No | Removed per DCPS, which decided not to pursue this academic program. |
| Hearst (Addition) | In progress | Yes | N/A |
| Langdon (Addition) | Removed | No | DGS stated that the school was removed from the schedule at the request of DCPS because additional room will be provided at Brookland and McKinley. |
| LaSalle (Elevator) | Completed | No | DGS stated that delays in installation of an elevator caused project delays into 2013, contrary to the 2012 completion date indicated in the MFP. |
| Mann (Addition) | In progress | No | The addition to Mann Elementary is scheduled to be completed in August 2015 contrary to the 2013 completion date noted in the MFP. |
| Peabody (Elevator) | Completed | No | DGS stated that delays in installation of an elevator caused project delays into 2013, contrary to the 2012 completion date indicated in the MFP. |
| Shaw (New Construction) | Delayed | No | Delayed per DCPS to determine if enrollment growth will justify new construction. |
| Lafayette (Addition) | Starting in 2013. | No | Addition to Lafayette shows a projected completion date of August 2016, contrary to the 2013 completion date noted in the MFP. |
| Truesdell (Addition) | Starting in 2014 | No | Truesdell had some Phase I work completed already but was scheduled for a modernization that would have started and finished in 2014, according to the MFP. ODCA could not verify the exact scope of the work envisioned for this modernization but did not note any evidence that the modernization occurred and was completed. |
| Whittier (Addition) | Completed | No | DGS noted that work was funded in 2011 and completed in 2013. The MFP had noted that work was to start and finish in 2014. |

| Phase I Modernizations | Status 9/30/2012 | Corresponds to MFP | Comments from DGS/DCPS |
|---|---|---|---|
| Burville | Completed in 2010 | Yes | N/A |
| Drew | Completed | Yes | N/A |
| Johnson | In progress | No | Johnson Middle School is currently undergoing renovations described by DGS as Phase 1 modernizations which are scheduled for completion in 2015, contrary to the 2010 completion date included in the MFP. |
| ML King | Completed | Yes | N/A |
| Thomas | Completed | Yes | N/A |
| Truesdell | Completed | Yes | N/A |
| Tyler | Completed | Yes | N/A |
| J.O. Wilson | Completed | Yes | DGS stated that the school was removed from the schedule at the request of DCPS because additional room will be provided at Brookland and McKinley. |
| LaSalle (Elevator) | Completed | No | DGS stated that delays in installation of an elevator caused project delays into 2013, contrary to the 2012 completion date indicated in the MFP. |
| Hart | Completed | Yes | N/A |
| Malcom X | Delayed | No | DGS stated that school was a candidate for closure per DCPS, delaying the school's modernization. |
| Maury | Completed | Yes | N/A |
| Moten | Completed | Yes | N/A |
| River Terrace | Removed | No | School is to reopen as a special education center. |
| Seaton | Completed | Yes | N/A |
| Turner | Completed | Yes | N/A |
| Amidon | Completed | Yes | N/A |
| Brookland @ BunkerHill | Completed | Yes | N/A |
| Bruce Monroe | Completed | Yes | N/A |
| Emery | Removed | No | DGS stated that DCPS decided to move the program into Langley. |
| Houston | Delayed | No | DGS stated that this modernization was delayed due to program wide cost increases and budget pressures. |
| Ketcham | Completed | Yes | N/A |
| Lasalle | Completed | Yes | N/A |
| Leckie | Completed | Yes | N/A |
| Marie Reed | Delayed to 2015 | No | N/A |
| MC Terrell | Removed | No | School was selected as a candidate for closure. |
| Nalle | Completed | Yes | N/A |
| Peabody | Delayed 1 year | No | DGS stated that this modernization was delayed due to program wide cost increases and budget pressures. |

| Phase I Modernizations | Status 9/30/2012 | Corresponds to MFP | Comments from DGS/DCPS |
|---|---|---|---|
| Powell | Delayed 1 year | No | Program wide cost increases and budget pressures. |
| Ron Brown | Removed | No | School was selected as a candidate for closure. |
| Ross | Completed | Yes | N/A |
| Shaed | Removed | No | School was selected as a candidate for closure. |
| Sharpe | Removed | No | School was selected as a candidate for closure. |
| Simon | Completed | Yes | N/A |
| Stuart Hobson | In Progress | No | Stuart Hobson Middle School is currently undergoing renovations described by DGS as Phase 1 modernizations which are scheduled for completion in 2015, contrary to the 2012 completion date included in the MFP. |

# Appendix II

| Name of School | School Address | Ward | FY 2010 | FY 2011 | FY 2012 | FY 2013 | Total | Gross Square Feet | Cost/Square Foot^ | Enrollment (SY 2014-2015) | Cost/Student^ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Oyster-Adams Bilingual School (Adams Campus) | 2020 19th Street, N.W. | 1 | $1,727,491 | $1,637,658 | $557,940 | $2,167,482 | $6,090,571 | 47,984 | $126.93 | 316 | $19,273.96 |
| Bancroft Elementary School | 1755 Newton Street, N.W. | 1 | $1,074,685 | $1,160,939 | $51,079 | $135,133 | $2,421,836 | 79,800 | $30.35 | 508 | $4,767.39 |
| Benjamin Banneker High School | 800 Euclid Street, N.W. | 1 | $1,355,661 | $508,957 | $1,830,336 | $587,251 | $4,282,205 | 180,000 | $23.79 | 449 | $9,537.21 |
| Banneker Park/Community Center | 2500 Georgia Avenue N.W. | 1 | $0 | $8,627 | $0 | $0 | $8,627 | N/A | N/A | N/A | N/A |
| Bell Multicultural High School | 3101 16th Street, N.W. | 1 | $622,410 | $558,864 | $207,226 | $622,383 | $2,010,884 | 325,217 | $6.22 | 1384 | $1,461.45 |
| Lincoln Multicultural Middle School | 3101 16th Street, N.W. | 1 | $11,769 | $0 | $0 | $0 | $11,769 | | | | |
| Bruce-Monroe Elementary School | 3012 Georgia Avenue, N.W. | 1 | $51,600 | $35,157 | $10,524,868 | $745,506 | $11,357,131 | 215,400 | $52.73 | N/A | N/A |
| Cardozo Education Campus | 1200 Clifton Street, N.W. | 1 | $2,027,076 | $4,380,439 | $26,455,751 | $86,693,300 | $119,556,566 | 355,400 | $336.40 | 781 | $153,081.39 |
| Cleveland Elementary School | 1825 8th Street, N.W. | 1 | $136,774 | $182,760 | $23,515 | $0 | $343,050 | 53,000 | $6.47 | 308 | $1,113.80 |
| H.D. Cooke Elementary School | 2525 17th Street, N.W. | 1 | $1,552,587 | $124,249 | $5,192 | $0 | $1,682,028 | 85,709 | $19.62 | 400 | $4,205.07 |
| Gage Eckington Elementary School | 2025 3rd Street, N.W. | 1 | $527 | $0 | $0 | $0 | $527 | N/A* | N/A* | N/A | N/A |
| Shaw Middle School @ Garnett-Patterson | 2001 10th Street, N.W. | 1 | $412,473 | $167,864 | $22,581 | $0 | $602,919 | 82,700 | $7.29 | N/A | N/A |
| Harrison Elementary School | 2120 13th Street, N.W. | 1 | $55,560 | $42,199 | $11,127 | $0 | $108,886 | 61,900 | $1.76 | N/A | N/A |
| Washington Metropolitan High School | 300 Bryant Street, N.W. | 1 | $669,723 | $653,332 | $101,847 | $31,612 | $1,456,515 | 49,500 | $29.42 | 244 | $5,969.32 |
| Eugene Meyer Elementary School | 2501 11th Street, N.W. | 1 | $600 | $293,958 | $16,438 | $0 | $310,996 | 62,200 | $5.00 | N/A | N/A |
| Bruce-Monroe Elementary School @ Park View | 3560 Warder Street, N.W. | 1 | $573,559 | $370,433 | $235,635 | $2,868 | $1,182,494 | 82,200 | $14.39 | 465 | $2,543.00 |
| Marie Reed Elementary School | 2201 18th Street, N.W. | 1 | $905,783 | $382,616 | $27,962 | $616,484 | $1,932,845 | 162,700 | $11.88 | 393 | $4,918.18 |
| Tubman Elementary School | 3101 13th Street, N.W. | 1 | $821,183 | $1,116,947 | $414,932 | $306,070 | $2,659,132 | 66,600 | $39.93 | 498 | $5,339.62 |
| | | **1 Total** | **$11,999,462** | **$11,625,002** | **$40,486,430** | **$91,908,088** | **$156,018,982** | **1,910,310** | **$47.48** | **5746** | **$19,291.85** |
| Addison Elementary School | 3246 P Street, NW | 2 | $19,739 | $850,796 | $2,718 | $0 | $873,254 | 41,329 | $70.55 | 305 | $9,559.27 |
| Hyde Elementary School | 3219 O Street, N.W. | 2 | $76,553 | $107,095 | $1,591,001 | $267,674 | $2,042,323 | | | | |
| Duke Ellington High School | 1698 35th Street, N.W. | 2 | $933,720 | $716,313 | $75,302 | $287,318 | $2,012,653 | 167,500 | $12.02 | 523 | $3,848.28 |
| School Without Walls @ Francis-Stevens | 2425 N Street, N.W. | 2 | $415,236 | $196,579 | $120,582 | $421,997 | $1,154,395 | 95,100 | $12.14 | 414 | $2,788.39 |
| Garrison Elementary School | 1200 S Street, N.W. | 2 | $116,426 | $342,991 | $19,536 | $229,912 | $708,865 | 60,200 | $11.78 | 244 | $2,905.19 |
| Hardy Middle School | 1819 35th Street, N.W. | 2 | $882,391 | $218,779 | $93,410 | $13,811 | $1,208,392 | 116,872 | $10.34 | 386 | $3,130.55 |
| Ross Elementary School | 1730 R Street, N.W. | 2 | $69,186 | $176,655 | $3,368,549 | $872,736 | $4,487,126 | 22,400 | $200.32 | 166 | $27,030.88 |
| School Without Walls High School | 2130 G Street, N.W. | 2 | $2,930,908 | $177,590 | $28,651 | $0 | $3,137,149 | 74,000 | $42.39 | 590 | $5,317.20 |
| Stevens | 1050 21st Street, N.W. | 2 | $21,174 | $26,656 | $0 | $0 | $47,830 | N/A* | N/A* | N/A | N/A |
| Thomson Elementary School | 1200 L Street, N.W. | 2 | $104,578 | $196,206 | $14,270 | $0 | $315,054 | 74,992 | $4.20 | 272 | $1,158.29 |
| | | **2 Total** | **$5,569,911** | **$3,009,662** | **$5,314,020** | **$2,093,448** | **$15,987,040** | **652,393** | **$45.47** | **2900** | **$6,967.26** |
| Deal Middle School | 3815 Fort Drive, N.W. | 3 | $9,367,738 | $1,121,070 | $1,275,892 | $211,520 | $11,976,220 | 181,000 | $66.17 | 1312 | $9,128.22 |
| Eaton Elementary School | 3301 Lowell Street, N.W. | 3 | $1,347,069 | $306,178 | $12,378 | $4,163 | $1,669,788 | 49,100 | $34.01 | 475 | $3,515.34 |
| Hearst Elementary School | 3950 37th Street, N.W. | 3 | $677,539 | $138,509 | $610,341 | $8,144,589 | $9,570,978 | 17,400 | $550.06 | 291 | $32,889.96 |
| Janney Elementary School | 4130 Albemarle Street, N.W. | 3 | $3,803,905 | $23,065,226 | $2,952,162 | $1,229,417 | $31,050,711 | 84,400 | $367.90 | 693 | $44,806.22 |
| Jessie Reno (Rose Reno) | 4820 Howard Street, NW | 3 | $0 | $171,752 | $602,766 | $684,055 | $1,458,573 | N/A* | N/A* | N/A | N/A |
| Key Elementary School | 5001 Dana Place, N.W. | 3 | $160,016 | $615,858 | $145,630 | $21,108 | $942,612 | 50,000 | $18.85 | 383 | $2,461.13 |
| Mann Elementary School | 4430 Newark Street, N.W. | 3 | $233,208 | $122,762 | $494,073 | $7,684,330 | $8,534,373 | 21,903 | $389.64 | 302 | $28,259.51 |
| Murch Elementary School | 4810 36th Street, N.W. | 3 | $481,029 | $772,059 | $25,128 | $111,575 | $1,389,792 | 47,700 | $29.14 | 620 | $2,241.60 |
| Oyster-Adams Bilingual School (Oyster Campus) | 2801 Calvert Street, NW | 3 | $139,351 | $226,089 | $143,641 | $8,480 | $517,560 | 59,400 | $8.71 | 336 | $1,540.36 |

| Name of School | School Address | Ward | FY 2010 | FY 2011 | FY 2012 | FY 2013 | Total | Gross Square Feet | Cost/Square Foot^ | Enrollment (SY 2014-2015) | Cost/Student^ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Stoddert Elementary School | 4001 Calvert Street, N.W. | 3 | $15,930,984 | $2,752,498 | $16,844 | $0 | $18,700,326 | 64,750 | $288.81 | 418 | $44,737.62 |
| Woodrow Wilson High School** | 3950 Chesapeake Street, N.W. | 3 | $30,238,963 | $70,601,972 | $7,775,182 | $185,279 | $108,801,396 | 376,448 | $289.02 | 1788 | $60,850.89 |
| | | **3 Total** | **$62,379,802** | **$99,893,973** | **$14,054,037** | **$18,284,517** | **$194,612,329** | **952,101** | **$204.23** | **6618** | **$19,879.70** |
| Takoma Education Campus | 7010 Piney Branch Road, N.W. | 4 | $483,616 | $12,689,060 | $16,405,846 | $524,835 | $30,103,357 | 104,294 | $288.64 | 442 | $68,107.14 |
| Truesdell Education Campus | 800 Ingraham Street, N.W. | 4 | $3,388,416 | $3,143,121 | $1,829,972 | $558,146 | $8,919,656 | 69,600 | $128.16 | 526 | $16,957.52 |
| West Education Campus | 1338 Farragut Street, N.W. | 4 | $556,500 | $244,128 | $215,576 | $404,639 | $1,420,842 | 69,600 | $20.41 | 267 | $5,321.51 |
| Whittier Education Campus | 6201 5th Street, N.W. | 4 | $2,586,072 | $1,287,099 | $2,183,429 | $64,538 | $6,121,138 | 66,600 | $91.91 | 350 | $17,488.97 |
| | | **4 Total** | **$15,083,373** | **$23,972,418** | **$29,774,090** | **$25,171,585** | **$94,001,467** | **1,848,814** | **$67.87** | **6950** | **$16,083.55** |
| Backus | 5171 South Dakota Avenue, N.E | 5 | $2,790 | $1,500 | $0 | $0 | $4,290 | N/A* | N/A* | N/A | N/A |
| Brookland Middle School | 1150 Michigan Avenue, N.E. | 5 | $3,959 | $53,422 | $5,826,887 | $2,410,211 | $8,294,479 | 98,200 | $84.47 | N/A | N/A |
| Brookland Education Campus @ Bunker Hill | 1401 Michigan Avenue N.E. | 5 | $327,552 | $123,854 | $232,990 | $629,850 | $1,314,246 | 69,400 | $18.94 | 225 | $5,841.09 |
| Browne Education Campus | 850 26th Street, N.E. | 5 | $291,719 | $264,510 | $1,874,512 | $870,961 | $3,301,702 | 215,400 | $15.33 | 353 | $9,353.26 |
| Burroughs Education Campus | 1820 Monroe Street, N.E. | 5 | $1,668,159 | $517,922 | $784,306 | $2,547,972 | $5,518,358 | 63,900 | $86.36 | 297 | $18,580.33 |
| J.F. Cook | 30 P Street, N.E. | 5 | $109 | $0 | $0 | $0 | $109 | 100,000 | $0.00 | N/A | N/A |
| Dunbar | 101 N Street, N.W. | 5 | $868,269 | $3,246,500 | $33,345,553 | $67,528,952 | $104,989,274 | 343,400 | $305.73 | 653 | $160,779.90 |
| C.H.O.I.C.E. Academy @ Emery | 1720 1st Street, N.E. | 5 | $194,551 | $10,630,473 | $1,232,750 | $602,587 | $12,660,360 | 63,800 | $198.44 | 5 | $2,532,072.07 |
| Hamilton | 1401 Brentwood Parkway, N.E. | 5 | $175,211 | $218,694 | $29,135 | $0 | $423,040 | 180,700 | $2.34 | N/A | N/A |
| Langdon Education Campus | 1900 Evarts Street, N.E. | 5 | $748,042 | $274,348 | $96,571 | $978,857 | $2,097,818 | 101,400 | $20.69 | 340 | $6,170.05 |
| Langley Elementary School | 101 T Street NE | 5 | $0 | $0 | $1,153,785 | $461,726 | $1,615,511 | 110,100 | $14.67 | 289 | $5,590.00 |
| Mamie D. Lee School | 100 Gallatin Street, N.E. | 5 | $367,720 | $241,807 | $110,209 | $10,372 | $730,108 | 45,800 | $15.94 | 56 | $13,037.64 |
| Thurgood Marshall Elementary School | 3100 Fort Lincoln Drive, N.E. | 5 | $713,880 | $199,883 | $104,652 | $2,178 | $1,020,592 | 52,000 | $19.63 | N/A | N/A |
| McKinley Technology High School | 151 T Street, N.E. | 5 | $1,140,200 | $231,139 | $169,669 | $72,166 | $1,613,174 | 282,000 | $5.72 | 645 | $2,501.05 |
| McKinley Middle School | 151 T Street, N.E. | 5 | $0 | $0 | $0 | $11,654,316 | $11,654,316 | 282,000 | $41.33 | 202 | $57,694.63 |
| Luke C. Moore High School | 1001 Monroe Street, N.E. | 5 | $199,688 | $148,862 | $1,708 | $161,212 | $511,470 | 65,528 | $7.81 | 350 | $1,461.34 |
| Noyes Education Campus | 2725 10th Street, N.E. | 5 | $427,011 | $125,808 | $16,423 | $384 | $569,626 | 59,400 | $9.59 | 289 | $1,971.02 |
| Phelps Architecture, Construction, and Engineering High School | 704 26th Street, N.E. | 5 | $47,113 | $638,514 | $225,593 | $148,045 | $1,059,264 | 180,000 | $5.88 | 323 | $3,279.46 |
| Shaed | 301 Douglas Street, N.E. | 5 | $253,674 | $182,871 | $3,489 | $12,967 | $453,001 | 67,200 | $6.74 | N/A | N/A |
| Slowe | 1404 Jackson Street, N.E. | 5 | $1,015 | $1,500 | $0 | $0 | $2,515 | 24,243 | $0.10 | N/A | N/A |
| Spingarn High School | 2500 Benning Road, N.E. | 5 | $1,070,185 | $1,040,361 | $28,382 | $9,564 | $2,148,492 | 225,000 | $9.55 | N/A | N/A |
| Taft | 1800 Perry Street, N.E. | 5 | $1,458 | $0 | $0 | $0 | $1,458 | 194,300 | $0.01 | N/A | N/A |
| Margaret Murray Washington School | 27 O Street, N.W. | 5 | $0 | $81,707 | $0 | $2,480 | $84,187 | N/A* | N/A* | N/A | N/A |
| Webb | 1375 Mt. Olivet Road, N.E. | 5 | $46,247 | $210,449 | $0 | $576 | $257,272 | N/A* | N/A* | N/A | N/A |
| Wheatley Education Campus | 1299 Neal Street, N.E. | 5 | $6,098,399 | $2,275,017 | $455,014 | $18,397 | $8,846,828 | 86,375 | $102.42 | 463 | $19,107.62 |
| Young | 820 26th Street, N.E. | 5 | $3,232 | $0 | $0 | $0 | $3,232 | N/A* | N/A* | N/A | N/A |
| | | **5 Total** | **$14,650,183** | **$20,709,140** | **$45,691,627** | **$88,123,772** | **$169,174,722** | **2,910,146** | **$44.17** | **4490** | **$202,674.25** |
| Amidon-Bowen Elementary School | 401 I Street, S.W. | 6 | $177,160 | $119,065 | $5,531,772 | $1,064,992 | $6,892,989 | 70,800 | $97.36 | 345 | $19,979.68 |
| Bowen Elementary School | 101 M Street, S.W. | 6 | $2,350 | $0 | $0 | $0 | $2,350 | N/A* | N/A* | N/A | N/A |
| Brent Elementary School | 301 North Carolina Ave, S.E. | 6 | $1,556,281 | $194,501 | $281,553 | $27,937 | $2,060,272 | 47,500 | $43.37 | 368 | $5,598.57 |
| Eastern High School | 1700 East Capitol Street, N.E. | 6 | $65,840,044 | $1,503,281 | $587,732 | $299,254 | $68,230,311 | 288,800 | $236.25 | 1025 | $66,566.16 |
| Eliot-Hine Middle School | 1830 Constitution Avenue, N.E. | 6 | $404,585 | $460,783 | $102,545 | $19,048 | $986,962 | 155,100 | $6.36 | 257 | $3,840.32 |
| Gibbs (DCPS S.E. Students - Phillips Academy) | 500 19th Street, N.E. | 6 | $70,522 | $43,388 | $15,663 | $0 | $129,574 | N/A* | N/A* | N/A | N/A |

| Name of School | School Address | Ward | FY 2010 | FY 2011 | FY 2012 | FY 2013 | Total | Gross Square Feet | Cost/Square Foot^ | Enrollment (SY 2014-2015) | Cost/Student^ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Hine Junior High School | 335 8th Street, S.E. | 6 | $879 | $321,331 | $0 | $0 | $322,210 | N/A* | N/A* | N/A | N/A |
| Jefferson Middle School Academy | 801 7th Street, S.W. | 6 | $690,617 | $1,950,676 | $464,351 | $264,528 | $3,370,171 | 109,000 | $30.92 | 277 | $12,166.68 |
| Capitol Hill Montessori @ Logan | 215 G Street, NE | 6 | $21,575 | $1,167,418 | $903,529 | $130,366 | $2,222,888 | 47,200 | $47.10 | 310 | $7,170.61 |
| Ludlow-Taylor Elementary School | 659 G Street, N.E. | 6 | $411,621 | $214,631 | $238,178 | $11,295,462 | $12,159,891 | 66,900 | $181.76 | 340 | $35,764.39 |
| Maury Elementary School | 1250 Constitution Avenue, N.E. | 6 | $581,906 | $4,811,354 | $1,870,724 | $1,230,797 | $8,494,781 | 46,800 | $181.51 | 366 | $23,209.78 |
| Miner Elementary School | 601 15th Street, N.E. | 6 | $61,832 | $55,032 | $26,598 | $0 | $143,463 | 76,900 | $1.87 | 398 | $360.46 |
| Montgomery | 421 P Street, N.W. | 6 | $70,769 | $4,990 | $378,709 | $0 | $454,468 | 100,000 | $4.54 | N/A | N/A |
| Payne Elementary School | 1445 C Street S.E. | 6 | $409,262 | $187,914 | $889,917 | $178,228 | $1,665,320 | 83,800 | $19.87 | 277 | $6,011.98 |
| Peabody Elementary School | 425 C Street, N.E. | 6 | $154,565 | $136,019 | $184,698 | $6,877,268 | $7,352,551 | 37,800 | $194.51 | 227 | $32,390.09 |
| Prospect (Goding) Special Education | 920 F Street, N.E. | 6 | $105,550 | $648,938 | $83,461 | $590,687 | $1,428,636 | 59,200 | $24.13 | 248 | $5,760.63 |
| Seaton Elementary School | 1503 10th Street, N.W. | 6 | $114,405 | $3,964,513 | $538,016 | $0 | $4,616,933 | 65,000 | $71.03 | 295 | $15,650.62 |
| Shaw Junior High School | 925 Rhode Island Avenue, N.W. | 6 | $81,267 | $65,806 | $69,179 | $0 | $216,252 | 230,400 | $0.94 | N/A | N/A |
| Stuart-Hobson Middle School | 410 E Street, N.E. | 6 | $1,597,676 | $1,095,059 | $10,267,145 | $9,489,878 | $22,449,758 | 99,325 | $226.02 | 423 | $53,072.71 |
| Tyler Elementary School | 1001 G Street, S.E. | 6 | $3,815,916 | $1,077,232 | $69,017 | $24,913 | $4,987,078 | 69,600 | $71.65 | 522 | $9,553.79 |
| Van Ness | 1150 5th Street, S.E. | 6 | $45,197 | $164,651 | $32,387 | $0 | $242,235 | 49,400 | $4.90 | N/A | N/A |
| Walker-Jones Education Campus | 1125 New Jersey Ave, N.W. | 6 | $837,552 | $973,289 | $247,079 | $0 | $2,057,921 | 104,200 | $19.75 | 465 | $4,425.64 |
| Watkins Elementary School | 420 12th Street, S.E. | 6 | $208,428 | $1,037,726 | $85,195 | $2,000 | $1,333,348 | 69,300 | $19.24 | 500 | $2,666.70 |
| J.O. Wilson Elementary School | 660 K Street, N.E. | 6 | $4,075,710 | $1,899,396 | $654,571 | $2,768 | $6,632,445 | 98,900 | $67.06 | 466 | $14,232.71 |
| | | **6 Total** | **$81,335,667** | **$22,096,995** | **$23,522,019** | **$31,498,125** | **$158,452,807** | **1,975,925** | **$73.82** | **7109** | **$17,690.08** |
| Aiton Elementary School | 533 48th Place, N.E. | 7 | $260,608 | $434,074 | $43,530 | $144,857 | $883,067 | 57,100 | $15.47 | 262 | $3,370.49 |
| Beers Elementary School | 3600 Alabama Avenue, S.E. | 7 | $1,019,583 | $508,815 | $18,971 | $13,511,563 | $15,058,932 | 77,500 | $194.31 | 438 | $34,381.12 |
| Benning | 100 41st Street, N.E. | 7 | $9,854 | $0 | $0 | $0 | $9,854 | 70,090 | $0.14 | N/A | N/A |
| Benning Park Recreation Center | 5100 Southern Avenue, S.E. | 7 | $0 | $4,137 | $0 | $0 | $4,137 | N/A | N/A | N/A | N/A |
| Brown, Ronald H. | 4800 Meade Street, N.E. | 7 | $358,506 | $640,698 | $110,309 | $2,300 | $1,111,814 | 156,000 | $7.13 | N/A | N/A |
| Burrville Elementary School | 801 Division Avenue, N.E. | 7 | $3,130,359 | $482,294 | $364,066 | $1,197 | $3,977,916 | 95,000 | $41.87 | 360 | $11,049.77 |
| Davis Elementary Street | 4430 H Street, S.E. | 7 | $224,659 | $216,540 | $20,886 | $0 | $462,084 | 71,100 | $6.50 | N/A | N/A |
| Drew Elementary School | 5600 Eads Street, N.E. | 7 | $3,833,791 | $1,953,698 | $38,619 | $328,121 | $6,154,228 | 72,800 | $84.54 | 201 | $30,618.05 |
| Evans | 5600 East Capitol Street, N.E. | 7 | $187,072 | $195,300 | $19,459 | $0 | $401,831 | 37,333 | $10.76 | N/A | N/A |
| Fletcher-Johnson (H.D. Woodson Students on site) | 4650 Benning Road, S.E. | 7 | $677,279 | $203,679 | $6,795 | $0 | $887,752 | 302,000 | $2.94 | N/A | N/A |
| C.W. Harris Elementary School | 301 53rd Street, S.E. | 7 | $136,279 | $194,636 | $286,489 | $20,033 | $637,436 | 56,000 | $11.38 | 291 | $2,190.50 |
| Houston Elementary School | 1100 50th Place, N.E. | 7 | $1,307,364 | $200,155 | $215,954 | $79,990 | $1,803,464 | 59,900 | $30.11 | 279 | $6,464.03 |
| Kelly Miller Middle School | 301 49th Street, N.E. | 7 | $258,102 | $584,463 | $16,193 | $186,919 | $1,045,677 | 115,000 | $9.09 | 546 | $1,915.16 |
| Kenilworth | 1300 44th Street, N.E. | 7 | $152,659 | $125,349 | $64,536 | $0 | $342,544 | 57,100 | $6.00 | N/A | N/A |
| Kimball Elementary School | 3375 Minnesota Avenue, S.E. | 7 | $1,576,421 | $643,663 | $33,715 | $59,844 | $2,313,643 | 83,400 | $27.74 | 348 | $6,648.40 |
| Merritt Middle School | 5002 Hayes Street, N.E. | 7 | $1,000 | $1,500 | $0 | $0 | $2,500 | N/A* | N/A* | N/A | N/A |
| Nalle Elementary School | 219 50th Street, S.E. | 7 | $358,952 | $224,251 | $10,033,229 | $2,091,939 | $12,708,370 | 83,900 | $151.47 | 384 | $33,094.71 |
| Plummer Elementary School | 4601 Texas Avenue, S.E. | 7 | $80,768 | $206,617 | $50,128 | $242,528 | $580,042 | 69,400 | $8.36 | 428 | $1,355.24 |
| Randle Highlands Elementary School | 1650 30th Street, S.E. | 7 | $121,839 | $279,917 | $125,937 | $0 | $527,692 | 75,500 | $6.99 | 360 | $1,465.81 |
| River Terrace | 420 34th Street, N.E. | 7 | $912,975 | $318,931 | $73,695 | $0 | $1,305,601 | 62,800 | $20.79 | N/A | N/A |
| Shadd | 5601 East Capitol Street, S.E. | 7 | $117,324 | $25,300 | $49,433 | $0 | $192,057 | 19,500 | $9.85 | N/A | N/A |

| Name of School | School Address | Ward | FY 2010 | FY 2011 | FY 2012 | FY 2013 | Total | Gross Square Feet | Cost/Square Foot^ | Enrollment (SY 2014-2015) | Cost/Student^ |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Smothers Elementary School | 4400 Brooks Street, N.E. | 7 | $194,960 | $88,912 | $44,547 | $0 | $328,419 | 43,000 | $7.64 | 275 | $1,194.25 |
| Sousa Middle School | 3650 Ely Place, S.E. | 7 | $176,588 | $578,725 | $21,606 | $2,100 | $779,020 | 132,000 | $5.90 | 284 | $2,743.03 |
| Thomas Elementary School | 650 Anacostia Avenue, N.E. | 7 | $3,393,352 | $787,661 | $159,738 | $1,820,791 | $6,161,542 | 87,600 | $70.34 | 408 | $15,101.82 |
| Winston EC (K-8) | 3100 Erie Street, S.E. | 7 | $160,485 | $266,221 | $929,501 | $320,501 | $1,676,708 | 137,700 | $12.18 | N/A | N/A |
| H.D. Woodson High School | 5500 Eads Street, N.E. | 7 | $27,793,417 | $60,906,720 | $3,320,018 | $400,117 | $92,420,272 | 275,000 | $336.07 | 639 | $144,632.66 |
| | | **7 Total** | **$46,444,195** | **$70,072,258** | **$16,047,354** | **$19,212,798** | **$151,776,605** | **2,296,723** | **$44.90** | **5503** | **$19,748.34** |
| Anacostia High School | 1601 16th Street, S.E. | 8 | $7,586,553 | $22,755,971 | $23,038,616 | $7,078,293 | $60,459,434 | 207,000 | $292.07 | 661 | $91,466.62 |
| Ballou High School | 3401 4th Street, S.E. | 8 | $1,647,169 | $2,040,405 | $1,791,677 | $21,491,313 | $26,970,564 | 271,300 | $99.41 | 1346 | $20,037.57 |
| Birney | 1 Martin Luther King Jr. Avenue | 8 | $18,883 | $114,317 | $0 | $0 | $133,200 | 59,000 | $2.26 | N/A | N/A |
| Douglass | 2600 Douglass Road, S.E. | 8 | $187,066 | $295,787 | $5,447 | $0 | $488,299 | 137,000 | $3.56 | N/A | N/A |
| Draper | 908 Wahler Place, S.E. | 8 | $20,282 | $1,500 | $0 | $0 | $21,782 | 27,000 | $0.81 | N/A | N/A |
| Ferebee - Hope | 3999 8th Street, S.E. | 8 | $1,014,781 | $465,949 | $25,808 | $0 | $1,506,538 | 193,800 | $7.77 | N/A | N/A |
| Fort Stanton Park | 1812 Erie Street, S.E. | 8 | $0 | $15,296 | $0 | $0 | $15,296 | N/A | N/A | N/A | N/A |
| Frederick Douglass | 3240 Stanton Rd S.E. | 8 | $53,966 | $0 | $0 | $0 | $53,966 | N/A* | N/A* | N/A | N/A |
| Garfield Elementary School | 2435 Alabama Avenue, S.E. | 8 | $380,513 | $451,253 | $182,743 | $10,507 | $1,025,016 | 54,908 | $18.67 | 284 | $3,609.21 |
| Malcolm X Elementary School @ Green | 1500 Mississippi Avenue, S.E. | 8 | $408,498 | $213,743 | $13,965 | $845,758 | $1,481,964 | 110,800 | $13.38 | 244 | $6,073.62 |
| Harris, PR | 4600 Livingston Road, S.E. | 8 | $12,586 | $271 | $0 | $0 | $12,857 | N/A* | N/A* | N/A | N/A |
| Hart Middle School | 601 Mississippi Avenue, S.E. | 8 | $3,034,185 | $12,064,620 | $2,425,917 | $366,403 | $17,891,125 | 170,000 | $105.24 | 479 | $37,350.99 |
| Hendley Elementary School | 425 Chesapeake Street, S.E. | 8 | $702,928 | $330,645 | $37,977 | $14,969,566 | $16,041,117 | 73,200 | $219.14 | 503 | $31,890.89 |
| Johnson Middle School | 1400 Bruce Place, S.E. | 8 | $4,832,240 | $1,450,237 | $3,028,793 | $3,264,762 | $12,576,032 | 182,500 | $68.91 | 291 | $43,216.60 |
| Ketcham Elementary School | 1919 15th Street, S.E. | 8 | $501,134 | $491,113 | $9,309,114 | $3,169,420 | $13,470,780 | 88,300 | $152.56 | 309 | $43,594.76 |
| King Elementary School | 3200 6th Street, S.E. | 8 | $3,384,594 | $610,102 | $1,275,501 | $1,681,184 | $6,951,380 | 65,500 | $106.13 | 372 | $18,686.51 |
| Kramer Middle School | 1700 Q Street, S.E. | 8 | $550,799 | $654,022 | $495,338 | $55,391 | $1,755,550 | 154,000 | $11.40 | 333 | $5,271.92 |
| Leckie Elementary School | 4201 Martin Luther King Jr. Avenue, SW | 8 | $168,243 | $102,787 | $5,771,438 | $2,835,477 | $8,877,945 | 65,000 | $136.58 | 478 | $18,573.11 |
| Malcolm X Elementary School | 1351 Alabama Avenue, S.E. | 8 | $727,465 | $148,763 | $36,246 | $207,060 | $1,119,533 | 110,800 | $10.10 | N/A | N/A |
| Moten Elementary School | 1565 Morris Road, S.E. | 8 | $8,910 | $812,757 | $20,909,163 | $4,856,254 | $26,587,084 | 99,700 | $266.67 | 395 | $67,309.07 |
| Orr Elementary School | 2200 Minnesota Avenue, S.E. | 8 | $275,607 | $575,780 | $196,989 | $54,458 | $1,102,833 | 75,900 | $14.53 | 384 | $2,871.96 |
| Patterson Elementary School | 4399 South Capitol Terrace, S.W | 8 | $217,498 | $93,215 | $29,652 | $2,000 | $342,365 | 78,300 | $4.37 | 380 | $900.96 |
| Savoy Elementary School | 2400 Shannon Place, S.E. | 8 | $3,100,784 | $222,276 | $14,860 | $1,500 | $3,339,420 | 99,975 | $33.40 | 408 | $8,184.85 |
| Simon Elementary School | 401 Mississippi Avenue, S.E. | 8 | $486,186 | $173,984 | $6,562,229 | $5,187,475 | $12,409,875 | 66,200 | $187.46 | 293 | $42,354.52 |
| Stanton Elementary School | 2701 Naylor Road, S.E. | 8 | $654,578 | $34,283 | $542,452 | $2,690,563 | $3,921,877 | 83,792 | $46.80 | 578 | $6,785.25 |
| Terrell, M. C. (McGogney Students on site) | 3301 Wheeler Road, S.E. | 8 | $459,464 | $104,550 | $279,076 | $2,159 | $845,249 | 112,000 | $7.55 | N/A | N/A |
| Turner Elementary School | 3264 Stanton Road, S.E. | 8 | $10,104 | $2,204,486 | $21,284,825 | $3,400,558 | $26,899,973 | 77,500 | $347.10 | 392 | $68,622.38 |
| Wilkinson | 2330 Pomeroy Road, S.E. | 8 | $136,626 | $76,094 | $48,399 | $0 | $261,120 | 144,900 | $1.80 | N/A | N/A |
| | | **8 Total** | **$30,581,643** | **$46,504,206** | **$97,306,224** | **$72,170,100** | **$246,562,174** | **2,808,375** | **$86.31** | **8130** | **$28,711.16** |
| Program Management and Various | N/A | N/A | $10,569,542 | $16,444,320 | $4,176,058 | $11,346,843 | $42,536,763 | N/A | N/A | N/A | N/A |
| | | **Grand Total** | **$278,613,778** | **$314,327,973** | **$276,371,860** | **$359,809,277** | **$1,229,122,889** | **15,354,787** | **$70.63** | **47446** | **$43,197.43** |

* For some closed schools, data on total square footage was not available in the 2013 Master Facilities Plan. As such, ODCA cannot calculate the total cost spent per square foot for these projects.

^ Cost Per Square Foot and Cost Per Student for Ward Totals are averages across the entire ward. For the Grand Total, these calculations represent the average across all eight wards.

** Total expenditures for FY 2010 for Woodrow Wilson High School were $34,547,710. Woodrow Wilson Pool had a $4,308,747 credit because a portion of the expenditures that were originally recorded using school modernization funds in prior years were allocated to Department of Parks and Recreation.