



# AUDIT HIGHLIGHTS

## SUSD Hohokam Bond Project

October 13, 2021

Audit Report No. 2116

### WHY WE DID THIS AUDIT

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

### BACKGROUND

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

### City Auditor's Office

City Auditor 480 312-7867  
Integrity Line 480 312-8348  
[www.ScottsdaleAZ.gov](http://www.ScottsdaleAZ.gov)

### WHAT WE FOUND

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

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

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

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

#### **Management of the Design services contract could be improved.**

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

#### **Documentation standards and methods should be improved.**

### WHAT WE RECOMMEND

We recommend the District Superintendent require Building Services to:

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

### MANAGEMENT RESPONSE

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