

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

**AUDIT OF THE DISTRICT
OF COLUMBIA PUBLIC SCHOOLS
CAPITAL IMPROVEMENT PROGRAM**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



March 23, 2006

Clifford B. Janey, Ed.D.
Superintendent
District of Columbia Public Schools
825 North Capitol Street, N.E., 9th Floor
Washington, D.C. 20002

Dear Dr. Janey:

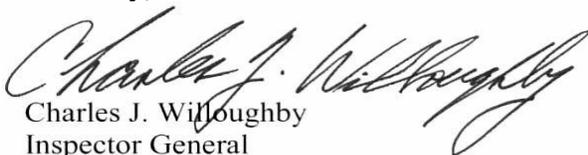
Enclosed is the final report (OIG No. 05-1-08GA) summarizing the results of the Office of the Inspector General's (OIG) *Audit of the District of Columbia Public Schools Capital Improvement Program (CIP)*.

Our report contains three recommendations for necessary action to correct the described deficiencies. We received a response to a draft of this report on March 3, 2006, from the Superintendent of the District of Columbia Public Schools (DCPS), who agreed with all our recommendations. We consider actions taken and/or planned by DCPS to be responsive to the recommendations. The full text of DCPS's response is included at Exhibit C.

Although no recommendations were made to the United States Army Corps of Engineers (USACE), we received a response to our draft report from USACE on March 1, 2006. USACE disagreed with certain aspects of our report. Accordingly, we reexamined our facts and conclusions and determined that our report is presented fairly. We also summarized the issues raised by USACE and provided OIG comments thereon. The full text of USACE's response is included at Exhibit D.

We appreciate the cooperation and courtesies extended to our staff during the audit by both DCPS and USACE personnel. If you have questions, please contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,


Charles J. Willoughby
Inspector General

Enclosure

CJW/ws

cc: See Distribution List

DISTRIBUTION:

The Honorable Anthony A. Williams, Mayor, District of Columbia (1 copy)
Mr. Robert C. Bobb, Deputy Mayor/City Administrator, District of Columbia (1 copy)
Ms. Alfreda Davis, Chief of Staff, Office of the Mayor (1 copy)
Ms. Sharon Anderson, Deputy Chief of Staff, Policy and Legislative Affairs (1 copy)
Mr. Vincent Morris, Director, Office of Communications (1 copy)
The Honorable Linda W. Cropp, Chairman, Council of the District of Columbia (1 copy)
The Honorable Vincent B. Orange, Sr., Chairman, Committee on Government Operations,
Council of the District of Columbia (1 copy)
Mr. Herbert R. Tillery, Deputy Mayor for Operations (1 copy)
Mr. Stanley Jackson, Deputy Mayor for Planning and Economic Development (1 copy)
Ms. Brenda Donald Walker, Deputy Mayor for Children, Youth, Families,
and Elders (1 copy)
Mr. Edward D. Reiskin, Deputy Mayor for Public Safety and Justice (1 copy)
Mr. Ira Stohlman, Acting Secretary to the Council (13 copies)
Mr. Robert J. Spagnoletti, Attorney General for the District of Columbia (1 copy)
Dr. Natwar M. Gandhi, Chief Financial Officer (5 copies)
Mr. Ben Lorigo, Executive Director, Office of Integrity and Oversight, OCFO (1 copy)
Ms. Deborah K. Nichols, D.C. Auditor (1 copy)
Ms. Kelly Valentine, Interim Chief Risk Officer, Office of Risk Management,
Attention: Monique Labeach Poydras (1 copy)
Mr. Jeffrey C. Steinhoff, Managing Director, FMA, GAO (1 copy)
Ms. Jeanette M. Franzel, Director, FMA, GAO (1 copy)
The Honorable Eleanor Holmes Norton, D.C. Delegate, House of Representatives
Attention: Rosaland Parker (1 copy)
The Honorable Tom Davis, Chairman, House Committee on Government Reform,
Attention: Melissa C. Wojciak (1 copy)
Ms. Shalley Kim, Professional Staff, House Committee on Government Reform (1 copy)
The Honorable Joe Knollenberg, Chairman, House Appropriations Subcommittee on
Transportation, Treasury, and Housing and Urban Development, the Judiciary, District of
Columbia (1 copy)
Ms. Dena Baron, Subcommittee Clerk, House Appropriations Subcommittee on
Transportation, Treasury, and Housing and Urban Development, the Judiciary, District of
Columbia (1 copy)
The Honorable George Voinovich, Chairman, Senate Subcommittee on Oversight of
Government Management, the Federal Workforce, and the District of Columbia (1 copy)
Mr. David Cole, Professional Staff Member, Senate Subcommittee on Oversight of
Government Management, the Federal Workforce, and the District of Columbia (1 copy)
The Honorable Daniel K. Akaka, Senate Subcommittee on Oversight of Government
Management, the Federal Workforce, and the District of Columbia (1 copy)
Ms. Nanci Langley, Staff Director/Chief Counsel, Senate Subcommittee on Oversight of
Government Management, the Federal Workforce, and the District of Columbia (1 copy)

The Honorable Sam Brownback, Chairman, Senate Appropriations Subcommittee on the District of Columbia (1 copy)
Ms. Mary Dietrich, Majority Clerk, Senator Sam Brownback (1 copy)
The Honorable Mary Landrieu, Senate Subcommittee on D.C. Appropriations (1 copy)
Ms. Kate Eltrich, Clerk, Senate Subcommittee on D.C. Appropriations (1 copy)
The Honorable Susan M. Collins, Chairperson, Senate Committee on Governmental Affairs
Attention: Johanna Hardy (1 copy)
The Honorable Joseph Lieberman, Ranking Minority Member, Senate Committee on Governmental Affairs, Attention: Patrick J. Hart (1 copy)
Mr. Mike Rogers, Program Director D.C. Projects, United States Army Corps of Engineers (1 copy)

**AUDIT OF THE DISTRICT OF COLUMBIA PUBLIC SCHOOLS
CAPITAL IMPROVEMENT PROGRAM**

TABLE OF CONTENTS

EXECUTIVE DIGEST..... i

INTRODUCTION

 BACKGROUND1

 OBJECTIVES, SCOPE, AND METHODOLOGY2

FINDINGS AND RECOMMENDATIONS

 FINDING 1: THE BARNARD ELEMENTARY SCHOOL PROJECT 4

 FINDING 2: CURRENT MANAGEMENT IMPROVEMENTS.....10

EXHIBITS

 EXHIBIT A: SUMMARY OF POTENTIAL BENEFITS RESULTING
 FROM AUDIT19

 EXHIBIT B: BARNARD SCHOOL CONSTRUCTION CONTRACT
 MODIFICATIONS20

 EXHIBIT C: DCPC RESPONSE22

 EXHIBIT D: USACE RESPONSE24

EXECUTIVE DIGEST

OVERVIEW

The District of Columbia Office of the Inspector General (OIG) has completed an audit of the District of Columbia Public Schools Capital Improvement Program (CIP). For fiscal years (FY) 1998 through 2003, the CIP was authorized approximately \$722 million in funding. We conducted this audit as part of the OIG FY 2006 Audit and Inspection Plan.

In September 1999, officials of the District of Columbia Public Schools (DCPS) and the United States Army Corps of Engineers (USACE) conducted a capital improvement study of the public school facilities located in the District of Columbia (District) in support of the goals and objectives outlined in the 1995 "Preliminary Facilities Master Plan for the District of Columbia Public Schools" (FMP).¹ The goals and objectives of the FMP were to make the District's school environment engaging, compelling, effective, and efficient for learning, teaching, and working. The CIP was a by-product of the FMP designed to correct significant deficiencies and make long term improvements in the District's public school facilities.

DCPS operates 150 schools with an average building age of 63 years². In this regard, DCPS Office of Facilities Management (OFM) is charged with providing resources to manage and maintain a safe educational environment through facility upkeep and maintenance. OFM's responsibilities include facility operations, maintenance, planning, design, and construction services. In April 1998, OFM requested assistance from the USACE in the implementation and management of the CIP. During FY 1998 through FY 2005, the CIP was managed jointly by the OFM and USACE. Currently, OFM is primarily responsible for oversight and management of the CIP.

Our specific audit objectives were to gain a general understanding of the CIP and to identify improvement opportunities for DCPS. We limited the scope of our review to the Barnard Elementary School Project. Our audit also included an evaluation of the current efforts and progress made by DCPS in its overall ability to manage future public school construction projects. Accordingly, we plan to conduct additional audits related to the CIP in future years.

CONCLUSIONS

This report contains two findings that detail the conditions found during the audit. The first finding disclosed that USACE, while acting in its capacity as the contracting official for DCPS, did not fully comply with the intent of the Federal Acquisition Regulations by establishing definitive requirements prior to awarding the contract for the construction of the Barnard Elementary School project. USACE, in consultation with DCPS, awarded the

¹ The Preliminary Facilities Master Plan was developed to identify a system-wide need to repair and modernize school facilities to support educationally appropriate programs. The estimated cost to implement the plan was \$1.2 billion.

² This specific information was obtained from DCPS officials; however we did not verify this statement.

EXECUTIVE DIGEST

construction contract even though the design concept was only 75 percent complete; as such, the award was made without obtaining the independent government estimated cost of construction based on a definitive and complete design requirement. USACE issued 77 contract modifications, valued at more than \$3.5 million, to provide the contractor with the proper specifications to finish the project and to cover the cost of other building enhancements.

As a result, the Barnard Elementary School was not completed by the established deadline and the project experienced about a 20 percent cost growth, amounting to more than \$3.5 million. This condition occurred primarily because of a need for improved acquisition planning on the part of DCPS and USACE.

The second finding addressed current efforts and progress made by DCPS in its overall capacity to manage public school capital projects. We found that DCPS has made recent organizational improvements that positively impact its ability to manage CIP projects in an effective and efficient manner. DCPS is improving its overall operations by simplifying its organizational structure in order to facilitate effective communication between managers and subject matter experts. DCPS is also in the process of drafting and implementing standard operating procedures that further clarify individual roles, duties, and responsibilities. Finally, we noted that DCPS plans to hire additional personnel in specialized areas – such as a supervisory facility operations specialist, a supervisory construction analyst, and a supervisory general engineer – to aid in the implementation of the CIP.

In our opinion, the current efforts underway by DCPS are effective steps in the right direction and if continued, will aid DCPS in functioning in a more efficient and effective manner and reduce response time to public school facilities issues. Specifically, DCPS is making positive strides in building an infrastructure to handle school construction projects.

SUMMARY OF RECOMMENDATIONS

We directed three recommendations to the Superintendent, DCPS to correct the deficiencies cited in the report. The recommendations centered on:

- Implementing procedures to ensure that CIP projects are adequately planned in advance, prior to the awarding of a contract;
- Establishing definitive requirements prior to awarding construction contracts; and
- Resolving any outstanding construction deficiencies at Barnard Elementary School.

EXECUTIVE DIGEST

MANAGEMENT RESPONSES AND OIG COMMENTS

On March 3, 2006, we received a response to a draft of this report from the Superintendent of the District of Columbia Public Schools (DCPS), who agreed with all our recommendations. We consider actions taken and/or planned by DCPS to be responsive to the recommendations. The full text of DCPS's response is included at Exhibit C.

Although no recommendations were made to the United States Army Corps of Engineers (USACE), we received a response to our draft report from USACE on March 1, 2006. USACE disagreed with certain aspects of our report. Accordingly, we reexamined our facts and conclusions and determined that our report is presented fairly. The full text of USACE's response is included at Exhibit D.

INTRODUCTION

BACKGROUND

The mission of the District of Columbia Public Schools System (DCPS) is to provide a viable and comprehensive system of publicly-supported education for students from pre-kindergarten through grade 12. DCPS also provides educational services for students with special needs and career training opportunities for adults at career development centers. DCPS operates 150 schools with an average building age of 63 years. The combination of aging structures and deferred maintenance of the District's public school facilities has created many emergencies during the last several years such as failing boilers, deteriorating walls, inoperable windows, and leaking roofs. In April 1998, the DCPS requested assistance from the United States Army Corps of Engineers (USACE) in the implementation and management of the Capital Improvement Program (CIP).

USACE is a part of the United States Army that employs military and civilian engineers, scientists, and other specialists in engineering and environmental matters to provide quality, responsive engineering services to the nation. These services include: (1) planning, designing, building, and operating water resources and other public works projects; (2) designing and managing the construction of military facilities for the Army and Air Force; and (3) providing design and construction management support for other defense and federal agencies.

Memorandum of Agreement. In April 1998, the Executive Director of the Control Board, the District of Columbia Chief Procurement Officer, and the CEO for DCPS executed a Memorandum of Agreement (MOA) with USACE. During the period of FY 1998 through FY 2004, DCPS issued 20 support agreements that defined the role of USACE. The agreements also authorized approximately \$722 million in funding for various aspects associated with the CIP. The assistance of USACE was essential to DCPS during a period of instability, characterized by high personnel turnover, as evidenced by five DCPS Office of Facilities Management (OFM) directors in 6 years.

Public Law 105-277. The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, Pub. L. No. 105-277, § 132, 112 Stat. 2681-139, enacted October 21, 1998, by the Congress of the United States, enabled USACE to accept service requests from DCPS. The legislation allowed:

1. DCPS to place orders with USACE for engineering and construction and related services;
2. USACE to accept the orders on a cost reimbursement basis; and
3. USACE to provide services to DCPS under contract.

INTRODUCTION

The legislation also authorized USACE to provide construction services by contract and required USACE to comply with the provisions contained in the Federal Acquisition Register (FAR) for all contracting actions.

Barnard Elementary School Project. In 1999, DCPS and USACE combined resources to evaluate and study the condition of District schools and to plan a strategy and budget to address the issues identified. The study resulted in a report entitled, “DCPS Elementary School Educational Specification/A New Generation of Schools” (feasibility study). The feasibility study included preliminary budgets³ for various school (Barnard, Miner, and Randle Highland elementary schools) modernization projects. This audit report includes the results of our review of the Barnard Elementary School project.

Applicable Laws and Regulations. FAR Subpart 7.104 and Title 27, District of Columbia Municipal Regulations (DCMR) § 1210.5 provide guidance on acquisition (or procurement) planning. In addition, both the FAR and DCMR define procurement or acquisition planning as the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost. (See 48 Code of Federal Regulations. § 2.101 and DCMR § 27-1299.1.)

Acquisition planning includes developing the overall strategy for managing the acquisition. The regulations require agencies to begin acquisition and/or procurement planning as soon as a requirement is identified, preferably well in advance of the fiscal year in which contract award or order placement is necessary. FAR Subpart 7.105 (b)(3) requires that source-selection procedures be part of the acquisition plan.

FAR guidance for awarding contracts can be found in Parts 14, 15, and Part 36, which specifically applies to construction. FAR Subpart 14.5 describes the two-step sealed bidding approach, and FAR Part 15 describes contracting by negotiations resulting from requests for proposals. FAR Part 36 contains further guidance specific to awards of construction contracts as well as those for architectural and engineering services.

OBJECTIVES, SCOPE, AND METHODOLOGY

We announced that the DCPS CIP audit would include a set of audit objectives to be covered by a series of reviews. The overall objectives are to determine whether: (1) the DCPS Facilities Master Plan (FMP) was being implemented in accordance with established policies and procedures; (2) the FMP effectively addressed capital improvement needs of the school system; (3) capital projects were properly authorized and prioritized; (4) procurement and acquisition policies and practices were effective and followed as prescribed; (5) projects were

³ For the purpose of this report, budget costs relate to the cost of construction.

INTRODUCTION

effectively and efficiently executed and were adequately monitored; and (6) sufficient management controls were in place over the CIP.

Our specific objectives for this audit were to gain a general understanding of the CIP and to identify improvement opportunities for DCPS. The scope of our review was limited to the Barnard Elementary School Project. The audit also included an evaluation of the current efforts and progress made by DCPS in its overall ability to manage future public school projects. We plan to conduct additional audits related to the CIP in future years.

To accomplish our objectives, we held interviews and discussions with USACE and DCPS officials to obtain information on contracts issued and managed and other tasks accomplished in accordance with the MOA. We contacted or met with officials of the District of Columbia's Office of the Chief Financial Officer and the Office of Planning and Budget. Discussions and/or interviews were held with officials of OFM, DCPS's Office of Compliance and Integrity, and the DCPS Contracting Office.

In addition, we examined and analyzed CIP records, contract documentation, and reports maintained by USACE and DCPS. In planning our audit, we also considered the efforts of the D.C. Auditor relative to the CIP.

We relied on computer-processed data from USACE to provide us with detailed information on vendor payments and drawdowns/reimbursements. Although we did not perform a formal reliability assessment of the computer-processed data, we determined that the hard copy documents that we reviewed generally agreed with the information contained in the computer processed data. We did not find errors that would preclude use of the computer-processed data to meet the audit objectives or that would change the conclusions in this report.

The audit primarily covered construction relating to the Barnard Elementary School project for the period January 2001 through January 2003, and OFM operating procedures that were effective during FY 2005. The audit was conducted in accordance with generally accepted government auditing standards, and included such tests as we considered necessary under the circumstances.

FINDINGS AND RECOMMENDATIONS

FINDING 1: THE BARNARD ELEMENTARY SCHOOL PROJECT

SYNOPSIS

USACE, while acting in its capacity as the contracting official for DCPS, did not fully comply with the intent of the FAR for establishing a definitive requirement prior to awarding the contract for the construction of the Barnard Elementary School project. USACE awarded the contract when the design concept was only 75 percent complete; therefore, the contract was awarded without obtaining the independent government estimated cost of construction based on a definitive and complete requirement. USACE issued 77 contract modifications⁴ to provide the contractor with the necessary specifications to finish the project and for additional enhancements. Costs related to the contract modifications totaled more than \$3.5 million.

We attribute this condition mainly to a need for improved acquisition planning on the part of DCPS and USACE. We also noted that a decision was made by DCPS officials to accelerate the project completion date, which ultimately affected the total project cost. As a result, the Barnard Elementary School was not completed by the established deadline and the project experienced over a 20 percent cost growth, amounting to more than \$3.5 million. The \$3.5 million was mainly spent in two categories – changes due to an incomplete design and facility improvements.

DISCUSSION

Acquisition Planning. An acquisition plan specifies the government’s approach to soliciting and evaluating proposals. The goal of acquisition planning is to fulfill the agency need in a timely manner and at a reasonable cost. Therefore, acquisition planning should begin as soon as the agency need is identified, preferably well in advance of the fiscal year in which the contract award is necessary.

In December of 1999, the DCPS Board of Education, DCPS officials, an educational consultant, an architect, and community interest groups (the committee) conducted an educational specification study focused on the District’s elementary schools. The purpose of the study was to develop specifications for elementary school construction projects identified in the CIP that incorporated educational and community interests.

The committee’s recommendations were published in the “DCPS Elementary School Educational Specifications/A New Generation of Schools” in December 1999 and included three cost options for the Barnard Elementary School project. According to the study, the

⁴ Our report discusses only those contract modifications that resulted in an increase or decrease with respect to the original contract amounts.

FINDINGS AND RECOMMENDATIONS

Barnard Elementary School project cost options ranged from a low of \$14.3 million to a high of \$17.9 million. The committee decided to build a new Barnard Elementary School and to demolish the existing one, resulting in the higher estimated project costs of \$17.9 million.

In January 2001, DCPS officials decided to build and open the new school in September 2002. Based upon this decision, the time allotted to complete the Barnard Elementary School project was 21 months. USACE officials stated that DCPS officials accelerated the project completion date in order to demonstrate progress in renovating the District's schools.

In our opinion, DCPS should have begun planning for this project prior to January 2001. According to USACE officials, the average time allotted for building a school is approximately 2½ years, 12 months for the design/drawings and 18 months for the construction (or 30 months in total). Therefore, we conclude that planning should have occurred before January 2001, in order to meet the established construction deadline date of September 2002.

Fast-Track Construction Project.⁵ USACE developed a Project Management Plan (PMP) dated January 16, 2001, for the construction of the school. The PMP contained a risk assessment indicating that the decision to accelerate the school's construction would reduce the normal time needed to design and construct the school. The PMP called for the development of a "biddable set" of construction documents that would enable the contractor to begin the site work and required that the existing facility be utilized while the new elementary school was being completed.

USACE attempted to meet the DCPS September 2002 deadline for the opening of the Barnard Elementary School by: (1) using the two-step award procurement method,⁶ (2) awarding the contract to the lowest priced, technically acceptable contractor; and (3) establishing a government cost estimate on a design that was only 75 percent complete. DCPS accepted the plan of advertising the project for bid based on a design that was less than 100 percent complete.

Government Estimated Cost of Construction. FAR Subpart 36.203 requires the independent government estimated cost of construction to be based on a definitive requirement when the two-step sealed bidding process is used. This is necessary because the independent government estimated cost of construction is a primary basis for the contract award under the second step of the two-step sealed bidding methodology.

⁵ Fast-Track Construction is a process where the design team issues multiple bid packages and design work continues while actual construction takes place.

⁶ The Two-Step Sealed Bidding Process is a comparative procurement method used to obtain the benefits of sealed bidding when adequate specifications are not known.

FINDINGS AND RECOMMENDATIONS

However, USACE developed the independent estimated cost of construction, which was used as a basis for awarding the Barnard Elementary School construction contract, when the design concept was only 75 percent complete. USACE awarded a firm-fixed priced contract indicating that the requirement was definite and represented a low performance risk on the part of the contractor; however, the design was not complete and the risk for the government was significantly high.

Procurement Methods. DCPS records indicate that USACE was involved in 12 school construction projects. Contractors were selected and contracts were awarded for those projects using two procurement methods: (1) Two-Step Sealed Bidding Process; and (2) Negotiated Tradeoff Process. These two methods are described below.

Two-Step Sealed Bidding Process. FAR Subpart 14.5 describes the Two-Step Sealed Bidding Process as a combination of competitive procedures designed to obtain the benefits of sealed bidding when adequate specifications are not available. It is conducted in two steps:

- Step one consists of the request for submission, evaluation, and (if necessary) discussion of a technical proposal. The purpose of step one is to pre-qualify a pool of offerors that will be allowed to respond to invitations for bids.
- Step two involves the submission of sealed priced bids by offerors who submitted acceptable technical proposals in step one. Bids submitted are evaluated and the award is made based on the lowest priced bid.

USACE elected to use the Two-Step Sealed Bidding Process for the award of the Barnard Elementary School construction project. On January 5, 2001, USACE placed a notice in the Commerce Business Daily advertising a January 16, 2001, request for technical proposals for pre-qualification. On March 30, 2001, USACE pre-qualified eight contractors, rendering them eligible to submit sealed bids for the project. The contract was awarded on June 21, 2001, to the lowest bidder.

Negotiated Tradeoff Process. FAR Subpart 15.101 and 15.101-1 describe the Negotiated Tradeoff Process as a negotiated acquisition process that allows awards to the bidder providing the best value to the government rather than to the lowest priced or highest technically rated bidder. The tradeoff approach requires preparing and issuing requests for proposals and requests for information and receiving proposals and information in accordance with the FAR Subpart 15.101-1(b).

Under the Negotiated Tradeoff Process, the competition is open to any contractor that submits a proposal in response to the solicitation. The proposals are reviewed by evaluation teams, which rate them on pre-established criteria such as technical considerations, business operations, past performance, and cost. Because the contractors are evaluated on their

FINDINGS AND RECOMMENDATIONS

approach to the advertised requirements, as opposed to the two-step process where contractors are evaluated solely on the lowest bid, the tradeoff award represents the overall best value to the government. As such, it is the preferred mechanism for awarding contracts.

We noted that USACE used the Negotiated Tradeoff Process to award 9 of 12 construction contracts for the CIP. However, USACE used the Two-Step Sealed Bidding Process to award the Barnard, Miner, and Randle Highland elementary school contracts, which were all accelerated projects advertised in the same solicitation.

Contract Award. FAR Subpart 16.202-1 describes firm-fixed price contracts. A firm-fixed price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. It provides maximum incentive for the contractor to control costs and perform effectively, and imposes a minimum administrative burden upon the contracting parties.

In June 21, 2001, USACE awarded a \$17.1 million firm-fixed price contract for the project. However, in order to complete the project, 77 modifications were executed totaling \$3.5 million (Exhibit B lists the modifications). The modifications were necessary to provide the contractor with complete specifications to finish the project and to account for additional enhancements.

Project Completion. The PMP required that the existing Barnard Elementary School facility be utilized while the new elementary school was under construction. Barnard Elementary School was scheduled for opening in September 2002; however, the contractor did not complete construction of the school by that date. The school was opened in January 2003.

Table 1 shows the chronology of events related to the Barnard Elementary School project.

FINDINGS AND RECOMMENDATIONS

TABLE 1. CHRONOLOGY OF EVENTS BARNARD ELEMENTARY SCHOOL PROJECT		
EVENT DESCRIPTION	DATE	PURPOSE
Request for Proposal-Step One pre-qualification	January 5, 2001	Publicize in the Commerce Business Daily (CBD)
Project Management Plan	January 16, 2001	Barnard Elementary School acquisition plan and strategy determined
Pre-qualified contractors selected	March 30, 2001	Determine contractors eligible to submit sealed bids in response to the Invitation for Bids (IFB)
CBD Notice for IFBs on Barnard Construction Project	May 7, 2001	IFB publicized in the CBD
Specifications Bid Documents (design concept) completed to 75%	May 15, 2001	Information necessary for offerors to prepare bids; basis of the government cost estimate
Government estimate (\$17.165 million) approved by USACE	June 19, 2001	Estimated cost of construction based on 75% design concept
Sealed Bids opened	June 20, 2001	Lowest bid identified
DCPS concurs with USACE on contract award	June 20, 2001	Supports the award of the contract to lowest bidder
USACE Contract Award	June 21, 2001	Contract award
98% Submission of Contract Documents	July 31, 2001	Additional specifications submitted to the contractor via contract modifications
100% Final Contract Drawings	September 24, 2001	Post Award Revision & Clarification #1; design completed
Post Award Clarification #2	December 27, 2001	Post award instructions
First of 77 contract modifications amounting to about \$3.5 million issued	March 25, 2002	Supplemental drawings and specifications are beginning to be provided to construction contractor
Barnard School opened	January 2003	Construction took about 18 months

SUMMARY

USACE, while acting in their capacity as the contracting official, awarded the contract for the Barnard Elementary School project, although the design concept was only 75 percent complete. Consequently, numerous contract modifications were executed to provide the contractor with the proper specifications to finish the project. The original contract was awarded in the amount of \$17.1 million, but the project experienced cost growth in the amount \$3.5 million, with final project costs totaling \$20.6 million. Additionally, the Barnard Elementary School was not completed by the established deadline. This situation occurred primarily because of a need for improved procurement planning by DCPS and USACE. In conclusion, it is our opinion that school projects should be adequately and

FINDINGS AND RECOMMENDATIONS

completely planned in advance to lessen the impact of conditions, such as cost growth, in future construction projects.

SITE VISIT

On January 26, 2006, the OIG conducted a site visit to Barnard Elementary School. During our visit, school officials expressed concerns about possible deficiencies in the work performed by the contractor. These concerns included the following:

1. The heating and cooling system
2. Lighting inside the school
3. Security cameras
4. The school playground
5. Gates (security fences)

In addition, we were informed of several incidences of vandalism occurring since the new school was built.

FINDINGS AND RECOMMENDATIONS

FINDING 2: CURRENT MANAGEMENT IMPROVEMENTS

SYNOPSIS

DCPS has made recent organizational changes that are likely to improve its ability to manage capital projects in an effective and efficient manner. Specifically, OFM is simplifying its organizational structure in order to facilitate interrelated operations and improved communication between managers and subject matter experts. OFM also is in the process of drafting and implementing standard operating procedures that further clarify employee roles, duties, and responsibilities. Finally, we noted that OFM plans to hire additional personnel in specialized areas – such as a supervisory facility operations specialist, a supervisory construction analyst, and a supervisory general engineer – to aid in the implementation of the CIP.

In our opinion, the current efforts made by DCPS are steps in the right direction. These efforts will aid OFM in functioning in a more efficient manner and are likely to improve response time to public school facility issues. Overall, we believe DCPS is making positive strides in building an infrastructure to manage school construction projects.

DISCUSSION

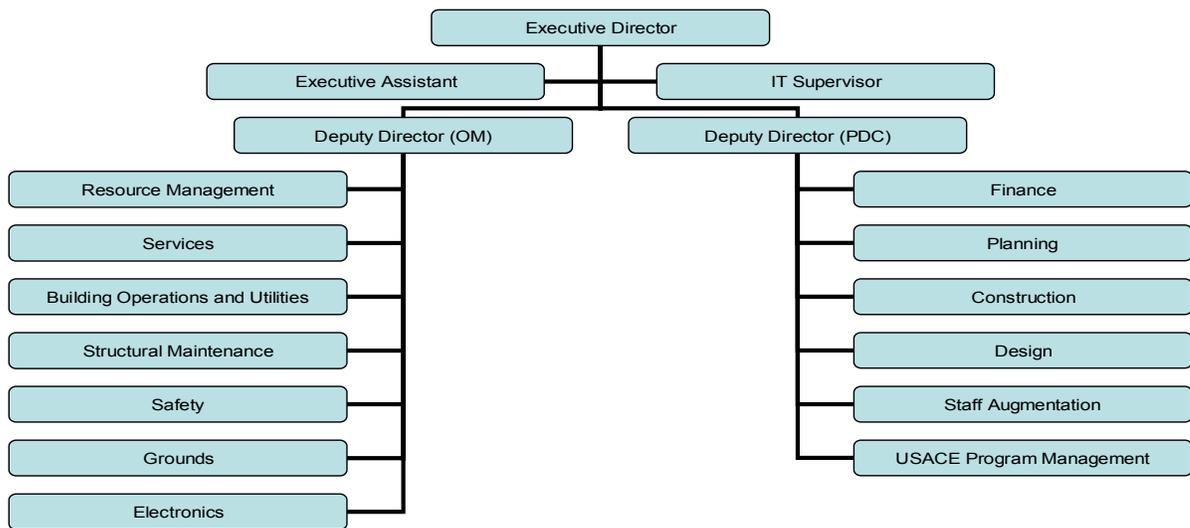
Background. OFM has a staff of approximately 365 full-time employees with an annual operating budget of \$23 million. In addition, OFM manages a 6-year capital budget of \$640 million and is responsible for the repair, maintenance, renovation, and replacement of DCPS facilities. OFM accomplishes much of its mission through implementation of the CIP.

Original Management Organization. Figure 1 on the following page illustrates the OFM management structure before its reorganization. This organizational structure depicts a “stovepipe” managerial model where communication flows vertically but not horizontally. The original organizational structure contained two Deputy Directors, one for operations and maintenance (OM) and one for planning, design, and construction (PDC). In addition to the Deputy Directors, there was an Executive Staff Assistant (ESA) and Information Technology Supervisor (IT Supervisor) in the chain-of-command.

FINDINGS AND RECOMMENDATIONS

FIGURE 1

Original DCPS Office of Facilities Management Organizational Chart



Operations and Maintenance (OM). The Deputy Director of the OM Directorate is responsible for managing the following functions: resource management, services, building operation and utilities, structural maintenance, safety, grounds, and electronics.

Planning, Design and Construction (PDC). The Deputy Director of the PDC Directorate is responsible for managing the following functions: finance, planning, construction, design, staff augmentation, and USACE.

In our opinion, the original organizational structure was ineffective, as configured, because coordination between resource personnel within the OM and PDC Directorates was impeded. The “stovepipe” management structure and the differences in job discipline between the professional and technical staff can result in an organization incapable of operating in an effective and efficient manner because of, for example, communications problems. In addition, it may delay response time in solving problems.

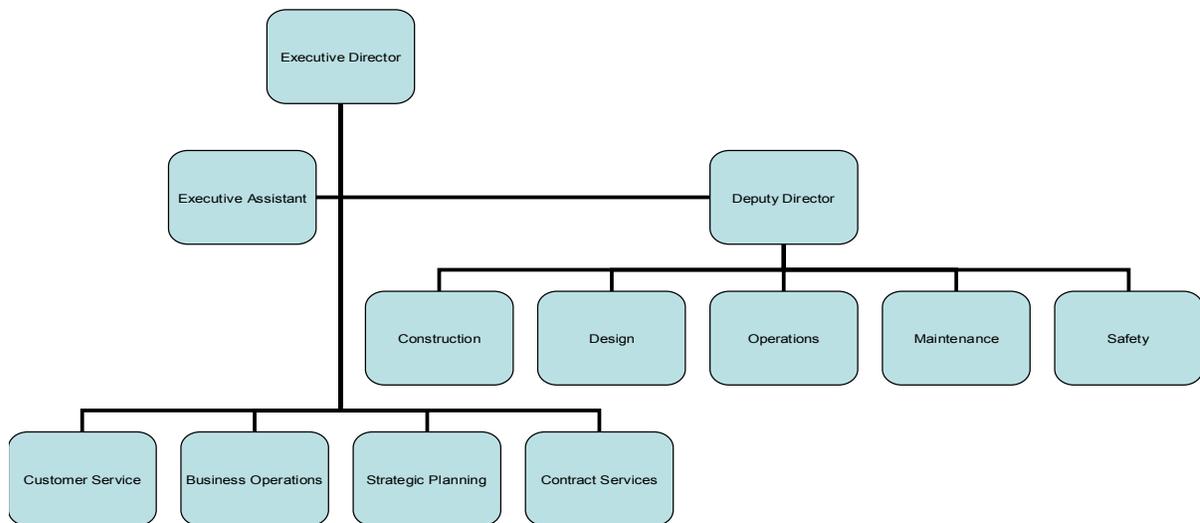
FINDINGS AND RECOMMENDATIONS

OFM Management Reorganization. The changes in OFM operations have simplified its organizational structure in a manner that encourages increased interaction between the managers and the subject matter experts.

Figure 2 below illustrates the on-going reorganization of the OFM.⁷ The reorganization process is scheduled to continue through FY 2006. However, the basic changes detailed below are currently operational.

Figure 2⁸

New DCPS Office of Facilities Management Organizational Chart



The reorganization of OFM eliminates one level of supervision making the Deputy Director of Facilities Management the responsible officials for construction, design, operations, maintenance, and safety. It also reduces or eliminates OFM's current reliance on contractors and USACE for staff augmentation. It is designed to provide the OFM complete control (authority, responsibility, and accountability) over its facility management mission.

Previously, 2 deputy directors were responsible for the operations of 13 functional areas along with the IT Supervisor and the Executive Assistant; all of whom reported directly to

⁷ According to OFM official, the reorganization process is approximately 80 percent complete.

⁸ Although shown in the organizational chart as on the same level as the Deputy Director, the Executive Assistant does not have any supervisory responsibilities.

FINDINGS AND RECOMMENDATIONS

the Executive Director. In the new organizational structure, OFM consolidated 13 divisions into 9 functional areas. The Executive Director is responsible directly for four functional areas. One of the deputy director positions was eliminated, leaving the remaining deputy director in charge of five functional areas.

Draft Interoffice Procedures. OFM is in the process of drafting an interoffice procedural guide that will clearly define every function within the office. Chapter One is entitled “Milestone/Events and Sectional Interactions During a Large Construction Project.” Topics covered in Chapter One under the subtitle “Clear procedures on how to plan a large construction project” include:

- budgeting/estimating
- project funding
- architect/engineer selection
- design phase reviews
- bid proposals
- construction manager selection
- progress meetings
- change orders and equal product proposals
- site walk-through
- training

The development of standard operating procedures is a step in the right direction.

Hiring Additional Personnel. OFM plans to hire additional personnel in specialized areas – such as a supervisory facility operations specialist, a supervisory construction analyst, and a supervisory general engineer – to aid in the implementation of the CIP. A brief description of the employees to be hired follows:

- Deputy Director of Facilities Management. Located in OFM, this position reports to the Executive Director and is responsible for day-to-day management of the Operations, Maintenance, Design, Construction, and Safety Units of OFM. Duties include: planning, execution, and operation of the OFM units; developing strategy and programmatic objectives; monitoring capital budgets to secure resource needs relative to program requirements; and reviewing and analyzing related legislation and maintaining ongoing contact with the Executive Director.

The position supervises the staff responsible for a variety of interrelated facilities management functions including, in part, building maintenance, housekeeping, energy management, grounds maintenance, design management, construction management, and environmental safety programs. The Deputy Director will interact with building engineers, maintenance personnel, architects, environmental specialists, and outside contractors.

FINDINGS AND RECOMMENDATIONS

- Supervisory Facility Operations Specialist. Located in OFM's Contract Services Section, this position serves as the Senior Principal Manager for all contractual services of OFM and provides broad agency oversight and strategic planning for contracts affecting operations, planning, design, and construction related contracts exceeding \$200 million annually, as well as minor capital construction projects ranging from \$2,000 to \$200,000.

Responsibilities include: establishing policies; planning; ascertaining efficient and economical use of resources; evaluating the effectiveness of utilization of resources; redirecting efforts by revising priorities and changing emphasis; establishing control over program schedules and resources; coordinating the resource management activities with the activity managers and the higher level officials; participating in DCPS Chief Financial Officer and other related office reviews of contracts and budgets; reviewing the progress of assignments; analyzing the status of resource requirements and developing contractual strategy.

- Supervisory Construction Analyst. This position serves within the Capital Programs Division of the Construction Unit and reports to the Deputy Director of Facilities Management.

Responsibilities include: supervising the advertisement and award of construction contracts; assisting in the development of the comprehensive 6-year CIP; developing and managing the construction portion of the facilities' organization that ensures compliance with rules, regulations, and policies associated with DCPS, the D.C. government, and the federal government; establishing short-range, mid-range and long-range planning strategies, budget control, and a tracking mechanism for a capital budget of approximately \$600 million; providing technical advice to Executive Director; preparing and submitting reports to DCPS and other related parties; and assisting the Executive Director in reviewing all proposals.

- Supervisory General Engineer. According to the job description, this position reports to the Deputy Director of Facilities Management and/or the Executive Director and coordinates diversified designs and construction requirements for DCPS facilities.

Responsibilities include: directing the projects of the architectural and engineering units that help to facilitate the CIP; planning, recommending, and developing all capital projects that involve architectural and engineering design services, whether performed by staff personnel or by contracted firms; administering all designs and engineering contracts; interpreting contractual provisions and resolving contractual disputes; providing technical advice and consulting services to other District agencies; and enforcing D.C. Government Guides, and Occupational Safety and Health Administration (OSHA) compliance requirements.

FINDINGS AND RECOMMENDATIONS

- Industrial Hygienist. This position reports to the Environmental Safety Compliance Officer on the status of HAZMAT management activities and indoor air quality concerns.

Responsibilities include: developing local policy and presenting technical reports and evaluations on industrial hygiene environmental matters pertaining to the safe and efficient execution of assigned projects; developing and updating emergency spill and contingency plans; managing hazardous waste storage and removal; managing the Operations of Hazardous Materials Management and Abatement program for DCPS; ensuring compliance with regulations of the District of Columbia OSHA, as well as similar safety and health requirements pertaining to DCPS employees and related equipment; providing guidance to DCPS in HAZMAT matters; and monitoring contractors' conformance to hygiene policy.

- Supervisory, Safety and Occupational Health Specialist. Located in the DCPS Office of Occupational Safety and Health, this position reports to the OFM Executive Director and Environmental Safety Compliance Officer. This position is responsible for identifying and analyzing the potential severity and frequency of safety and health risks, and for evaluating loss and liability issues for the school system.

Duties include: planning, directing, and coordinating risk and insurance programs of the school system to control risks and losses, and determining risk retention and/or transfer; developing accident-prevention and loss-control programs for incorporation into operational policies of schools; coordinating safety activities of unit managers; and identifying mandatory training for employees.

Conclusion

In our opinion, the current efforts underway by DCPS are steps in the right direction and if continued, will aid OFM in functioning in a more efficient manner. These efforts can also reduce response time with respect to public school facilities issues. In summary, DCPS is making positive strides in building an infrastructure to manage school construction projects.

RECOMMENDATIONS

We recommended that the Superintendent, District of Columbia Public Schools finalize the draft OFM interoffice procedural guide to ensure that:

1. CIP projects are adequately planned, as soon as the agency need is identified, and well in advance of the fiscal year in which the contract award is made; and
2. Definitive requirements are established prior to awarding construction contracts.

FINDINGS AND RECOMMENDATIONS

We recommended that the Superintendent, District of Columbia Public Schools

3. Coordinate with USACE, as appropriate, to resolve any outstanding issues concerning possible deficiencies in the construction of Barnard Elementary School.

DCPS RESPONSE (Recommendation 1)

DCPS concurs with the recommendation. In its response, DCPS stated that OFM has substantially revised its planning process and now uses a more structured approach that should insure plans are completed prior to contracts being awarded.

OIG COMMENT

DCPS's corrective actions are responsive and meet the intent of the recommendation.

DCPS RESPONSE (Recommendation 2)

DCPS concurs with the recommendation. DCPS stated that OFM's current planning process now ensures that definitive requirements are established and adhered to, and that contracts are awarded based on the established requirements. OFM expects to finalize their interoffice procedural guide and issue it in December 2006.

OIG COMMENT

DCPS's corrective actions meet the intent of the recommendation.

DCPS RESPONSE (Recommendation 3)

DCPS concurs with the recommendation. In its response, DCPS stated that staff from OFM will be assigned by March 17, 2006, to review the concerns expressed in the report regarding the construction work. OFM staff will be responsible for working with USACE staff to resolve these issues with the impacted contractors.

OIG COMMENT

DCPS's corrective actions are responsive and meet the intent of the recommendation.

FINDINGS AND RECOMMENDATIONS

USACE RESPONSE AND OIG COMMENT

We received a response to a draft of this report from the United States Army Corps of Engineers (USACE) on March 1, 2006. USACE disagreed with certain aspects of our report. Below is a summary of issues raised by USACE followed by OIG's comment:

USACE Position: The implication in the OIG report is that an agency requirement is not definitized, according to the FAR section 36.203, unless technical drawings and specifications are 100 percent complete in the terminology used by architects and engineers. The FAR does not require 100 percent drawings and specifications for the government to have a definitization of a contract requirement, as long as the agency requirement is described in sufficient detail to enable offerors to submit responsive price proposals.

OIG Comment: USACE's comments are noted. A definitive requirement for construction contracts based on complete drawings permits offerors to develop more meaningful and complete proposals. With only 75 percent of the design established, offerors can only bid to that portion of the design. Consequently, the balance of the work is completed through modifications, which in this case, amounted to 77 modifications totaling \$3.5 million.

USACE Position: The report states that USACE, in consultation with DCPS, awarded the construction contract even though the design concept was only 75 percent complete. The Barnard School construction contract acquisition strategy called for the preparation of 80 percent complete design documents (not 75 percent); and that an independent government estimate based on these documents was prepared.

OIG Comment: During the audit we obtained a memorandum prepared by an official of USACE, dated September 2, 2002, which specifically states that the contract documents were to be at 75 percent complete at the time of award. Further, irrespective of whether the design concept was 75 or 80 percent complete at the time of the award, maximum control over total project costs would require specifications to be 100 percent complete at the time of the award. Moreover, as DCPS moves forward with its CIP initiative we strongly believe that complete specifications result in more efficient and effective use of District tax dollars.

USACE Position: The OIG report states that project costs growth occurred mainly because of a need for improved acquisition planning on the part of DCPS and USACE, and that planning for the project should have begun well before January 2001. Discussions about acquisition strategy were taking place well before the January 2001 timeframe (i.e., correspondence directed to USACE from the DCPS Chief Facilities Officer dated November 19, 1999).

FINDINGS AND RECOMMENDATIONS

OIG Comment: The OIG partially agrees with USACE's position that the cost growth (although not totally) was the result of a strategy that was deliberately aggressive and it was undertaken with full knowledge of identified significant risks. It would appear that DCPS did, in fact, request fast track construction methods to be used for the Barnard School project in November 1999. However, it also appears that USACE did not enact this fast track construction soon enough to benefit DCPS, since the contract was not awarded until June 2001. Fast-Track Project completion (school opening) earmarked for September 2002 did not occur until January 2003.

USACE Position: The OIG report states the independent government estimated costs of construction is a primary basis for the contract award under the second step of the two-step sealed bidding methodology. USACE's position is that since the work was competitively bid, the basis of the award was adequate price competition.

OIG Comment: By USACE's admission, USACE used the independent government estimate to compare to the lowest bid price. Our reasoning is sound, especially considering that the independent government estimate was not developed on a definitive requirement (specifications), and was then used for pricing comparison purposes.

USACE Position: The OIG report summarizes possible deficiencies in the work performed by the contractor, including: heating and cooling; lighting inside the school; security cameras; the school playground; and security fences and gates. USACE was aware of problems experienced with heating and cooling systems during the summer of 2004 (approximately 18 months after the project was completed and the building was occupied by DCPS). At that point and time, USACE, in conjunction with DCPS, diagnosed the problems. The final determination was that the problems were a result of a lack of maintenance of rooftop air handlers.

OIG Comment: USACE's comments are noted. However, our recommendation for DCPS to coordinate with USACE, as appropriate, to resolve any outstanding issues centers on clearing up any ambiguities in possible construction deficiencies, thereby ensuring proper heating, cooling, security, etc., at Barnard Elementary School.

EXHIBIT A. SUMMARY OF POTENTIAL MONETARY BENEFITS RESULTING FROM AUDIT

Recommendation	Description of Benefit	Amount and/or Type of Benefit	Status ⁹
1	Economy and Efficiency. Implements procedures to ensure that CIP projects are adequately planned, as soon as the agency need is identified, well in advance of the fiscal year in which the contract award is made.	Unquantifiable.	Closed
2	Economy and Efficiency. Establishes definitive requirements prior to awarding construction contracts.	Unquantifiable.	Closed
3	Economy and Efficiency. Resolves possible construction deficiencies	Unquantifiable.	Closed

⁹This column provides the status of a recommendation as of the report date. For final reports, “**Open**” means management and the OIG are in agreement on the action to be taken, but action is not complete. “**Closed**” means management has advised that the action necessary to correct the condition is complete. “**Unresolved**” means that management has neither agreed to take the recommended action nor proposed satisfactory alternative actions to correct the condition.

EXHIBIT B. BARNARD SCHOOL CONSTRUCTION CONTRACT MODIFICATIONS

Contract Modification Number	Description of Change	Amount	Date
P0005	Issue Supplemental Design Drawings & Spec.	\$ 513,000.00	25-Mar-02
P0006	AF - sewer lines; AJ - poor soil	44,238.00	2-Apr-02
P0008	AL-1-Automatic Flush Valves	79,301.00	9-Apr-02
P0009	AC - use RC-6 ; AE - Delete Temp Shoring; & AH	14,119.00	22-Apr-02
P00010	AO- repair leaking sewer; AP - Building Permit	35,658.00	30-Apr-02
P00011	AT - Electric Power Connection Fee	5,291.00	4-Jun-02
P00012	AD - storm, AI & AK	20,715.00	5-Jun-02
P00013	BE1 - Issue Supplemental Design Drawings	247,145.00	17-Jul-02
P00016	Reroute Storm Sewer, AN, AS, AY & BA	3,072.00	30-Jul-02
P00018	AQ1- Construction Acceleration Cost	150,000.00	12-Aug-02
P00019	BK - Install Telephone Ductbank	24,812.00	20-Aug-02
P00020	BF - Shared expenses of Partnering Session	738.00	26-Aug-02
P00021	BG - Provide support framing for roof drains	21,292.00	28-Aug-02
P00022	AL-2-Automatic Flush Valves	39,199.00	11-Sep-02
P00023	BZ1 - Delay Impact Adjustment	150,000.00	14-Sep-02
P00024	AU - Foundation Grade Permit; AW-DPW Bond	37,360.00	19-Sep-02
P00025	BC – Storm drain pipe; BJ -Sanitary Structure S-1	5,749.00	23-Sep-02
P00026	Award Fee	310,738.00	4-Oct-02
P00027	Award Fee	80,739.00	4-Oct-02
P00028	AV – Sales Tax Adjustment; AX - Install Art Room Sinks; BB – Install Concrete Trench	20,781.00	2-Oct-02
P00029	BD - Credit for Security System Changes	(53,534.61)	9-Oct-02
P00030	BH - Add F-7 Type Footings; BL – Enlarge Door Opening; BO – Delete Elevator Roof Hatch	1,432.80	2-Oct-02
P00031	BN - Extend Footing/Wall & Add Beam	6,360.00	2-Oct-02
P00032	BM - Surface Mounted Fire Extinguishers	1,601.00	2-Oct-02
P00033	BR - Clearstory Framing Revisions	51,115.00	2-Oct-02
P00034	AA1-3 Issuance of Supplemental. Drawings & Spec	400,000.00	21-Oct-02
P00035	CA - Modify Ductwork, CB- Roof Drains, CC	11,662.00	6-Nov-02
P00036	BW, CD, CE, CG, CJ	2,752.00	8-Nov-02
P00037	Various Credits for BS, BV, BX and BY	(77,747.00)	12-Nov-02
P00038	CM - Reinforce; CN - Add Light; CO-Rough-in "P"	62,202.00	13-Nov-02
P00039	BE-2 – Issuance of Supplemental. Drawings & Spec	101,406.00	21-Nov-02
P00040	DZ-1 - Provide Emergency Lighting	19,000.00	17-Jan-03
P00041	BP - Change Piping Insulation	5,730.00	24-Jan-03
P00042	DC - Finalization of Allowance Value No. 7	(95,000.00)	28-Jan-03
P00043	BT - Finalization of Allowance Value No. 2	60,169.00	3-Feb-03
P00044	BQ - Issuance of Supplemental Design Drawings	49,139.00	14-Feb-03
P00045	DB - Finalization of Allowance Value No. 3-6	91,411.00	11-Mar-03
P00046	CQ - Electrical Disconnects; CR- Credit	38,366.00	27-Mar-03
P00047	AA1-4 -Issuance of Supplemental. Design Drawings	110,000.00	24-Apr-03
P00048	Award Fee	331,302.00	24-Apr-03
P00049	FK-1 - Final Compensable Time Extension	200,000.00	29-Apr-03
P00050	DE, DM, DO, DU, ED, EI, FS, FU, FV ...	111,682.00	30-Apr-03

**EXHIBIT B. BARNARD SCHOOL CONSTRUCTION CONTRACT
MODIFICATIONS (CON'T)**

Contract Modification Number	Description of Change	Amount	Date
P00051	FL –Add IT Closets, FM -IT configuration, FN – TV	59,945.00	5-May-03
P00052	Multiple changes to design	76,651.00	12-May-03
P00053	Change EA - Elevator Battery; FJ - Lower El.	20,633.00	16-May-03
P00054	GL-1 - Phase 11 Scope of Work Deletions	(400,000.00)	22-May-03
P00055	Monthly Electric Service Fee	17,850.00	13-Jun-03
P00056	DI - Analog Telephone Ser, DW - Telephone	16,950.00	16-Jun-03
P00057	Shared expenses of Partnering Session	918.00	18-Jun-03
P00058	DZ-2 - Provide Emergency Lighting	4,773.00	18-Jun-03
P00059	Multiple changes to design	86,907.00	27-Jun-03
P00060	DA-1 - Finalization of Allowance Value No. 1	45,000.00	9-Jul-03
P00061	Multiple changes to design	82,593.00	17-Jul-03
P00063	Multiple changes to design	77,677.00	26-Aug-03
P00064	GI – Move Precast, GJ - Precast Erection Delay	5,350.00	10-Sep-03
P00062	Multiple changes to design	88,398.00	23-Jul-03
P00065	FO - Sidewalk Replacement	5,350.00	11-Sep-03
P00066	GL-1.1 - Phase 11 Scope of Work Deletions	(250,000.00)	15-Sep-03
P00067	FK-1.1 - Final Compensable Time Extension	350,000.00	16-Sep-03
P00069	HR - CEFMS Obligation Error Correction	(99,828.61)	24-Sep-03
P00070	Multiple Changes to design (deletions)	(86,565.00)	25-Sep-03
P00071	DS-2 - Monthly Electric Service Fee	1,774.00	5-Dec-03
P00072	DA-2 - Finalization of Allowance Value No. 1	31,724.00	12-Dec-03
P00073	HK - Undercut soils parking lot, HT- Stonework	15,794.00	24-Dec-03
P00074	HV - Seal Two Telephone Conduits	2,015.00	5-Jan-04
P00077	DT, EB, HJ, HM, HP	42,729.00	19-Feb-04
P00078	HS - Stucco Repair above North Entrance	6,182.00	2-Mar-04
P00079	ET - Changes at Handicap Ramp	19,347.00	15-Mar-04
P00080	IA - Additional Mortar and Grout Testing	12,000.00	26-Apr-04
P00081	EZ - Additional Precast Engineering, GP - M. St	31,788.00	20-Apr-04
P00082	HQ, HZ & IB	3,317.00	17-Jun-04
P00083	IE - Hydroseed West End of School Site	5,362.00	24-Aug-04
P00084	IC & ID	8,910.00	24-Aug-04
P00085	GL2 (Final)- Phase 2 Scope of Work Deletions	(40,022.00)	15-Oct-04
P00086	IJ & IM	3,043.00	22-Oct-04
P00087	FK-1.2 - Final Compensable Time Extension	30,000.00	30-Nov-04
P00088	IG - Add exhaust for DMR; IH- Replace insulation	8,735.00	27-Jan-05
	Total	\$ 3,518,294.58	

EXHIBIT C. DCPS RESPONSE



DISTRICT OF COLUMBIA PUBLIC SCHOOLS

OFFICE OF THE SUPERINTENDENT
825 North Capitol Street, NE, 9th Floor
Washington, D.C., 20002-1994
(202) 442-5885 – fax: (202) 442-5026

March 3, 2006

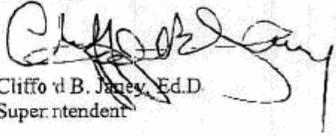
Mr. Charles J. Willoughby
Inspector General
Office of the Inspector General
Government of the District of Columbia
717 14th Street, N.W.
Washington, DC 20005

Dear Mr. Willoughby:

Thank you for the opportunity to offer a response to your audit titled *Audit of the District of Columbia Public Schools Capital Improvement Program (CIP) (OIG No. 05-1-08GA)*. The District of Columbia Public Schools (DCPS) has reviewed the report and agrees with the report's recommendations. Our specific responses and planned corrective actions are included in Attachment A to this letter.

Should you have any questions related to this response, please contact John Cashmon, the Director of Compliance, at 202.576.5028, or Thomas Brady, Chief Business Operations Officer at 202.442.5026.

Sincerely,


Clifford B. James, Ed.D.
Superintendent

cc: Robert C. Rice, Special Assistant to the Superintendent
Cornell S. Brown, Jr. Executive Director of Facilities Management

"DCPS: Success, One Student at a Time"

EXHIBIT C. DCPS RESPONSE (CON'T)

Attachment A

District of Columbia Public Schools
Response to the *Audit of the District of Columbia Public Schools Capital*
Improvement Program (CIP)
(OIG No. 05-1-08GA)

We recommend that the Superintendent, District of Columbia Public Schools finalize the draft OFM interoffice procedural guide to ensure that:

Recommendation 1: CIP projects are adequately planned, as soon as the agency need is identified, and well in advance of the fiscal year in which the contract award is made; and

DCPS Response: DCPS concurs with the recommendation. The OFM has substantially revised its planning process and now uses a more structured approach that should ensure plans are completed prior to contracts being awarded.

Recommendation 2: Definitive requirements are established prior to the awarding construction contracts.

DCPS Response: DCPS concurs with the recommendation. OFM's current planning process now ensures that definitive requirements are established and adhered to, in conjunction with the Office of Contracts and Acquisitions that all CIP contracts are awarded based on the established requirements. DCPS has substantially changed its process to minimize the possibility that the conditions noted by the Inspector General's staff will reoccur in future projects.

The Office of Facilities Management (OFM) expects to finalize their interoffice procedural guide and issue it in December 2006.

We recommend that the Superintendent, District of Columbia Public Schools

Recommendation 3: Coordinate with USACE, as appropriate, to resolve any outstanding issues concerning possible deficiencies in the construction of the Barnard Elementary School.

DCPS Response: DCPS concurs with the recommendation. Staff from the OFM will be assigned by March 15, 2006 to review the concerns expressed in your report regarding the construction work. The OFM staff will be responsible for working with the USACE staff to resolve these issues with the impacted contractors. OFM currently does not have access to the necessary records and warranty information to hold the general contractor accountable.

EXHIBIT D. USACE RESPONSE

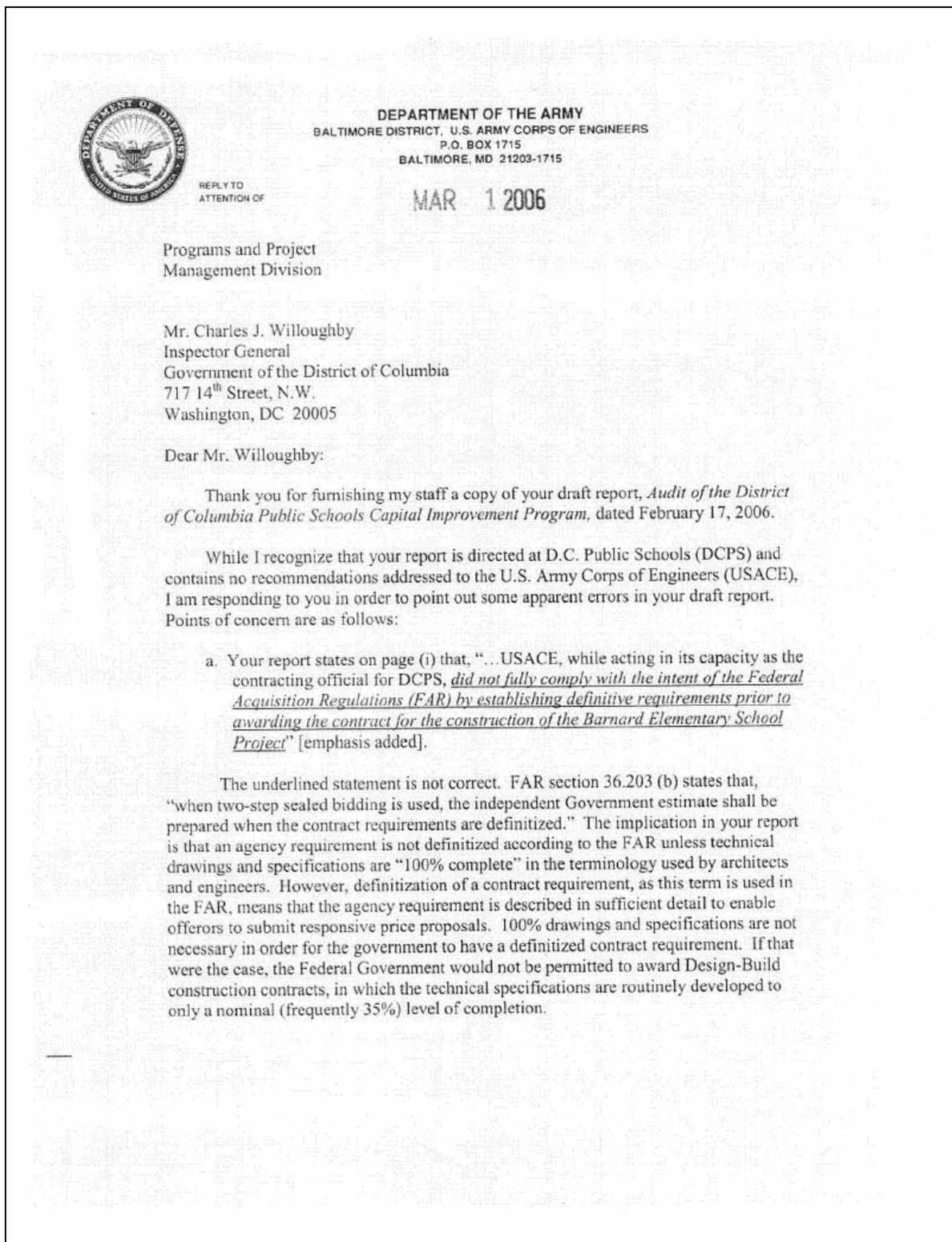


EXHIBIT D. USACE RESPONSE (CON'T)

-2-

In fact, the FAR contains specific regulations to the contrary in Subpart 36.3 which describes the two-phase Design-Build selection procedures. The FAR does not require, in Subpart 36.3 or elsewhere, a specific level of completion of drawings and specifications. Subpart 36.302 states that, "the agency shall develop, either in-house or by contract, a scope of work that defines the project and states the Government's requirements. The scope of work may include criteria and preliminary design, budget parameters, and schedule or delivery requirements."

- b. Your report states on page (i) that, "USACE, in consultation with DCPS, awarded the construction contract even though the design concept was only 75 percent complete; as such, the award was made without obtaining the independent government estimated costs of construction based on a definitive and complete design requirement" [emphasis added].

The underlined statement is not correct. The acquisition strategy for the Barnard construction contract called for the preparation of 80% complete design documents (not 75% as your draft report indicated). In addition, the solicitation for the Barnard project identified portions of the project that had not been fully designed, and specified not-to-exceed monetary allowances for these items that bidders were to include in their bids. These documents did in fact represent a definitive requirement according to the FAR, and an independent government estimate based on these documents was prepared.

- c. Your report states on page (ii) that "...the cost grown that occurred on the Barnard construction contract was due, "...primarily because of a need for improved acquisition planning on the part of DCPS and USACE." On page (5), your report states that, "...DCPS should have begun planning for this project prior to January 2001." [emphasis added].

It is not accurate to suggest that acquisition planning for Barnard began in January 2001. Discussion about acquisition strategy was taking place well before the January 2001 timeframe, as indicated by correspondence directed to USACE from the DCPS Chief Facilities Officer dated November 19, 1999, as well as many personal meetings between DCPS and USACE staff. For example, in the November 19, 1999, letter, DCPS indicated a desire to "accelerate the construction program by using alternative delivery methods," and specifically identified the fast-track construction method as one of several methods that should be implemented.

EXHIBIT D. USACE RESPONSE (CON'T)

-3-

The acquisition strategy that was used on the Barnard construction contract was deliberately aggressive, and it was undertaken with full knowledge of identified significant risks. In its final project management plan for this project, dated January 2001, USACE predicted this approach could result in a 20% increase in construction cost (as it ultimately did). In weighing this cost risk in balance with other objectives, DCPS leadership at the time considered these risks acceptable in the interest of pursuing an aggressive schedule for project completion, and directed USACE to implement this strategy. It may be more accurate to state in your report that the cost growth was the result of a strategy that placed greater weight on the importance of an aggressive schedule as opposed to better cost containment strategies.

- d. Your report states on page (5) that, "FAR Subpart 36.203 requires the independent government estimated cost of construction to be based on a definitive requirement when the two-step sealed bidding process is used. This is necessary because the independent government estimated cost of construction is a primary basis for the contract award under the second step of the two-step sealed bidding methodology [emphasis added].

The underlined statement is not correct. Since the work was competitively bid, the basis for contract award was adequate price competition. Since the contracting officer received five responsive offers, adequate competition was obtained, and the award was made to the bidder offering the lowest price. The purpose of the independent government estimate is to ensure the price reasonableness of the bids received and to ensure that adequate funds are reserved prior to advertising. Since the independent government estimate and the low bid were in very close agreement, it is fair to conclude that the low bid was reasonable.

- e. On page (9), your report summarizes possible deficiencies in the work performed by the contractor, including: heating and cooling; lighting inside the school; security cameras; the school play ground; and security fences and gates.

USACE is aware of problems experienced with the heating and cooling system during the summer of 2004, approximately 18 months after the project was completed and occupied by DCPS. Although at that point in time the standard one-year construction warranty had expired, USACE enlisted the construction contractor to return to the project site to assist DCPS with diagnosis of the problems. The final determination was that the problems were the result of a lack of maintenance of rooftop air handlers.

EXHIBIT D. USACE RESPONSE (CON'T)

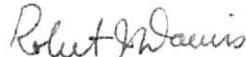
-4-

USACE is not aware of any construction deficiencies regarding lighting inside the school or security cameras.

Since the school playground and security fences and gates were not part of the final scope of work for the Barnard construction contract, they should not be identified as deficiencies in the work performed by the contractor.

Again, I appreciate the opportunity you afforded my staff to review your draft report, and I hope that the forgoing comments are helpful in ensuring that your final report is accurate. If you have any questions regarding these comments, please contact my Program Manager, Mr. [redacted] at 202-437 [redacted].

Sincerely,



Robert J. Davis
Colonel, Corps of Engineers
District Engineer

Copy furnished:

Mr. Robert C. Bobb, Deputy Mayor and City Administrator
Dr. Clifford Janey, Superintendent, D.C. Public Schools
Dr. Robert Rice, Special Assistant to the Superintendent, D.C. Public Schools
Mr. Tom Brady, Chief Business Officer, D.C. Public Schools