



OFFICE OF INTERNAL AUDIT

Internal Audit Report
Job Order Contracting - Implementation and Execution

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Issue Date:
9/4/2015

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Executive Summary

Background

Job Order Contracting (JOC) is a valuable resource for a public entity such as HISD, as it is an alternative to traditional contracting methods. It provides convenience, saves time, and the pricing structure is based upon a unit price book which is agreed upon in advance of any work being awarded. The following excerpts have been taken from "Job Order Contracting for Novices" published by the Alliance for Construction Excellence at Arizona State University.

"Job Order Contracting (JOC) is a way of getting small, simple, and commonly encountered construction projects done easily and quickly. A JOC contract usually applies to a specific site or sites and can be used for any number of jobs that need to be done for as long as the contract is in effect." ... "Essentially, JOC provides owners with an on-call general contractor who is familiar with the site and the owner's needs."

"The JOC delivery method is particularly well suited to repetitive jobs and situations in which owners know that many small tasks will arise, but the timing, type of work, and quantity of work are unknown at the time the contract is signed." ... "The JOC method should not be used for large, complex new construction projects that require extensive or innovative design or are likely to encounter changes and revisions during construction."

"The most obvious benefit of JOC is the fact that it is not necessary to write separate contracts for each job." ... "Another advantage is that the JOC contract establishes prices for each unit of work or materials, so it is fast and easy to arrive at a fixed price for each job. There are no price negotiations involved in implementing a JOC contract."

"Finally, a very important feature of the JOC process is that the contractor is chosen by Qualifications Based Selection."

"For owners who have never used Job Order Contracting, hiring a consultant will prevent contract errors, provide hands-on training in the execution of JOC contracts, and greatly increase the likelihood of success."

The Texas Government Code addresses Job Order Contracting as follows:

Sec. 2269.401. JOB ORDER CONTRACTING. In this chapter, "job order contracting" is a procurement method used for maintenance, repair, alteration, renovation, remediation, or minor construction of a facility when the work is of a recurring nature but the delivery times, type, and quantities of work required are indefinite.

Sec. 2269.403. REQUIREMENTS FOR JOB ORDER CONTRACTS FOR FACILITIES.
(a) A governmental entity may award job order contracts for the maintenance, repair, alteration, renovation, remediation, or minor construction of a facility if:

- (1) the work is of a recurring nature but the delivery times are indefinite; and*
- (2) indefinite quantities and orders are awarded substantially on the basis of prescribed and pre-priced tasks.*

(b) The governmental entity shall establish the maximum aggregate contract price when it advertises the proposal.

(c) *The governing body of a governmental entity shall approve each job, task, or purchase order that exceeds \$500,000.*

Sec. 2269.404.CONTRACTRAL UNIT PRICES. The Governmental entity may establish contractual unit prices for a job order contract by:

- (1) specifying one or more published construction unit price books and the applicable divisions or line item; or*
- (2) providing a list of work items and requiring the offerors to propose one or more coefficients or multipliers to be applied to the price book or pre-priced work items as the price proposal.*

Major Risks

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

Audit Objectives

The purpose of this review was to:

- Assess the design and effectiveness of controls; and
- Test selected job orders to determine whether the services provided were appropriate in both scope and value for a Job Order Contract;
- Determine that each job order was written in compliance with the contractual requirements, State Law and District policy;
 - Each job order (project) does not exceed \$500,000 without prior approval by the Board of Education.
 - The annual volume of job orders per campus does not exceed \$1 million without prior approval of the Board of Education.
 - Each job order does not represent a component, separate, or sequential purchase as defined in the Texas Education Code.
- Test the job order pricing, change order pricing, billing, and resulting payments for accuracy.

Audit Scope

The purpose of this review was to determine how CFS was utilizing available Job Order Contracts. The focus of this audit was to review and test a sample selection of job orders for compliance with State law and District policy, and the terms of the governing Job Order Contracts. The sampled job orders were then tested for proper approvals, proper pricing, and proper invoicing and payments. The primary focus of the sample selection was an emphasis on job orders valued in excess of \$500,000 and those which were sequentially numbered for work at the same location.

Interviews were conducted with the CFS General Manager of Construction, personnel from Bond Fund Accounting, a representative with The Co-operative Purchasing Network (TCPN), and the accountant from Rice and Gardner Consultants Inc., (one of the current Project Management firms employed under the 2012 Bond Program.)

Documents reviewed included, but were not limited to: the latest Job Order Contracts issued by HISD (Procurement No. 10-01-05); the Job Order Contracts issued by TCPN, which were utilized by CFS; the Job Order Log maintained by Bond Fund Accounting, from which 27 samples were identified; copies of the sampled job orders and all related change orders; and copies of the billings, SAP reports, and check information for each sampled job order.

Overall Conclusion and Recommendation

Job Order Contracts should only be used for minor construction, repairs and rehabilitation projects where the quantities and deliveries are indefinite. The review found job orders which did not comply with State law and District policy, contained unallowable charges, and were priced using incorrect coefficients. These issues can be attributed to inadequate controls surrounding the review and acceptance of the initial quotations.

Recommendation - The District can benefit from the use of Job Order Contracting. If CFS resumes Job Order Contracting, taking the following pro-active steps will greatly increase the chances of success of a JOC Program in the future:

- CFS should assign an individual with thorough knowledge of the JOC process, the Unit Price Book, and State law, to set up the program and educate the users. The focus should be on improved monitoring of individual job orders for appropriateness, proper scope, and compliance with the contractual terms, State law and District policy.
- Ensure that the JOC Contractor provides access to the Unit Price Book and provides CFS personnel with the proper training on its use, as is included in most Job Order Contracts.
- Using the Unit Price Book, CFS personnel should validate the pricing on each quotation received before a job order is created. Evidence of the review should then be included in each job order package.
- If a TCPN Contract is being used, make sure all users are aware of the services such as pricing reviews and advice that TCPN provides at no cost to the District.
- Ensure that all users are aware of the monetary limits placed on job orders under State law and District policy.
- If it is necessary to issue a job order exceeding the monetary limits, Board approval should be granted before the job order is approved.

Based on our evaluation of the 27 job orders sampled, the following concerns support this recommendation.

- No evidence was found that the quotations supporting each job order were independently verified using RS Means pricing data, either electronically or in hard copy, which is critical to confirm pricing for acceptance and payment of these job orders.
 - Multiple job orders were priced to include line items, which according to the contract were unallowable, because they were already included in the contract coefficient.
 - All of the sampled job orders from P2MG contained incorrect city cost index percentages, pricing coefficients, and bonding charged as a percentage vs. actual cost.
 - Two successive P2MG job orders for work at Jones HS, contain identical charges (possible scope duplication) for electrical demolition of the "Welding HVACR Area."
 - Multiple instances were noted where job orders were priced with "Not to Exceed" amounts and no final accounting was performed upon project completion.
 - Two job orders were noted which required six change orders. Those change orders were all priced with incorrect coefficients.
- Monitoring of job orders for compliance with State law and District policy by CFS was ineffective, as noted by the following:
 - Several instances were noted where single projects were broken up into multiple job orders to keep the value of each job order below the \$500,000 statutory value limitation.
 - Work for several job orders had started, as approved by HISD management, and payments were made before Board approval.

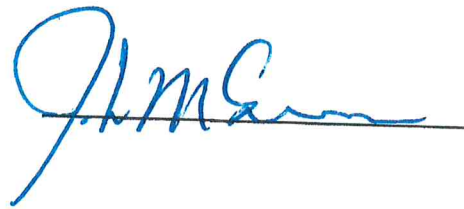
- A change request caused the value of one job to exceed \$500,000. Rather than seek Board approval for the change, the Project Manager simply created a new job order.

Management's Response and Action Plan

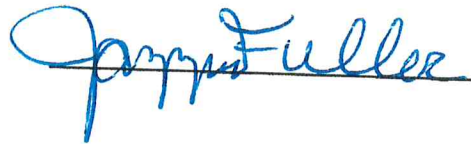
Please see the Report Detail for specific recommendations and management's action plan regarding these concerns.

Audit Team:

John M. Gerwin – Manager, Construction Audit

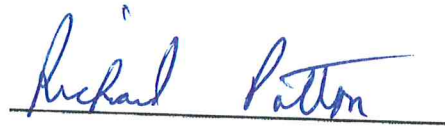


Jazzmine Fuller – Senior Construction Auditor
JG/tl



Approved:

Richard Patton – Chief Audit Executive



Attachments – Report Detail

Exhibits A and B

cc: Terry Grier – Superintendent of Schools
Leo Bobadilla – Chief Business Officer
Rhonda Skillern-Jones – Board President
Juliet Stipeche – Board Audit Committee Chair
Anna Eastman – Board Audit Committee Member
Manuel Rodriguez – Board Audit Committee Member

Attachment

Report Detail

General Information Concerning State Law and District Policy - Currently, per State law and HISD policy, job orders can be issued for up to \$500,000 per project, without Board approval. The only limitation is that the total value of job orders issued cannot exceed \$1 million, per campus, per year. Job orders exceeding those limits can be issued; however, according to Section 2269.403 of the Texas Government Code, they must be individually approved by the governing body of the governmental entity (the HISD Board).

According to Section 44.032 of the Education Code, *"An officer, employee, or agent of a school district commits an offense if the person with criminal negligence makes or authorized separate, sequential, or component, purchases to avoid the requirements of Section 44.031(a) or (b)."* Those types of purchases are defined as follows:

- (1) *"Component purchases" means purchases of the component parts of an item that in normal purchasing practices would be purchased in one purchase."*
- (2) *"Separate purchase" means purchases, made separately, of items that in normal purchasing practices would be purchased in one purchase."*
- (3) *"Sequential purchases" means purchases, made over a period, of items that in normal purchasing practices would be purchased in one purchase."*

Test Work – The following job orders were sampled and tested for compliance with State Law and District policy and compliance with the governing contracts. Each job order was then reviewed for proper approval, pricing in accordance with the respective contract, and for adequacy of the supporting documentation. The pricing review was limited because Internal Audit did not have access to the RS Means estimating software to perform proper re-pricing. Accordingly, the pricing review primarily consisted of a review of the city cost index and contract coefficient applied to each job order. Without the price book, Internal Audit did not test the individual line items in each quotation. Where certain unallowable line items were identified in during the review, they are noted. The final test was to reconcile the job order amounts to the respective applications for payment and payments made by HISD.

Review of Selected Job Orders Issued to Kellogg Brown & Root (KBR) - KBR performed job order work for the district under the following two different contracts:

- Job Order Contract No. 10-01-05, between KBR and HISD, which became effective for one year on July 13, 2010, with a provision for two (2) annual renewals. The two renewals were approved by the Board extending the contract out to July 13, 2013. Contract No. 10-01-05 specified the use of RS Means Pricing and included a coefficient of 0.600.

- Job Order Contract No. 5087, between KBR and The Cooperative Purchasing Network (TCPN), which became effective for one year on November 1, 2011, with a provision for six (6) annual renewals. Currently, TCPN has approved the contract through October 31, 2015. Contract No. 5087 specified the use of RS Means Pricing and included a coefficient of 0.690.

It should be noted that the district started using the TCPN contract upon expiration of the contract between KBR and HISD. The following job orders issued to KBR were sampled and reviewed.

1.) Job Orders KBR 20104 and KBR 20105, North Forest HS – These job orders were awarded under the last year of contract No. 10-01-05 between HISD and KBR. Both were issued to KBR on June 11, 2013, for work at North Forest High School. KBR 20104 provided “*Asbestos Abatement for NFISD Career and Technology*,” and KBR 20105 provided “*Demolition for NFISD Career & Technology*.” Both job orders were written for a not to exceed amount of \$480,000. Both job orders have the same ultimate objective to provide for the demolition and removal of the NFISD Career and Technology Center. The same contractor performed both tasks, both proposals and resulting job orders were prepared on the same days, the job orders are sequentially numbered, and based on the billings, the work was performed concurrently. There is even an acknowledgement by the contractor in one of the proposals that they are contractually limited to \$500,000 per project.

Approval - A Board item which approved funding of the demolition of seven NFISD facilities and sale of the properties, including the Career and Technology Center, was approved on July 18, 2013, which was over one month later than Job Orders KBR 20104 and KBR 20105 were approved by CFS. The Board item does not specify the use of Job Order Contracting or a waiver of the statutory pricing limits.

Pricing – The quotations supporting both job orders consist of letters which were both written on June 5, 2013, for an amount not to exceed (bond included), of \$480,000 each. There is no detailed RS Means Estimate supporting each letter. Typically, once a detailed proposal is accepted and a job order is created, the amount is treated as a fixed price for invoicing purposes. Because each proposal and resulting job order was written as a not to exceed amount, the contractor should have been required to provide a final accounting upon completion of the work. A review of the invoices resulting from each of the job orders indicates that the billings and payments totaling exactly \$480,000 were made for each job order as if they were each issued as fixed price orders. That indicates that no final accounting was performed. The final payments for KBR 20104 and KBR 20105 were both approved by HISD in December 2013. The possibility remains that KBR performed the work for less cost and the district was actually entitled to a credit for the difference between the price based on actual cost and the not to exceed amount. Had they exceeded the pricing limit, KBR would have most likely requested a change order.

Invoicing / Payments – The job order amounts were reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted.

Recommendation – Based on the scope of work, the two jobs were components of the same project and should have been administered under a single abatement and demolition contract with a “Not to Exceed” value of \$960,000, with separate Board approval.

In administering future job orders or construction projects in general, CFS should not divide the work to fit statutory limits, as component, separate, or sequential purchases are a violation of the Texas Education Code. In order to comply with State law and District policy, the work should have been performed (1) under a single job order with special approval by the Board for exceeding the \$500,000 contract limit, or (2) under an individual contract demolition contract resulting from a separate RFP or CSP process with Board approval.

The final payments for the above referenced job orders were approved by HISD in December 2013. The audit clause in the contract gives HISD the right to audit records for up to three years from final payment. Based on the “Not to Exceed” terms of the job orders, CFS should request that KBR provide a final accounting for the work for Job Orders KBR 20104 and KBR 20105.

CFS should ensure that a final accounting is performed whenever “Not to Exceed” language is contained in a job order, construction contract, or change order.

Management Response - Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended for future Job Order Contracts. CFS notes that this work arose out of an immediate need to repair North Forrest ISD facilities annexed pursuant to TEA order in the summer of 2013. As noted elsewhere in this Audit Report, CFS now includes authorization for the use of a Job Order Contractor to implement the work and waivers of the JOC cap on projects in Board agenda items when applicable. Further, CFS procured multiple, concurrent job order contracts based upon Procurement Department guidance as contained in the memorandum dated April 2, 2014 and believed it was consistent with State law and District policy.

Plan of Action

1. At the time when Job Order Contracting becomes available, CFS will conform to State law and District policy by performing scope of work under one single job order and not exceeding the statutory limitations without prior approval from the Board to exceed the limit or conduct a formal RFP or CSP process.
2. CFS will perform a final accounting to determine what dollars are owed, if any, back to the district for above referenced job orders. CFS will accomplish this within 45 calendar days from the date of this response.

2.) Job Orders KBR 20110, KBR 20111, and KBR 20112, Energy Institute HS – These job orders were awarded under the last year of Contract No. 10-01-05 between HISD and KBR. All three job orders were issued to KBR on June 17, 2013, for work at The Energy Institute HS. KBR 20110 provided work on the “*Canopy and Concrete*”, KBR 20111 provided “*Classroom*

Renovations – General, Plumbing,” and KBR 20112 provided “*Classroom Renovations – Flooring, Electrical & Doors.*” The job orders were valued as follows:

- KBR 20110 at \$168,684.00 with 1 C/O totaling \$7,760.00 = \$176,444.00
- KBR 20111 at \$224,800.00 with 3 C/Os totaling \$137,356.00 = \$362,156.00
- KBR 20112 at \$229,305.00 with 2 C/Os totaling \$42,111.00 = \$271,416.00

Approval - Although these job orders all represent a single renovation project, they are supported by Board Item G-7, dated June 13, 2013, which approved \$2,800,000 in funding for the renovation of the Energy Institute HS. Item G-7 specifies that the work be done with job order contractors and that the cap limits for JOCs be waived. With Item G-7, KBR did not have to divide the work into three separate orders. No exceptions were noted.

Pricing – The quotations supporting all three job orders and related C/Os are well documented. The quotations consist of letters which were all supported by RS Means detailed estimate sheets all of which included the correct city cost index percentage and coefficient percentage. No exceptions were noted.

Invoicing / Payments – The job order amounts were reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted.

3.) Job Orders KBR 30006 and KBR 30007, Kirby MS – These job orders were awarded under the TCPN Contract No. 5087, and were both issued to KBR on August 6, 2013, for work at NFISD Kirby Middle School. KBR 30006 provided “*Demolition of Buildings at Kirby Middle School,*” for a total not to exceed cost of \$324,600, and KBR 30007 provided “*Abatement of Buildings at Kirby Middle School.*” for a total not to exceed cost of \$408,300. Both job orders have the same ultimate objective to provide for the demolition and removal of the 106,900 square feet of buildings at Kirby MS. The same contractor (KBR) is performing both tasks, both proposals and resulting job orders were prepared on the same days, the job orders are sequentially numbered, and based on the billings, the work was performed concurrently. Based on the scope of work, the two jobs were components of the same project and should have been administered under a single abatement and demolition contract valued at \$732,900, with separate Board approval.

Approval - A Board item which approved funding the demolition of seven NFISD facilities and sale of the properties, including Kirby MS, was approved on July 18, 2013; however, the Board item does not specify the use of Job Order Contracting or a waiver of the statutory pricing limits.

Pricing – The quotations supporting both job orders were both written on August 6, 2013, and each proposal was priced at an amount not to exceed (bond included), of \$324,600, and \$408,300, respectively. There is no detailed RS Means estimate supporting each letter. Typically, once a detailed proposal is accepted and a job order is created, the amount is treated as a fixed price for invoicing purposes. Because each proposal and resulting job order was written as a not to exceed amount, the contractor

should have been required to provide a final accounting upon completion of the work. A review of the invoices resulting from each of the job orders indicates that the billings and payments totaling exactly \$324,600 and \$408,300 were made for each job order as if they were each issued as fixed price orders. That indicates that no final accounting was performed. The final payments were approved by HISD in December 2013 and January 2014. The possibility remains that KBR performed the work for less cost and the district was actually entitled to a credit for the difference between the price based on actual cost and the not to exceed amount. Had they exceeded the pricing limit, KBR would have most likely requested a change order.

Invoicing / Payments – The job order amounts were reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted.

Recommendation – In administering future job orders or construction projects in general, CFS should not divide the work to fit statutory limits, as component, separate, or sequential purchases are a violation of the Texas Education Code. In order to comply with State law and District policy, the work should have been performed (1) under a single job order with special approval by the Board for exceeding the \$500,000 contract limit, or (2) under an individual contract demolition contract resulting from a separate RFP or CSP process with Board approval.

The final payments for the above referenced job orders were approved by HISD in January and February 2014. The audit clause in the contract gives HISD the right to audit records for up to three years from final payment. Based on the “Not to Exceed” terms of the job orders, CFS should request that KBR provide a final accounting for the work for Job Orders KBR 30006 and KBR 30007.

CFS should ensure that a final accounting is performed whenever “Not to Exceed” language is contained in a job order, construction contract, or change order.

Management Response – Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended for future Job Order Contracts. CFS notes that this work arose out of an immediate need to repair North Forrest ISD facilities annexed pursuant to TEA order in the summer of 2013. As noted elsewhere in this Audit Report, CFS now includes authorization for the use of a Job Order Contractor to implement the work and waivers of the JOC cap on projects in Board agenda items when applicable. Further, CFS procured multiple, concurrent job order contracts based upon Procurement Department guidance as contained in the memorandum dated April 2, 2014 and believed it was consistent with State law and District policy.

Plan of Action

1. At the time when Job Order Contracting becomes available, CFS will conform to State law and District policy by performing scope of work under one single job order and not exceeding the statutory limitations without prior approval from the Board to exceed the limit or conduct a formal RFP or CSP process.

2. CFS will perform a final accounting to determine what dollars are owed, if any, back to the district for above referenced job orders. CFS will accomplish this within 45 calendar days from the date of this response.

4.) Job Orders KBR 30008 and KBR 30009, Lakewood ES – These job orders were awarded under TCPN contract No. 5087, and were issued to KBR on August 6 and 7, 2013, for work at NFISD Lakewood Elementary School. KBR 30008 provided “*Abatement of existing structures,*” for a total not to exceed cost of \$213,418, and KBR 30009 provided “*Demolition and proper disposal of buildings*” for a total not to exceed cost of \$330,116. Later, a deductive C/O totaling (\$38,495) was issued against KBR 30008, adjusting the value to \$174,923. Both job orders have the same ultimate objective to provide for the demolition and removal of the 82,413 square feet of buildings at Lakewood ES. The same contractor (KBR) is performing both tasks, both proposals involve the same square footage and the job orders are sequentially numbered. Based on the scope of work, the two jobs were components of the same project and should have been administered under a single abatement and demolition contract valued at \$505,039, with separate Board approval.

Approval - A Board item which approved funding the demolition of seven NFISD facilities and sale of the properties, including Lakewood ES, was approved on July 18, 2013; however, the Board item does not specify the use of Job Order Contracting or a waiver of the statutory pricing limits.

Pricing – The quotations supporting Job Orders KBR 30008 and KBR 30009 were both written within two business days of each other (due to a revision to KBR 30009), and each proposal was priced at an amount not to exceed (bond included), of \$213,418 and \$330,116 respectively. KBR 30008 was later adjusted by a deductive C/O totaling (\$38,495). There is no detailed RS Means estimate supporting each letter; however, C/O 1 issued against KBR 30008 includes an RS Means estimate and states: “*Actual abatement work performed was less than the original estimated quantities based on initial job walk without an assessment report.*” Typically, once a detailed proposal is accepted and a job order is created, the amount is treated as a fixed price for invoicing purposes. Because each proposal and resulting job order was written as a not to exceed amount, the contractor should have been required to provide a final accounting upon completion of the work. In the case of KBR 30008, C/O 1 is the final accounting, but the amounts cannot be verified because no original detailed estimate was provided. A review of the invoices resulting from each of the job orders indicates that the billings and payments totaling exactly \$174,923 and \$330,116 were made for each job order, which indicates that no final accounting was performed for KBR 30009. The final payment for KBR 30009 was approved by HISD in February 2014. The possibility remains that KBR performed the work under KBR 30009 for less cost and the district was actually entitled to a credit for the difference between the price based on actual cost and the not to exceed amount. Had they exceeded the pricing limit, KBR would have most likely requested a change order.

Invoicing / Payments – The job order amounts were reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted.

Recommendation – In administering future job orders or construction projects in general CFS should not divide the work to fit statutory limits, as component, separate, or sequential purchases are a violation of the Texas Education Code. In order to comply with State law and District policy, the work should have been performed (1) under a single job order with special approval by the Board for exceeding the \$500,000 contract limit, or (2) under an individual contract demolition contract resulting from a separate RFP or CSP process with Board approval.

The final payment for KBR 30009 was approved by HISD in February, 2014. The Audit Clause in the contract gives HISD the right to audit records for up to three years from final payment. Based on the “Not to Exceed” terms of the job order, CFS should request that KBR provide a final accounting for the work for Job Order KBR 30009.

CFS should ensure that a final accounting is performed whenever “Not to Exceed” language is contained in a job order, construction contract, or change order.

Management Response – Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended for future Job Order Contracts. CFS notes that this work arose out of an immediate need to repair North Forrest ISD facilities annexed pursuant to TEA order in the summer of 2013. As noted elsewhere in this Audit Report, CFS now includes authorization for the use of a Job Order Contractor to implement the work and waivers of the JOC cap on projects in Board agenda items when applicable. Further, CFS procured multiple, concurrent job order contracts based upon Procurement Department guidance as contained in the memorandum dated April 2, 2014 and believed it was consistent with State law and District policy.

Plan of Action

1. At the time when Job Order Contracting becomes available, CFS will conform to State law and District policy by performing scope of work under one single job order and not exceeding the statutory limitations without prior approval from the Board to exceed the limit or conduct a formal RFP or CSP process.
2. CFS will perform a final accounting to determine what dollars are owed, if any, back to the district for above referenced job orders. CFS will accomplish this within 45 calendar days from the date of this response.

5.) Job Orders KBR 30063 and KBR 30064, Cage ES – These job orders were awarded under the TCPN Contract No. 5087, and were both issued to KBR on May 8, 2014, for work at Cage ES. KBR 30063 provided “*Architectural and Site work for the Principal’s Restroom, and Restroom Nos. 110A, 111A, 114A, 123A, 123B, 164, and 165,*” in the amount of \$436,376. A C/O totaling \$55,340, was later approved bringing the value of KBR 30063 to \$491,716. KBR 30064 provided “*Electrical, Plumbing and Mechanical for the Principal’s Restroom, and Restroom Nos. 110A, 111A, 114A, 123A, 123B, 164, and 165,*” in the amount of \$342,267. A C/O totaling \$17,655, was later approved bringing the value of KBR 30064 to \$359,922. Both job orders have the same ultimate objective to provide for the renovation of the principal’s restroom, and restroom Nos. 110A, 111A, 114A, 123A, 123B, 164, and 165 at Cage ES. The

scopes of work involve construction in the exact same restrooms, and reference the exact same drawings. The same contractor (KBR) is performing both jobs, both proposals and resulting job orders were prepared on the same days, and the job orders are sequentially numbered. Based on the scope of work, the two jobs were components of the same project and should have been administered under a single renovation project, valued at \$851,638, with separate board approval.

Approval - No Board item approving this work has been located, as in all probability there never was one because the work was divided into two projects valued at less than \$500,000 each. These job orders should have been treated as a single project with separate approval by the Board for exceeding the \$500,000 per job order limitation.

Pricing – The quotations supporting both Job Orders KBR 30063 and KBR 30064 are well documented. The quotations consist of letters which were all supported by RS Means detailed estimate sheets all of which included the correct city cost index percentage and coefficient percentage.

Invoicing / Payments – The job order amounts were reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted.

Recommendation – In administering future job orders or construction projects in general CFS should not divide the work to fit statutory limits, as component, separate, or sequential purchases are a violation of the Texas Education Code. In order to comply with State law and District policy, the work should have been performed (1) under a single job order with special approval by the Board for exceeding the \$500,000 contract limit, or (2) under an individual contract demolition contract resulting from a separate RFP or CSP process with Board approval.

Management Response – Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended for future Job Order Contracts. CFS notes that this work arose out of an immediate need to repair North Forrest ISD facilities annexed pursuant to TEA order in the summer of 2013. As noted elsewhere in this Audit Report, CFS now includes authorization for the use of a Job Order Contractor to implement the work and waivers of the JOC cap on projects in Board agenda items when applicable. Further, CFS procured multiple, concurrent job order contracts based upon Procurement Department guidance as contained in the memorandum dated April 2, 2014 and believed it was consistent with State law and District policy.

Plan of Action

1. At the time when Job Order Contracting becomes available, CFS will conform to State law and District policy by performing scope of work under one single job order and not exceeding the statutory limitations without prior approval from the Board to exceed the limit or conduct a formal RFP or CSP process.

Review of Job Orders Issued to Jamail & Smith Construction – Jamail & Smith Construction (Jamail) performed job order work under the following two different contracts:

- Job Order Contract No. 10-01-05, between Jamail and HISD, which became effective for one year on July 26, 2010, with a provision for two (2) annual renewals. The two renewals were approved by the Board extending the contract to July 26, 2013, when it expired. Contract No. 10-01-05 specified the use of RS Means Pricing and included a coefficient of 0.600.
- Job Order Contract No. 5086, between Jamail and TCPN, which became effective for one year on November 1, 2011, with a provision for six (6) annual renewals. Currently, TCPN has approved the contract through October 31, 2015. Contract No. 5086 specified the use of RS Means Pricing and included a coefficient of 0.720.

It should be noted that the district started using the TCPN contract upon expiration of the contract between Jamail and HISD. The contract with HISD included the following language regarding the issuance of job orders prior to and in effect at the contract expiration date:

Article 3, B. - "Unless otherwise stipulated in writing by HISD, Job Orders issued prior to and in effect at the time of the expiration date of this Contract shall continue to be in effect and performed by the Contractor until such time as all requirements have been met and a written acceptance of the Work performed has been made by HISD."

The following job orders issued to Jamail were sampled and reviewed.

1.) Job Order JLN 20124, Sutton ES – Job Order JLN 20124 was issued on Job Order Contract No. 10-01-05 between HISD and Jamail. JLN 20124 was approved on May 17, 2013, for Jamail to "Provide and Install HVAC with Unit Ventilators and DDC Controls" at Sutton ES, totaling \$1,155,711.52. The work under Job Order JLN 20124 included five (5) C/Os totaling \$129,874.51. The C/Os increased the total cost of the work to \$1,285,586.03 (\$1,155,711.52 + \$129,874.51 = \$1,285,586.03).

Approval - Funding totaling \$1,370,000 was provided. \$600,000 came from the original budget for Sutton ES under the 2007 Bond Program, which had been de-obligated from the district's CSP Contract with Solidarity Contracting LLC. The additional \$770,000 approved by the Board in March of 2013, with Board Item G-2. That Board Item also authorized the use of a Job Order Contractor to implement the work and waived the JOC cap on the project. No exceptions were noted.

Pricing - Job Order JLN 20124 was issued on Job Order Contract No. 10-01-05 between HISD and Jamail & Smith. Job Order JLN 20124, totaling \$1,155,711.52 was priced using the 0.6000 coefficient.

JLN 20124 included five (5) C/Os, totaling \$129,874.51, which were issued during the course of the work. A review of C/Os 1 through 5 found that the Change Proposal Requests (CPRs) included in C/Os 1, 2, 3, and 5 were priced using a coefficient of 0.7200, the TCPN coefficient, vs. 0.6000, as stated in the HISD contract. Since Job

Order JLN 20124 was issued under HISD Contract No. 10-01-05, all requested changes to that job order should have been priced using the 0.6000 coefficient, which applied to all changes, even those approved after the term of the contract expired.

Internal Audit has re-priced C/Os 1 through 5 using 0.6000 as the coefficient vs. 0.7200. The re-pricing resulted in a refund due to HISD totaling (\$16,178.99), which is detailed in **Exhibit A**.

Invoicing / Payments – The job order amount was reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted; however, an invoice crediting the district for the (\$16,178.99) C/O pricing errors will have to be issued and a refund processed.

Recommendation - A deductive C/O to Job Order JLN 20124 correcting the pricing of C/Os 1 through 5, should be issued, so the district can receive a credit invoice and a refund for the (\$16,178.99) C/O pricing differential.

Management Response – Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended.

Plan of Action

1. CFS will review the findings and the pricing co-efficient with Jamail & Smith and will issue a deductive Change Order to Job Order JLN 20124 in the amount of \$16,178.99 to correct the pricing in C/O's 1 through 5. CFS will accomplish this within 45 calendar days from the date of this response.

2.) Job Order JLN 20125, Holland MS – Job Order JLN 20125 was issued on Job Order Contract No. 10-01-05 between HISD and Jamail. JLN 20125 was approved on May 21, 2013, for Jamail to provide “*Replacement of the chilled water branch lines in phases 2, 3, and 4 at Holland Middle School,*” totaling \$449,778.74. The work under Job Order JLN 20125 included one (1) C/O totaling \$22,901.64. The C/O increased the total cost of the work to \$472,680.38 (\$449,778.74 + \$22,901.64 = \$472,680.38).

Approval - Funding, totaling \$625,000 was approved by the Board on April 11, 2013 with Board Item G-14. That Board Item also authorized the use of a Job Order Contractor to implement the work and waived the JOC cap on the project. No exceptions were noted.

Pricing - Job Order JLN 20125 was issued on Job Order Contract No. 10-01-05 between HISD and Jamail. Job Order JLN 20125, totaling \$449,778.74 was priced using the 0.6000 coefficient.

JLN 20125 included one (1) C/O, totaling \$22,901.64. A review of that C/O found that the original Change Proposal Request (CPR) was priced using a coefficient of 0.7200, the TCPN coefficient, vs. 0.6000, as stated in the HISD contract. Since Job Order JLN 20125 was issued under HISD Contract 10-01-05, all requested changes to that Job

Order should have been priced using the 0.6000 coefficient, which applied to all changes, even those approved after the term of the contract expired.

Internal Audit has re-priced C/O 1 using 0.6000 as the coefficient vs. 0.7200. The re-pricing resulted in a refund due to HISD totaling (\$633.94), which is shown in **Exhibit B**.

Invoicing / Payments – The job order amount was reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted; however, an invoice crediting the district for the (\$633.94) C/O pricing error will have to be issued and processed.

Recommendation - A deductive C/O to Job Order JLN 20125 should be issued correcting the pricing of C/O 1, so the district can receive a credit invoice and a refund for the (\$633.94) pricing differential.

Management Response – Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended.

Plan of Action

1. CFS will review the findings and the pricing co-efficient with Jamail & Smith and will issue a deductive Change Order to Job Order JLN 20125 in the amount of \$633.94 to correct the pricing in C/O 1. CFS will accomplish this within 45 calendar days from the date of this response.

3.) Job Order JLS 30003, Burnett ES – Job Order JLS 30003 was issued on Job Order Contract No. 5086 between The TCPN and Jamail. JLS 30003 was approved on June 27, 2013, for Jamail to provide “Roof repairs to 71,000 sq. ft. Building Footprint” at Burnett ES, totaling \$675,000. The original quotation was an estimate, and stated: “Final scope of repairs not yet defined at this time.” On July 16, 2013 Jamail submitted its actual proposal totaling \$669,893.62, which included a scope description and detailed pricing through RS Means.

Approval - Funding, totaling \$700,000 was approved by the Board on May 9, 2013 with Board Item G-7. That Board Item also authorized the use of a job order contractor to implement the work and waived the JOC cap on the project. No exceptions were noted.

Pricing – The quotation for JLS 30003 included a scope description and detailed pricing through RS Means, which contained the correct RS Means city cost index and TCPN coefficient percentages. No exceptions were noted.

Invoicing / Payments – The job order amount was reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted.

4.) Job Orders JLS 30079 and JLS 30148, Sanchez ES – Job Order JLS 30079 was issued on Job Order Contract No. 5086 between The TCPN and Jamail. JLS 30079 was approved on

April 4, 2014, for Jamail to provide "*Sanchez Elementary Bathroom TDLR Renovations*," totaling \$499,150. The scope of work included: "*Site work for concrete and paving details. Bathrooms X60B, 45B, 43B, 41B, Boys and Girls restrooms 31 and 31A. Specialty Rooms 26A and 26. Stage Area Room X63. Classroom 32 and 33.*" The quotation letter included a line item credit of (\$2,757.09), entitled "Jamail & Smith Discount," which was presumably included to adjust the total cost of the work to be less than \$500,000.

Job Order JLS 30148 was also issued on Job Order Contract No. 5086 between The TCPN and Jamail. JLS 30148 was approved on September 15, 2014, for Jamail to provide "*Sanchez Elementary Bathroom TDLR Renovations Additional Works*" totaling \$33,720.89. The scope of work included: "*Bathroom Tile Revisions: Per ASI from Architect installation of a framed wing wall with title overlay in boys restroom near urinals. Installation of additional title in restrooms 31 and 31A on walls originally called for paint only.*" "*Hot Water Heater Revisions: As per instruction form Architect and Engineer provided and install that water piping lines from existing HWH from the janitor's closet to all lavs including new tempering valves. In restrooms 26 and 26D install new 40 gallon HWH to serve all lavs. In location X60B nurses' station install Instant HWH to serve the lav. In location 63 supply instant HWH and tempering valve to lav.*"

It is apparent from the two scope descriptions that they were both written for the same project, the TDLR renovations to the restrooms at Sanchez ES as they both involve work on many of the same rooms. The requisition for the additional work originally read: "*Additional repairs required during TDLR Renovations to restrooms.*" The word "*Additional*" is crossed out, and a note is included by the project manager which states: "*Request for a new JOC.*" The requisition was originally marked "*Increase JLS 30079*" which was also marked out and replaced by "*JLS 30148.*" As noted in the State law and District policy paragraph at the beginning of the Report Detail, because the two scopes of work are really the same project, these two separate job orders represent component, separate, or sequential purchases, which are not permitted under the Texas Education Code. The scope of work, which assigned Job Order No. JLS 30148, was basically a C/O to JLS 30079 and should have been treated accordingly.

Approval – Since the job order amount was less than \$500,000, no Board item was necessary for the original work at Sanchez ES quoted under JLS 30079. That changed with the additional work. It is apparent that the additional work was a continuation of the original project, but it was assigned JLS 30148 to keep the value of JLS 30079 below \$500,000. From the notes on the requisition for the additional work, it is apparent that the new job order number was assigned to avoid having to obtain Board approval for the additional scope of work. That work should have been treated as a C/O to JLS 30079 and Board approval should have been sought for exceeding the \$500,000 limit.

Pricing – The quotations for JLS 30079 and JLS 30148 both included a scope description and detailed pricing through RS Means, which contained the correct RS Means city cost index and TCPN coefficient percentages. No exceptions were noted.

Invoicing / Payments – The job order amounts for both JLS 30079 and JLS 30148 were reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted.

Recommendation - In administering future job orders or construction projects in general CFS should not divide the work to fit statutory limits, as component, separate, or sequential purchases are a violation of the Texas Education Code. In order to comply with State law and District policy, the additional work should have been treated as a C/O to JLS 30079 with special approval by the Board for exceeding the \$500,000 contract limit.

Management Response – Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended for future Job Order Contracts. However, the memo dated April 2, 2014, documents a meeting between the Procurement Department and CFS where Procurement Department acknowledges that CFS can procure multiple, concurrent job order contracts.

Plan of Action

1. At the time when Job Order Contracting becomes available, CFS will conform to State law and District policy by performing scope of work under one single job order and not exceeding the statutory limitations without prior approval from the Board to exceed the limit or conduct a formal RFP or CSP process.

Review of Job Orders Issued to P2MG – P2MG performed job order work under the following contract:

- Job Order Contract No. 5092, between P2MG and TCPN, which became effective for one year on November 1, 2011, with a provision for six (6) annual renewals. Currently, TCPN has approved the contract through October 31, 2015. Contract No. 5092 specified the use of RS Means Pricing and included a coefficient of 0.89. P2MG did not have a previous Job Order Contract directly with HISD.

The following job orders issued to P2MG were sampled and reviewed.

1.) Job Orders P2M 30000, P2M 30001, and P2M 30002, Fonwood ES – These job orders were all issued for renovation work at Fonwood ES. The District contracted with P2MG by utilizing TCPN Job Order Contract No. 5092.

Job Order P2M 30000 was issued on July 19, 2013 for *“Chalkboard Replacement – Fonwood ES (Former North Forest campus),”* for a total price of \$54,333.59. The job order is supported by a quotation from P2MG dated July 11, 2013.

Job Order P2M 30001 was issued on July 19, 2013 for *“Remove and Replace Doors and Install Mall Glass front – Fonwood ES (Former North Forest campus),”* for a total price of \$282,827.14. The job order is supported by a quotation from P2MG dated July 11, 2013.

Job Order P2M 30002 was issued on July 19, 2013 for *“Restroom Renovations – Fonwood ES (Former North Forest campus),”* for a total price of \$428,256.33. The job order is supported by a quotation from P2MG dated July 11, 2013.

Based on the applications for payment for the work, the work on all three orders was performed simultaneously between July 19, 2013 and August 23, 2013.

Approval – Although each of these job orders was approved on the same day, and they are sequentially numbered, and a case can be made that they should have been one renovation project, the work on each job order is sufficiently different from the others where a case can be made to justify them as separate orders. A Board item which approved funding the demolition of seven NFISD facilities and sale of the properties, including Fonwood ES, was approved on July 18, 2013; however, the Board Item does not specify the use of Job Order Contracting or a waiver of the statutory pricing limits. In this case, Job Orders P2M 30000, P2M 30001, and P2M 30002, each individually meet the HISD Job Order Contracting value limitation of less than \$500,000 which would not require a special Board item. Because the scope of each project is significantly different, each is valued less than \$500,000, and prior Board approval was obtained, Internal Audit is reluctant to cite an exception in this case.

Pricing – The quotations supporting all three job orders were written on July 11, 2013. Each quotation is supported by an RS Means Detailed Estimate and a Project Budget summary page. The TCPN contract specified RS Means as the estimating software to be used, which is updated quarterly.

According to the TCPN Contract a job order is priced by multiplying the gross RS Means estimate by the quarterly city cost index and the resulting total by the contract coefficient. The effective city cost index for the Third Quarter of 2013 was .895. The effective contract coefficient for P2MG in the TCPN Contract was 0.89. Regarding Payment and Performance Bonds, the TCPN contract states that *“The actual cost of the bond will be a pass through to the client member and added to the purchase order.”*

As part of this review, internal Audit found no evidence that the pricing of these job orders was independently validated using the RS Means estimating software or Facilities Construction Cost Manual, which is the basis for pricing job orders under the TCPN Job Order Contract.

Since Internal Audit did not have access to the RS Means estimating software or manual, a detailed testing of the pricing by line item could not be performed. Instead, each quotation was reviewed for consistency with the contractual terms, and the following discrepancies were noted.

1. The following city cost indexes, contract coefficients, and mark ups for Bonding were used on the three job orders which were quoted on July 11, 2013.

Job Order	City Cost Index	Coefficient	Bonding M/U
P2M 30000	.95	.85	3.5%
P2M 30001	.95	.85	3.5%
P2M 30002	.95	.85	3.5%

The city cost indexes and the contract coefficients differ from the contractual requirements. In addition, Bonding is charged as a 3.5% mark-up to the cost of the work rather than based on the actual premiums paid.

2. Division 1 General Requirements – The TCPN Contract is specific regarding Division 1 General Requirements. Most of the Division 1 Line Items in RS Means are not to be itemized on a job order estimate because they are covered within the contract coefficient. Unless agreed to in writing by the owner prior to acceptance of the job order, the contract disallows the inclusion of all Division 1 Line Items with the exception of the following:

- Subsection 01 21 53 Factors Allowance except 01 21 53.50 - 2000 and 2050 "shift work."
- Sections 01 54 thru 01 93, except 01 54 39.70, Small Tools.
- 01 74 13.20 Cleaning up, Subsections 0010 thru 0040 (After Job Completion)

During the review of the RS Means quotations supporting each job order, Internal Audit noted that only the quotation for P2M 30000 contained the following Division 1 Line Item, which is unallowable under the contract:

- Section 01 31 13.20 Field Personnel, Project Superintendent (Average).

The above pricing inconsistencies indicate a lack of internal controls in the approval process for these job orders. It is clear that the pricing was not verified during the approval process by referencing the contract and RS Means.

Invoicing / Payments - The job order amounts were reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted. Although the work on all three orders was performed concurrently, each job order was invoiced separately.

Recommendation – From the review of these job orders, it is apparent that the contract was not referenced during the quotation preparation and approval processes, resulting in the pricing discrepancies noted above. During this review, Internal Audit noticed the same discrepancies on other job orders which were not part of the sample selection. CFS should review all of the job orders issued to P2MG under TCPN Contract No. 5092 to determine if a re-pricing exercise is warranted.

In administering future job orders, CFS should ensure that all estimates are priced using the Unit Price Book (in this case, RS Means), and contain the effective city cost index percentages, and contract coefficients. In addition, if the contract specifies that certain Division 1 Line Items are not to be itemized in an estimate, because they are seen as being covered by the coefficient, those charges should be disallowed. Estimates including incorrect city cost index percentages, contract coefficients, and unallowable line items should be rejected.

Management Response – Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended for future Job Order Contracts. CFS notes that this work arose out of an immediate need to repair North Forrest ISD facilities annexed pursuant to TEA order in the summer of 2013. As noted elsewhere in this Audit Report, CFS now includes authorization for the use of a Job Order Contractor to implement the work and waivers of the JOC cap on projects in Board agenda items when applicable. Further, CFS procured multiple, concurrent job order contracts based upon Procurement Department guidance as contained in the memorandum dated April 2, 2014 and believed it was consistent with State law and District policy.

Plan of Action

1. At the time when Job Order Contracting becomes available, CFS will obtain copies of the most current RS Means price data book and distribute to management staff and program managers to verify cost data and pricing coefficients.
2. At the time when Job Order Contracting becomes available, CFS will train all staff on all applicable laws governing the use of JOC's and their pricing guidelines.
3. At the time when Job Order Contracting becomes available, CFS will utilize the internal resources of the procurement department to monitor compliance on the issuance of JOC contracts.
4. CFS will perform a final accounting to determine what dollars are owed, if any, back to the district for all job orders issued to P2MG under TCPN Contract No. 5092 due to pricing discrepancies. CFS will accomplish this within 45 calendar days from the date of this response.

2.) Job Orders P2M 30044, P2M 30045, P2M 30047, and P2M 30048, Jones HS – These job orders were all issued for renovation work at Jones HS, to accommodate the students from Milby HS during the reconstruction of that school. The District contracted with P2MG by utilizing TCPN Job Order Contract No. 5092.

Job Order P2M 30044 was issued on June 10, 2014 for "*Renovation of the Specialty Areas at Jones HS, 1. Culinary Arts Area, 2. New Administration Area, 3. New Wall between the classrooms,*" for a total price of \$381,758.96. The job order is supported by a quotation from P2MG dated June 3, 2014.

Job Order P2M 30045 was issued on June 10, 2014 for "*Renovation of the Specialty Areas at Jones HS, 1. Welding, 2. HVACR, 3. Cosmetology,*" for a total price of \$481,060.71. The job order is supported by a quotation from P2MG dated June 3, 2014.

Job Order P2M 30047 was issued on June 5, 2014 for "*Jones HS, 1. Canopy Painting, 2. Upgrade Lights,*" for a total price of \$484,475. The job order is supported by a quotation from P2MG dated June 3, 2014.

Job Order P2M 30048 was issued on June 5, 2014 for “Jones HS, 1. Resurface Tennis Courts, 2. Restroom Renovation, 3. Bus Lane,” for a total price of \$139,959.58. The job order is supported by a quotation from P2MG dated June 3, 2014.

As noted in the State Law and HISD policy paragraph at the beginning of the Report Detail, job orders can be issued for up to \$500,000 per project, with an annual cumulative value of \$1 million, per campus, per year, without Board approval. Job orders exceeding those limits can only be issued with Board approval.

Approval – Although Job Orders P2M 30044, P2M 30045, P2M 30047, P2M 30048 each individually meet the HISD Job Order Contracting value limitation of less than \$500,000 per order, collectively they total \$1,487,254.25, which exceeds the annual limitation of \$1 million per campus per year. Board Item H-2, dated September 11, 2014, approved the use of Job Order Contracting with a \$3 million project limit for the combination of Jones HS, Milby HS, and South Early College HS. Although Board Item H-2 was eventually approved on September 11, 2014, for work up to \$3 million, P2M 30044, P2M 30045, P2M 30047, and P2M 30048 were issued in June 2014, without Board approval.

These four separate job orders represented component, separate, or sequential purchases at the time of their approval, which are not permitted under the Texas Education Code. The work on each job order was performed concurrently, between June and September 2014, and the job orders are sequentially numbered in pairs. Based on the scope of work, at least the first two jobs involving the Specialty Areas should have been administered as a single renovation project valued at \$862,819.67. In order to comply with State law and District policy, the work should have been performed (1) under a single job order with special approval by the Board for exceeding the \$500,000 contract limit, or (2) under an individual renovation contract resulting from a separate RFP or CSP process with Board approval.

Pricing – The quotations supporting all four job orders were each written on June 3, 2014, and each quotation is supported by an RS Means Detailed Estimate and a Project Budget summary page. The TCPN contract specified RS Means as the estimating software to be used, which is updated quarterly.

According to the TCPN Contract a job order is priced by multiplying the gross RS Means estimate by the quarterly city cost index and the resulting total by the contract coefficient. The effective city cost index for the Second Quarter of 2014 was 87.8%, and the effective contract coefficient for P2MG in the TCPN Contract was 0.89. Regarding Payment and Performance Bonds, the TCPN contract states that “*The actual cost of the bond will be a pass through to the client member and added to the purchase order.*”

As part of this review, Internal Audit found no evidence that the pricing of these job orders was independently validated using the RS Means estimating software or Facilities Construction Cost Manual, which is the basis for pricing job orders under the TCPN Job Order Contract.

As Internal Audit did not have access to the RS Means estimating software a detailed testing of the pricing could not be performed. Instead, each quotation was reviewed for consistency, and the following discrepancies were noted.

- 1.) The following city cost indexes, contract coefficients, and mark ups for Bonding were used on the four job orders which were all quoted on June 3, 2014.

Job Order	City Cost Index	Coefficient	Bonding M/U
P2M 30044	.868	.70	3.5%
P2M 30045	.868	.70	3.5%
P2M 30047	.95	.85	3.5%
P2M 30048	.95	.85	3.5%

The city cost indexes and the contract coefficients differ among job orders, even though all four quotations were prepared on June 3, 2014. The city cost indexes and the contract coefficients also differ from the contractual requirements. In addition, Bonding is charged as a 3.5% mark-up to the cost of the work rather than a charge based on the actual premiums paid.

- 2.) Division 1 General Requirements – The TCPN Contract is specific regarding Division 1 General Requirements. Most of the Division 1 Line Items in RS Means are not to be itemized on a job order estimate because they are covered within the contract coefficient. Unless agreed to in writing by the owner prior to acceptance of the job order, the contract disallows the inclusion of all Division 1 Line Items with the exception of the following:

- Subsection 01 21 53 Factors Allowance except 01 21 53.50 - 2000 and 2050 "shift work."
- Sections 01 54 thru 0193 except 01 54 39.70 Small Tools.
- 01 74 13.20 Cleaning up, Subsections 0010 thru 0040 (After Job Completion)

During the review of the RS Means quotations supporting each job order, Internal Audit noted that each quotation contained multiple entries for the following Division 1 Line Items, which are unallowable under the contract:

- Section 01 11 31.10 Architectural Fees. (Minimum and Maximum).
- Section 01 11 31.30 Engineering Fees. (Minimum and Maximum).
- Section 01 31 13.20 Field Personnel, Project Manager (Average).
- Section 01 31 13.20 Field Personnel, Project Superintendent (Average).
- Section 01 74 13 20 Subsection 0052 Cleaning up (Continuous per day).

The work on all four job orders was performed concurrently at Jones HS between June and September 2014. Based on the requisitions, the earliest start date for any work was June 5, 2014, and based on the invoices, all of the work was completed by September 3, 2014. The period between June 5, 2014 and September 3, 2014, is 13 weeks. Although the work was performed concurrently, a review of the quotations

noted that each contained the following charges for a Project Manager and or a Superintendent.

Job Order	Project Manager	Superintendent
P2M 30044	8 Weeks	14 Weeks
P2M 30045	8 Weeks	12 Weeks
P2M 30047	None	12 Weeks
P2M 30048	4 Weeks	8 Weeks

As noted above, line item charges for a Project Manager and a Superintendent are not allowable under the contract. Since at least two of the four job orders (P2M 30044 and P2M 30045) represent a single project, the district was charged for multiple Project Managers and Superintendents even though the work was performed simultaneously at the same location.

- 3.) Possible Scope Duplication – P2M 30044 and P2M 30045 both include the following in their scope descriptions: “*Remove existing electrical conduit from floor area in Welding/HVACR Area.*” It is currently not known whether both projects involved removing of conduit from the Welding HVACR Area or this is simply an error. What is known is that each of the detailed quotations includes the exact same line items and charges for electrical demolition.

The above pricing inconsistencies, and the possible scope duplication, all indicate a lack of internal controls in the approval process for these job orders. It is clear that the pricing was not verified during the approval process by referencing the contract and RS Means.

Invoicing / Payments - The job order amounts were reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted.

Based on the billings for each job order, work valued \$1,412,891.56 was completed and billed by September 3, 2014, of which, \$767,957.99, was paid before Board Item H-2 was approved on September 11, 2014. Effectively, the four projects were substantially complete before they were approved by the Board. The contractor should not have been allowed to proceed with the work, and payments should not have been approved until Board Approval was obtained.

Recommendation – In administering future construction projects CFS should always obtain Board approval prior to commencing with the work. In the event the district chooses to use Job Order Contracting in the future, CFS should be conscious of the fact that separate, component, or sequential purchases are unallowable under the Education Code and District policy.

From the review of these job orders, it is apparent that the contract was not referenced during the quotation preparation and approval processes, resulting in the pricing discrepancies noted above. During this review, Internal Audit noticed the same discrepancies on other job orders, which were not part of the sample selection. CFS

should review all of the job orders issued to P2MG under TCPN Contract No. 5092 to determine if a re-pricing exercise is warranted.

In administering future job orders, CFS should ensure that all estimates are priced using the Unit Price Book (in this case, RS Means), and contain the effective city cost index percentages, and contract coefficients. In addition, if the contract specifies that certain Division 1 Line Items are not to be itemized in an estimate, because they are seen as being covered by the coefficient, those charges should be disallowed. Estimates including incorrect city cost index percentages, contract coefficients, and unallowable line items should be rejected.

CFS should examine the quotations for P2M 30044 and P2M 30045 for scope duplication described as *"Remove existing electrical conduit from floor area in Welding/HVACR Area."* Both job orders contain identical itemized electrical demolition charges.

Management Response – Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended for future Job Order Contracts. As noted in the Audit Report, this work arose out of an immediate need to renovate multiple facilities as a result of Board approval in summer 2014 to relocate students from Milby High School to other campuses beginning in August 2014 for the duration of the Milby Bond construction project. CFS attempted to comply with JOC authorization and waiver requirements in a manner consistent with the time constraints of the project. Further, CFS procured multiple, concurrent job order contracts based upon Procurement Department guidance as contained in the memorandum dated April 2, 2014 and believed it was consistent with State law and District policy.

Plan of Action

1. At the time when Job Order Contracting becomes available, CFS will obtain copies of the most current RS Means price data book and distribute to management staff and program managers to verify cost data and pricing coefficients.
2. At the time when Job Order Contracting becomes available, CFS will train all staff on all applicable laws governing the use of JOC's and their pricing guidelines.
3. At the time when Job Order Contracting becomes available, CFS will utilize the internal resources of the procurement department to monitor compliance on the issuance of JOC contracts.
4. At the time when Job Order Contracting becomes available, CFS will conform to State law and District policy by performing scope of work under one single job order and not exceeding the statutory limitations without prior approval from the Board to exceed the limit or conduct a formal RFP or CSP process.
5. CFS will review quotations for P2M 30044, P2M 30045, P2M 30047, and P2M 30048 for general requirements, duplication of scope, incorrect city cost index percentages, contract coefficients, and unallowable line items. Upon conclusion

of review, CFS will perform a final accounting to determine what dollars are owed, if any, back to the district for all job orders. CFS will accomplish this within 45 calendar days from the date of this response.

3.) Job Orders P2M 30046, P2M 30051, and P2M 30052, Attucks MS – These job orders were all issued for renovation work at Attucks MS to accommodate the students from Milby HS during the reconstruction of Milby HS. The District contracted with P2MG by utilizing TCPN Job Order Contract No. 5092.

Job Order P2M 30046 was issued on June 10, 2014 for “*Renovation of Attucks MS, 1. Painting, 2. Chalkboard Upgrade,*” for a total price of \$255,287.45. The job order is supported by a quotation from P2MG dated June 4, 2014.

Job Order P2M 30051 was issued on July 21, 2014 for “*Gym Floor Upgrade – Attucks MS,* for a total price of \$104,711.75. The job order is supported by a quotation from P2MG dated July 17, 2014.

Job Order P2M 30052 was issued on July 21, 2014 for “*Upgrade Bookshelves in Library – Attucks MS.*” for a total price of \$42,819.90. The job order is supported by a quotation from P2MG dated July 17, 2014.

Approval – Job Orders P2M 30046, P2M 30051, and P2M 30052, each individually meet the HISD Job Order Contracting value limitation of less than \$500,000 per order for Attucks MS. These job orders were issued to improve Attucks MS for use as swing space for relocated Milby HS students. The job orders have been charged to the Milby HS budget and are seen as being covered by Board Item H-2, dated September 11, 2014. Item H-2 approved the use of Job Order Contracting with a \$3 million project limit for the combination of Jones HS, Milby HS, and South Early College HS. Although Board Item H-2 was eventually approved on September 11, 2014, for work up to \$3 million, P2M 30046, P2M 30051, and P2M 30052, were issued in June and July 2014, technically, according to H-2, without Board approval. Had they been charged to directly to Attucks MS, they would have not required a Board item.

Internal Audit questioned charging improvements at one campus to the budget of another based on the student population using the facility, versus charging the campus where the improvements were made. According to Bond Fund Accounting, this was done to utilize the existing Bond Fund budget. For capital asset purposes, the cost of this work will be properly recorded in the Attucks MS asset account.

Pricing – The quotations supporting all three job orders were written in June and July 2014. Each quotation is supported by an RS Means Detailed Estimate and a Project Budget summary page. The TCPN contract specified RS Means as the estimating software to be used, which is updated quarterly.

According to the TCPN Contract, a job order is priced by multiplying the gross RS Means estimate by the quarterly city cost index and the resulting total by the contract coefficient. The effective city cost index for the Second Quarter of 2014 was .878, and the Third Quarter of 2014 was .884. The effective contract coefficient for P2MG in the

TCPN Contract was 0.89. Regarding Payment and Performance Bonds, the TCPN contract states that *“The actual cost of the bond will be a pass through to the client member and added to the purchase order.”*

As part of this review, Internal Audit found no evidence that the pricing of these job orders was independently validated using the RS Means estimating software or Facilities Construction Cost Manual, which is the basis for pricing job orders under the TCPN Job Order Contract.

Since Internal Audit did not have access to the RS Means estimating software or manual, a detailed testing of the pricing by line item could not be performed. Instead, each quotation was reviewed for consistency with the contractual terms, and the following discrepancies were noted.

- 1.) The following city cost indexes, contract coefficients, and mark ups for Bonding were used on the three job orders which were quoted in June and July, 2014.

Job Order	City Cost Index	Coefficient	Bonding M/U
P2M 30046	.95	.85	3.5%
P2M 30051	.95	.85	3.5%
P2M 30052	.95	.85	3.5%

The city cost indexes and the contract coefficients differ from the contractual requirements. In addition, Bonding is charged as a 3.5% mark-up to the cost of the work rather than based on the actual premiums paid.

- 2.) Division 1 General Requirements – The TCPN Contract is specific regarding Division 1 General Requirements. Most of the Division 1 Line Items in RS Means are not to be itemized on a job order estimate because they are covered within the contract coefficient. Unless agreed to in writing by the owner prior to acceptance of the job order, the contract disallows the inclusion of all Division 1 Line Items with the exception of the following:

1. Subsection 01 21 53 Factors Allowance except 01 21 53.50 - 2000 and 2050 "shift work."
2. Sections 01 54 thru 0193, except 01 54 39.70, Small Tools.
3. 01 74 13.20 Cleaning up, Subsections 0010 thru 0040 (After Job Completion)

During the review of the RS Means quotations supporting each job order, Internal Audit noted that each quotation contained multiple entries for the following Division 1 Line Items, which are unallowable under the contract:

- Section 01 11 31.10 Architectural Fees. (Minimum and Maximum).
- Section 01 11 31.30 Engineering Fees. (Minimum and Maximum).
- Section 01 31 13.20 Field Personnel, Project Manager (Average).
- Section 01 31 13.20 Field Personnel, Project Superintendent (Average).
- Section 01 74 13 20 Subsection 0052 Cleaning up (Continuous per day).

The above pricing inconsistencies indicate a lack of internal controls in the approval process for these job orders. It is clear that the pricing was not verified during the approval process by referencing the contract and RS Means.

Invoicing / Payments - The job order amounts were reconciled to the approved applications for payment and checks issued by HISD with no exceptions noted.

Based on the billings for each job order, work valued \$390,054.72 was completed and billed by September 3, 2014, of which, \$218,270.76 was paid before Board Item H-2 was approved on September 11, 2014. Effectively, the three projects were substantially complete before they were approved by the Board. The contractor should not have been allowed to proceed with the work, and payments should not have been approved until Board approval was obtained.

Recommendation – From the review of this job order, it is apparent that the contract was not referenced during the quotation preparation and approval processes, resulting in the pricing discrepancies noted above. During this review, Internal Audit noticed the same discrepancies on other job orders, which were not part of the sample selection. CFS should review all of the job orders issued to P2MG under TCPN Contract No. 5092 to determine if a re-pricing exercise is warranted.

In administering future job orders, CFS should ensure that all estimates are priced using the Unit Price Book (in this case, RS Means), and contain the effective city cost index percentages, and contract coefficients. In addition, if the contract specifies that certain Division 1 Line Items are not to be itemized in an estimate, because they are seen as being covered by the coefficient, those charges should be disallowed. Estimates including incorrect city cost index percentages, contract coefficients, and unallowable line items should be rejected.

Management Response – Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended for future Job Order Contracts. As noted in the Audit Report, this work arose out of an immediate need to renovate multiple facilities as a result of Board approval in summer 2014 to relocate students from Milby High School to other campuses beginning in August 2014 for the duration of the Milby Bond construction project. CFS attempted to comply with JOC authorization and waiver requirements in a manner consistent with the time constraints of the project. Further, CFS procured multiple, concurrent job order contracts based upon Procurement Department guidance as contained in the memorandum dated April 2, 2014 and believed it was consistent with State law and District policy.

Plan of Action

1. At the time when Job Order Contracting becomes available, CFS will obtain copies of the most current RS Means price data book and distribute to management staff and program managers to verify cost data and pricing coefficients.

2. At the time when Job Order Contracting becomes available, CFS will train all staff on all applicable laws governing the use of JOC's and their pricing guidelines.
3. At the time when Job Order Contracting becomes available, CFS will utilize the internal resources of the procurement department to monitor compliance on the issuance of JOC contracts.
4. At the time when Job Order Contracting becomes available, CFS will conform to State law and District policy by performing scope of work under one single job order and not exceeding the statutory limitations without prior approval from the Board to exceed the limit or conduct a formal RFP or CSP process.
5. CFS will review quotations for P2M 30046, P2M 30051 and P2M 30052 for general requirements, incorrect city cost index percentages, contract coefficients, and unallowable line items. Upon conclusion of review, CFS will perform a final accounting to determine what dollars are owed, if any, back to the district for all job orders P2M 30046, P2M 30051 and P2M 30052. CFS will accomplish this within 45 calendar days from the date of this response.

4.) Job Order P2M 30054, Jones HS – Job Order P2M 30054 actually consists of three separate requisitions (job orders), which were created to install a parking lot addition at Jones HS, in order to accommodate the students being relocated from Milby HS. The District contracted with P2MG by utilizing TCPN Job Order Contract No. 5092. Each requisition is numbered P2M 30054 and the work is described as follows: “*Jones HS (Design and Grading) Parking Lot Addition – Phase I*” totaling \$288,909.81, “*Jones HS Parking Lot Addition (Paving Parking Area) – Phase II*” totaling \$498,341.11, “*Jones HS Parking Lot Addition (Paving Parking Area) – Phase III*” totaling \$383,424.55, for a total value of \$1,170,675.47. All three job orders were issued on July 23, 2014, and are supported by itemized quotations from P2MG dated July 17, 2014. Board Item H-2 dated September 11, 2014, approved the use of a job order contracting method with a \$3 million project limit for the combination of Jones HS, Milby HS, and South Early College HS.

Approval – Board Item H-2 dated September 11, 2014, approved the use of Job Order Contracting with a \$3 million project limit for the combination of Jones HS (including the parking lot addition), Milby HS, and South Early College HS. Although the parking lot addition at Jones HS was included in the work authorized, H-2 was approved almost two months after the three requisitions which make up Job Order P2M 30054 were issued. In addition, the division of the scope of what would typically be a single project into multiple requisitions represents component, separate, or sequential purchasing, which is a violation of Section 44.032 of the Texas Education Code. In order to comply with State law and District policy, the parking lot addition should have been approved by the Board in advance of the work being awarded. The work should have been awarded under (1) a single job order with special approval by the Board for exceeding the \$500,000 contract limit, and \$1 million annual limit, or (2) an individual renovation contract resulting from a separate RFP or CSP process with Board approval.

Pricing - The quotations for each phase are supported by an RS Means Detailed Estimate and a Project Budget summary page. The TCPN contract specified RS Means as the estimating software to be used, which is updated quarterly.

According to the TCPN Contract a job order is priced by multiplying the gross RS Means estimate by the quarterly city cost index and the resulting total by the contract coefficient. The effective city cost index for the Third Quarter of 2014 was .884. The effective contract coefficient for P2MG in the TCPN Contract was 0.89. Regarding Payment and Performance Bonds, the TCPN contract states that *"The actual cost of the bond will be a pass through to the client member and added to the purchase order."*

As part of this review, Internal Audit found no evidence that the pricing of these job orders was independently validated using the RS Means estimating software or Facilities Construction Cost Manual, which is the basis for pricing job orders under the TCPN Job Order Contract.

Since Internal Audit did not have access to the RS Means estimating software or manual, a detailed testing of the pricing by line item could not be performed. Instead, each quotation was reviewed for consistency with the contractual terms, and the following discrepancies were noted.

1. The following city cost indexes, contract coefficients, and mark ups for Bonding were used on the three job orders which were quoted in June and July, 2014.

Job Order	City Cost Index	Coefficient	Bonding M/U
P2M 30054 Phase 1	.868	.70	3.5%
P2M 30054 Phase 2	.868	.70	3.5%
P2M 30054 Phase 3	.868	.70	3.5%

The city cost indexes and the contract coefficients differ from the contractual requirements. In addition, Bonding is charged as a 3.5% mark-up to the cost of the work rather than based on the actual premiums paid.

2. Division 1 General Requirements – The TCPN Contract is specific regarding Division 1 General Requirements. Most of the Division 1 Line Items in RS Means are not to be itemized on a job order estimate because they are covered within the contract coefficient. Unless agreed to in writing by the owner prior to acceptance of the job order, the contract disallows the inclusion of all Division 1 Line Items with the exception of the following:

- Subsection 01 21 53 Factors Allowance except 01 21 53.50 - 2000 and 2050 "shift work."
- Sections 01 54 thru 0193, except 01 54 39.70, Small Tools.
- 01 74 13.20 Cleaning up, Subsections 0010 thru 0040 (After Job Completion)

During the review of the RS Means quotations supporting each job order, Internal Audit noted that each quotation contained multiple entries for the following Division 1 Line Items, which are unallowable under the contract:

- Section 01 11 31.10 Architectural Fees. (Minimum and Maximum).
- Section 01 11 31.30 Engineering Fees. (Minimum and Maximum).
- Section 01 31 13.20 Field Personnel, Project Manager (Average).
- Section 01 31 13.20 Field Personnel, Project Superintendent (Average).

The above pricing inconsistencies indicate a lack of internal controls in the approval process for these job orders. It is clear that the pricing was not verified during the approval process by referencing the contract and RS Means.

Invoicing / Payments - Although three requisitions (job orders) were issued, a review of the progress payments for the parking lot work indicate that P2MG was treating the work as a single contract valued at \$1,170,675.47. Progress Payment No. 1, totaling \$930,015.04, representing approximately 79% project completion, was approved for payment on September 3, 2014, eight days before Board approval on September 11, 2014. Payment was made on Check No 1515711 dated September 26, 2014, which was issued after Board approval.

Recommendation – In administering future job order projects CFS should always obtain Board approval prior to awarding any job orders exceeding the allowable limits in accordance with the Texas Government Code. In addition, the scope of each job order should represent the entire project and not be divided into separate, component, or sequential purchases which are unallowable under the Texas Education Code.

From the review of this job order, it is apparent that the contract was not referenced during the quotation preparation and approval processes, resulting in the pricing discrepancies noted above. During this review, Internal Audit noticed the same discrepancies on other job orders, which were not part of the sample selection. CFS should review all of the job orders issued to P2MG under TCPN Contract No. 5092 to determine if a re-pricing exercise is warranted.

In administering future job orders, CFS should ensure that all estimates are priced using the Unit Price Book (in this case, RS Means), and contain the effective city cost index percentages, and contracted coefficient. In addition, if the contract specifies that certain Division 1 Line Items are not to be itemized in an estimate, because they are seen as being covered by the coefficient, those charges should be disallowed. Estimates including incorrect city cost index percentages, contract coefficients, and unallowable line items should be rejected.

Management Response – Construction and Facilities Services (CFS) concurs with the recommendations and will implement action as recommended for future Job Order Contracts. As noted in the Audit Report, this work arose out of an immediate need to renovate multiple facilities as a result of Board approval in summer 2014 to relocate students from Milby High School to other campuses beginning in August 2014 for the duration of the Milby Bond construction project. CFS attempted to comply with JOC authorization and waiver requirements in a manner consistent with the time constraints of the project. Further, CFS procured multiple, concurrent job order contracts based

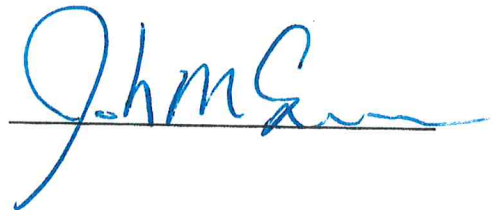
upon Procurement Department guidance as contained in the memorandum dated April 2, 2014 and believed it was consistent with State law and District policy.

Plan of Action

1. At the time when Job Order Contracting becomes available, CFS will obtain copies of the most current RS Means price data book and distribute to management staff and program managers to verify cost data and pricing coefficients.
2. At the time when Job Order Contracting becomes available, CFS will train all staff on all applicable laws governing the use of JOC's and their pricing guidelines.
3. At the time when Job Order Contracting becomes available, CFS will utilize the internal resources of the procurement department to monitor compliance on the issuance of JOC contracts.
4. At the time when Job Order Contracting becomes available, CFS will conform to State law and District policy not to exceed the annual statutory limitations per campus per year without prior approval from the Board to exceed the limit or conduct a formal RFP or CSP process.
5. CFS will review quotations for P2M 30054 PH1, P2M 30054 PH2 and P2M 30054 PH3 for general requirements, incorrect city cost index percentages, contract coefficients, and unallowable line items. Upon conclusion of review, CFS will perform a final accounting to determine what dollars are owed, if any, back to the district for all job orders P2M 30054 PH 1, P2M 30054 PH2 and P2M 30054 PH3. CFS will accomplish this within 45 calendar days from the date of this response.

Audit Team:

John M. Gerwin – Manager, Construction Audit



Jazzmine Fuller – Senior Construction Auditor



Exhibit A

Sutton ES Change Order Log JLN 20124

Date	Job Order	Existing Amount	Adjustments Due		Revised Amount
			HISD		
5/17/2013	JLN 20124	\$ 1,155,711.52	\$ -		\$ 1,155,711.52
Change Orders					
Date	C/O				
8/19/2013	1	\$ 24,148.05	\$ (4,024.34)		\$ 20,123.71
11/13/2013	2	\$ 33,883.29	\$ (4,762.01)		\$ 29,121.28
1/13/2014	3	\$ 29,341.97	\$ (4,859.77)		\$ 24,482.20
4/25/2014	4	\$ 27,000.00	\$ -		\$ 27,000.00
8/31/2014	5	\$ 15,501.20	\$ (2,532.88)		\$ 12,968.32
C/O Total		\$ 129,874.51	\$ (16,178.99)		\$ 113,695.52
Total Job Order		\$ 1,285,586.03	\$ (16,178.99)		\$ 1,269,407.04

Exhibit A

JLN 20124 Sutton ES C/O No. 1		%	Existing CPR 01	Revised CPR 01	Existing CPR 03	Revised CPR 03	Existing CPR 04	Revised CPR 04
Quote Per RS Means			\$ 2,257.75	\$ 2,257.75	\$ 8,205.87	\$ 8,205.87	\$ 8,981.81	\$ 8,981.81
Adjust for City Cost Index	87.70%		\$ 1,980.05	\$ 1,980.05	\$ 7,196.55	\$ 7,196.55	\$ 7,877.05	\$ 7,877.05
TCPN Coefficient 72%	72.00%		\$ 1,425.63		\$ 5,181.51		\$ 5,671.47	
HISD Coefficient 60%	60.00%		\$	\$ 1,188.03	\$	\$ 4,317.93	\$	\$ 4,726.23
Error on CO 1, CPR 3			\$	(0.40)	\$		\$	
CPR Total			<u>\$ 1,425.63</u>	<u>\$ 1,188.03</u>	<u>\$ 5,181.11</u>	<u>\$ 4,317.93</u>	<u>\$ 5,671.47</u>	<u>\$ 4,726.23</u>
Difference			\$	(237.61)	\$	(863.19)	\$	(945.25)
Quote Per RS Means			\$ 9,100.00	\$ 9,100.00	\$ 9,698.00	\$ 9,698.00	Existing C/O 1	Revised C/O 1
Adjust for City Cost Index	87.70%		\$ 7,980.70	\$ 7,980.70	\$ 8,505.15	\$ 8,505.15		
TCPN Coefficient 72%	72.00%		\$ 5,746.10		\$ 6,123.71			
HISD Coefficient 60%	60.00%		\$	\$ 4,788.42	\$	\$ 5,103.09		
CPR Total			<u>\$ 5,746.10</u>	<u>\$ 4,788.42</u>	<u>\$ 6,123.71</u>	<u>\$ 5,103.09</u>	<u>\$ 24,148.03</u>	<u>\$ 20,123.69</u>
Difference			\$	(957.68)	\$	(1,020.62)	\$	Due HISD \$ (4,024.34)

Exhibit A

JLN 20124 Sutton ES C/O No. 2	%	Existing CPR 05	Revised CPR 05	Existing CPR 06	Revised CPR 06	Existing C/O 2	Revised C/O 2
Quote Per RS Means		\$ 20,151.10	\$ 20,151.10	\$ 24,187.89	\$ 24,187.89		
Adjust for City Cost Index	89.50%	\$ 18,035.23	\$ 18,035.23	\$ 21,648.16	\$ 21,648.16		
TCPN Coefficient 72%	72.00%	\$ 12,985.37		\$ 15,586.68			
HISD Coefficient 60%	60.00%		\$ 10,821.14		\$ 12,988.90		
Non Pre-Priced Items		\$ 5,311.25	\$ 5,311.25				
CPR Total		<u>\$ 18,296.62</u>	<u>\$ 16,132.39</u>	<u>\$ 15,586.68</u>	<u>\$ 12,988.90</u>	<u>\$ 33,883.30</u>	<u>\$ 29,121.29</u>
Difference			\$ (2,164.23)		\$ (2,597.78)		\$ (4,762.01) Due HISD

Exhibit A

JLN 20124 Sutton ES C/O No. 3	%	Existing CPR 09	Revised CPR 09	%	Existing CPR 10	Revised CPR 10	Existing C/O 3	Revised C/O 3
Quote Per RS Means		\$ 17,140.53	\$ 17,140.53		\$ 28,355.11	\$ 28,355.11		
Adjust for City Cost Index	89.50%	\$ 15,340.77	\$ 15,340.77	89.80%	\$ 25,462.89	\$ 25,462.89		
TCPN Coefficient 72%	72.00%	\$ 11,045.36		72.00%	\$ 18,333.28			
HISD Coefficient 60%	60.00%		\$ 9,204.46	60.00%		\$ 15,277.73		
Adj. for Math Errors on C/O 3					\$ 5.00			
Adj. for Math Errors on C/O 3					\$ (41.67)			
CPR Total		<u>\$ 11,045.36</u>	<u>\$ 9,204.46</u>		<u>\$ 18,296.61</u>	<u>\$ 15,277.73</u>	<u>\$ 29,341.97</u>	<u>\$ 24,482.20</u>
Difference		\$	\$ (1,840.89)		\$	\$ (3,018.88)	\$	\$ (4,859.77) Due HISD

Exhibit A

JLN 20124 Sutton ES C/O No. 4	%	Existing CPR	Revised CPR	Existing C/O 4	Revised C/O 4
Quote Per RS Means		\$ -	\$ -		
Adjust for City Cost Index	89.50%	\$ -	\$ -		
TCPN Coefficient 72%	72.00%	\$ -	\$ -		
HISD Coefficient 60%	60.00%	\$ -	\$ -		
Non Pre-Priced Items					
CAI Consulting Engineers Fee		\$ 20,380.00	\$ 20,380.00		
Pfluger Fee - CoH		\$ 6,620.00	\$ 6,620.00		
CPR Total		<u>\$ 27,000.00</u>	<u>\$ 27,000.00</u>	<u>\$ 27,000.00</u>	<u>\$ 27,000.00</u>
Difference		\$ -	\$ -	\$ -	Due HISD

Exhibit A

JLN 20124 Sutton ES C/O No. 5	%	Existing CPR 11	Revised CPR 11	Existing C/O 5	Revised C/O 5
Quote Per RS Means		\$ 23,504.78	\$ 23,504.78		
Adjust for City Cost Index	89.80%	\$ 21,107.29	\$ 21,107.29		
TCPN Coefficient 72%	72.00%	\$ 15,197.25			
HISD Coefficient 60%	60.00%		\$ 12,664.38		
Non Pre-Priced Items					
Bond Rider		\$ 303.95	\$ 303.95		
CPR Total		<u>\$ 15,501.20</u>	<u>\$ 12,968.33</u>	<u>\$ 15,501.20</u>	<u>\$ 12,968.33</u>
Difference			\$ (2,532.88)		\$ (2,532.88)

Exhibit B

Holland ES Change Order Log JLN 20125

Date	Job Order	Existing Amount	Adjustments due	
			HISD	Revised Amount
5/21/2013	JLN 20125	\$ 449,778.74		\$ 449,778.74
Change Orders				
	Date			
	12/11/2013	\$ 22,901.64	\$ (633.94)	\$ 22,267.70
	C/O Total	\$ 22,901.64	\$ (633.94)	\$ 22,267.70
	Total Job Order	\$ 472,680.38	\$ (633.94)	\$ 472,046.44

Exhibit B

JLN 20125 Holland ES C/O No. 1		%	Existing CPR	Revised CPR	Existing C/O 1	Revised C/O 1
Quote Per RS Means			\$ 5,902.60	\$ 5,902.60		
Adjust for City Cost Index	89.50%		\$ 5,282.83	\$ 5,282.83		
TCPN Coefficient 72%	72.00%		\$ 3,803.64			
HISD Coefficient 60%	60.00%			\$ 3,169.70		
Non Pre-Priced Items						
Shelving (Vendor directed by HISD)			\$ 19,098.00	\$ 19,098.00		
CPR Total			<u>\$ 22,901.64</u>	<u>\$ 22,267.70</u>	<u>\$ 22,901.64</u>	<u>\$ 22,267.70</u>
Difference			<u>\$ (633.94)</u>		<u>\$ (633.94)</u>	Due HISD