

A Compliance Audit Report on the
RECOVERY SCHOOL DISTRICT -
CAPITAL CONSTRUCTION PROGRAM
Issued June 13, 2012



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**LOUISIANA LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

FIRST ASSISTANT LEGISLATIVE AUDITOR
AND STATE AUDIT SERVICES
PAUL E. PENDAS, CPA

DIRECTOR OF RECOVERY ASSISTANCE
JOHN L. MOREHEAD, CPA

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

June 13, 2012

**MR. JOHN WHITE, SUPERINTENDENT
LOUISIANA DEPARTMENT OF EDUCATION**

Baton Rouge, Louisiana

**MR. PATRICK DOBARD, SUPERINTENDENT
RECOVERY SCHOOL DISTRICT**

New Orleans, Louisiana

We performed a compliance audit of the Recovery School District's Capital Construction Program. We conducted our audit to analyze planning, design, construction, and project management of the program and determine adherence to contractual obligations of all contracted parties during its execution.

Our audit consisted primarily of inquiries and the examination of selected financial transactions, records, and other documentation. The scope of our audit was significantly less than an examination conducted in accordance with *Government Auditing Standards*.

The accompanying report presents our findings and recommendations as well as management's response. This is a public report and copies have been delivered to the appropriate public officials.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

KR:JM:ch

RSD-CCP 2012

EXECUTIVE SUMMARY

We performed a compliance audit of the Recovery School District's (RSD) Capital Construction Program. We analyzed planning, design, construction, and project management of the program to determine adherence with contractual obligations of all contracted parties during its execution.

During our analysis, we noted the following:

- Architecture and engineering firms (A&E consultants) are submitting site inspection reports that should more thoroughly inform RSD of the progress and quality of completed work.
- Jacobs/CSRS Program Management should improve its process for reviewing Requests for Information (RFI) from general contractors regarding drawing interpretations or material specifications. Further, some credits/reimbursements resulting from credit change orders were not adequately pursued.
- Of the 120 concrete reports, four indicated concrete had been poured without materials-testing inspectors present and three of the four appeared to have mislabeled concrete mix strengths.
- The public bid process was completed for two of the nine school projects before all permits were in place, resulting in additional costs through change orders.
- Of the \$607,193 in net change orders, \$44,677 was charged for overhead and profit that exceeds the 10 percent total contractually allowed.
- Two credit change orders were approved by RSD that did not include credits for overhead and profit, insurance, and bonds.
- Three change orders were approved by RSD that included credits and charges where overhead and profit was calculated on the charges instead of the net charges (charges minus credits) as required by the contract.
- Six change orders were approved by RSD with elevated costs for labor, materials, labor burden, and equipment when compared to the direct costs of other similar change orders within the Capital Construction Program.
- Thirteen change orders were approved by RSD with labor burden that includes items that do not meet the contractual definition of labor burden.

FINDINGS AND RECOMMENDATIONS

Architect and Engineering Monthly Reports

The A&E consultants are contractually required to make site inspections and meet with the general contractor about any issues affecting construction. These inspections and meetings are to be recorded in a report that is submitted to RSD and Jacobs/CSRS Program Management, the project manager.

We reviewed the A&E inspection and site meeting reports for Bienville Elementary, Colton Elementary, Crocker Elementary, F.C. Williams Elementary, Frantz Elementary, Osborne Elementary, Parkview Elementary, and Woodson Elementary. We noted that the reports varied greatly in format and content. Four of the reports (Bienville, Osborne, Parkview, and Woodson) failed to inform RSD of the progress and quality of completed work as required in Section 4.2.3 of the Project Manual for New Orleans Public Schools. Specifically, the project manual requires that all reports include “(1) deviations from the contract documents and from the most recent construction schedule submitted by the contractor, and (2) defects and deficiencies in the work.”

We also reviewed the few A&E consultant reports that were provided by the project manager. A&E consultants should be inspecting work related to the scope of work and providing reports to RSD and the project manager that indicate the status of the work inspected. These reports are important because they establish a written record of the observations of the licensed engineering professionals who inspected the work and can be used by RSD management in cases of contract disputes and substandard workmanship.

Recommendation 1: To help ensure the A&E consultants’ reports are a useful tool, RSD should establish minimum requirements for all A&E reports. Those reports should include the use of standard AIA forms, photographic records of the work, detailed statements about outstanding issues, printed names and signatures of all parties present at the status meetings, observations of safety or potential performance issues, and reports by other A&E sub-consultants.

Management agreed with the recommendation. See Appendix A, page 13.

Recommendation 2: RSD should ensure that engineering reports are filed at least monthly and require the project manager to maintain the reports in an easily accessible manner so documentation is available when requested.

Management agreed with the recommendation. See Appendix A, pages 13-14.

Requests for Information Logs

A RFI is a communication process initiated by the contractors to the A&E consultants, project manager, and RSD about items in the contract drawings or specifications that need clarification. RFIs often result in changes to contract drawings and/or alternative specifications and can produce change orders.

We reviewed the RFI logs for Woodson Elementary and Frantz Elementary and noted that the A&E consultants identified items that would result in cost savings to RSD if submitted through a credit change order. At the time of our review, none had been submitted as credit change orders.

Recommendation 3: RSD management should require frequent review of the RFI logs and verification that potential credit change orders are being processed timely by the project A&E consultants. The project manager is in the best position to accomplish this task but it can be performed by any employee with the appropriate skills.

Management agreed with the recommendation. See Appendix A, page 14.

Materials Testing Reports

Typically, structural materials including concrete, steel, masonry, earthwork, and pilings are inspected by a third-party testing agency to determine their conformance with project specifications. We sampled the testing reports for Osborne Elementary and noted the following:

- Three concrete reports out of 120 contained samples that appear to be significantly below the required design strength. In addition, a total of four concrete reports were taken from concrete pours by someone other than the testing agency. These reports will require review by the structural engineer.
- Three additional concrete reports out of 120 appeared to have mislabeled concrete mix strengths or the tests are not meeting design strength.
- Based on the documents provided, only the concrete mix design by Baker Ready Mix for 4,000 psi concrete was approved by the testing agency. However, different mixes by other suppliers for 3,000 psi, 3,500 psi, and 4,000 psi were poured on the site.
- Structural steel reports numbered 6-46 and concrete testing reports numbered 45-53, 79, and 112-113 were not submitted to the auditor for review after we made several email requests.

In addition, the general contractor selected, contracted with, and paid the testing companies.

Recommendation 4: RSD should require that testing is performed at the appropriate intervals by testing agency personnel only and that contractors are not selecting the samples for the testing

agency. RSD should also require its project manager to maintain testing data and reports in an easily accessible manner so documentation is available when requested.

Management agreed with the recommendation. See Appendix A, page 14.

Recommendation 5: RSD should hire testing agencies directly.

Management considered this recommendation, but chose not to implement it because management believes the current practice provides the best value in a timely manner. See Appendix A, pages 14-15.

Project Permitting

To properly prepare a construction project for the bid process, all construction permits should be obtained before the project is bid. If all permits are not obtained before bidding, the result is normally a change order that is not priced through a bid process.

Through our analysis of construction-related documentation for the nine schools currently under construction, we noted two instances where permitting was not complete before letting the projects for bid. For the Frantz Elementary project, a charge for modifications to the sewerage system was required because the permit from the New Orleans Sewer and Water Board was obtained after the bid. The changes also resulted in the loss of an additional \$8,175 for custom-made prefabricated manholes that are no longer useful. For the Osborne Elementary project, a charge for modifications to gates, curbs, and sidewalks was required because a permit from the City of New Orleans was obtained after the bid.

Recommendation 6: RSD should continue to make its best efforts to ensure that all permitting is complete before letting a project for bid to help reduce the number of change orders that could increase the cost of the project. This action will also help maximize the benefit of RSD's limited resources.

Management agreed with the recommendation. See Appendix A, page 15.

Change Orders

A change order is a change in the contract agreed to by the owner, the A&E consultant, and the contractor after the contract is signed. Change orders can result in changes to the scope of work, the price, or the contract time.

For RSD's Capital Construction Project, all change orders are submitted to the project A&E consultant by the general contractor for review and approval and then forwarded to the project manager (PM). Following approval by the PM, each change order is submitted to RSD for final approval.

According to the PM's representatives, they rely primarily upon the A&E consultants to analyze change order requests. The PM checks for math errors and verifies that all required paperwork is submitted, but does not check pricing, compare labor rates to the certified payroll, verify quantities of material or labor, verify labor burden, or verify equipment rates.

According to a project A&E consultant's representative, change orders are forwarded to the appropriate A&E consultant professional for review depending upon the type of work in the change order. The costs in the change order are then compared to R.S. Means cost data for accuracy before a cost estimate, based upon standard pricing, is prepared as a check against the R.S. Means data.

We analyzed all approved change orders (\$832,587 in positive and \$225,394 in negative for a net total of \$607,193) and noted that several change orders have been approved with little oversight, resulting in inflated charges to the RSD. The following is a list of questionable items that we noted:

- Change order overhead and profit that exceeds the contractually allowed amount - AIA A201-2007 Section 7.2.3: Overhead and Profit of the General Contractor's contract states, "The contractor and subcontractor shall be due job-site and home office fixed overhead and profit on the cost of the work, but such overhead and profit shall not exceed a combined total of 10% of the direct cost of any portion of work." Table 1 lists the change orders we found where overhead and profit exceeded 10%.

TABLE 1

School	Change Order #	Item #	Overhead and Profit	Approved Charge	Charge Based on Contract Percent	Difference
Osborne	1	3	21%	\$3,635	\$1,752	\$1,883
Colton	2	--	21%	4,226	2,012	2,214
Colton	3	--	26%	12,745	4,810	7,935
Colton	4	--	34%	2,824	830	1,994
Crocker	3	--	21%	500	237	263
Crocker	5	--	20%	1,054	532	522
Crocker	6	1	20%	974	487	487
Crocker	6	2	20%	714	357	357
Crocker	6	3	20%	242	121	121
Frantz	1	--	20%	8,479	3,832	4,647
Frantz	2	--	39%	4,509	1,142	3,367
Frantz	5	1	21%	252	122	130
Frantz	5	2	19%	2,583	1,329	1,254
Frantz	5	4	20%	1,451	155	1,296
Parkview	1	4	21%	326	33	293
Parkview	1	5	20%	1,491	736	755
Parkview	2	1	20%	5,529	2,727	2,802

School	Change Order #	Item #	Overhead and Profit	Approved Charge	Charge Based on Contract Percent	Difference
Parkview	2	2	14%	952	683	269
Parkview	2	3	20%	\$327	\$164	\$163
Parkview	2	6	20%	329	165	164
Parkview	3	4	20%	2,779	1,371	1,408
Woodson	2	1	22%	8,309	3,832	4,477
Woodson	2	2	19%	502	266	236
Woodson	3	1	20%	72	36	36
Woodson	3	2	20%	32	16	16
Woodson	3	3	20%	795	381	414
Woodson	3	4	21%	1,443	690	753
Woodson	3	5	20%	1,236	631	605
Woodson	4	--	21%	11,254	5,438	5,816
Total				\$79,564	\$34,887	\$44,677

- Credit change orders that do not include reductions for overhead and profit, insurance, and bonds - After reviewing the contract language within AIA A201-2007 Section 7.2.2 through 7.2.4 pertaining to overhead and profit in change orders, we sought legal advice about the inclusion of credits. Counsel informed us that, according to the contract language, credits should be provided for overhead and profit, insurance, and bonds. Table 2 lists the credit change orders we found that did not include reductions for overhead and profit, insurance, and bonds.

TABLE 2

School	Change Order #	Item #	Overhead and Profit	Insurance and Bonds	Approved Charge	Charge Including Reductions
Parkview	1	3	\$147	\$37	(\$1,466)	(\$1,650)
Woodson	1	--	10,872	6,143	(108,720)	(125,735)
Total			\$11,019	\$6,180	(\$110,186)	(\$127,385)

- Change orders that include charges and credits where overhead and profit was calculated on the charges instead of the net charges (charges minus credits) - AIA A201-2007 Section 7.2.4 states, “Where a change results in both credits to the owner and extra cost to the contractor for related items, overhead and profit will only be computed on the net extra cost to the contractor.” RSD representatives explained that change orders typically contain charges from varying subcontractors and that calculating overhead and profit on the net extra cost could result in a subcontractor being overpaid or underpaid. Table 3 lists the change orders we found that were not calculated using net charges.

TABLE 3

School	Change Order #	Item #	Overhead and Profit Charged	Overhead and Profit Owed	Difference
Colton	4	--	\$2,824	\$830	**
Frantz	1	--	4,239	3,806	**
Frantz	4	--	15,002	(3,142)	\$18,144
Total			\$22,065	\$1,494	\$18,144

** These differences relate to items included in Table 1.

- Change orders that contain elevated material quantities and costs, types and quantities of labor, labor burden, and charges for equipment - The PM’s contract, section 3.5.3.5, requires the PM to monitor, document, and report all time and materials change orders. However, we found change orders where it appears the PM did not monitor, document, and report consistently throughout RSD’s Capital Construction Program.

For example, we found change orders for similar work at separate locations with drastically different costs. Many factors effect cost so we expected to see some fluctuations, but in one instance, the cost at one site was 247% more than the cost of similar work at another site. That difference in cost is attributable to excessive charges for concrete finishers, equipment operators, carpenters, rebar, concrete, and form materials. Table 4 lists the change orders we found that included elevated charges.

TABLE 4

School	Change Order #	Item #	Description	R.S. Means
Colton	1	--	Charged \$118/cy for removal of dirt	\$20/cy
Osborne	1	2	Charged \$525 for each gate post	\$250 each
Osborne	1	3	Charged 4 hours for equipment use and 40 hours for equipment operator labor	--
Osborne	1	3	Charged \$4,640 for concrete finishers. Equivalent to \$31/ft ²	.45/ft ²
Crocker	5	--	Charged a total of \$4,400 for two excavators for one day of work plus a delivery charge of \$2,500	\$1,110 (\$610 delivery)
Frantz	2	--	Charged \$675/day for an excavator with a daily rate of \$540 and a monthly rate divided by the day of \$151	--

- Change orders that were calculated using a single labor burden rate though multiple construction trades were involved - Section 7.1.4 of AIA A201-2007

General Conditions states, “The contractor shall submit the following at the pre-construction conference, prior to the commencement of any work. Any subcontractor desiring to submit a change order shall submit the following information to the owner and architect no later than fourteen (14) days prior to the submission of the subcontractor’s first change order.

1. Fixed job site overhead cost itemized with documentation to support daily rates.
2. Bond premiums with supporting information from the general contractor’s carrier.
3. Insurance rates with supporting information from the general contractor’s carrier.
4. Labor burden by trade for subcontractors and the general contractor.
5. Internal rate charges for all significant company owned equipment.”

Labor burden is the cost to the employer for all applicable payroll taxes, worker’s compensation insurance, unemployment compensation, and social security taxes. All 13 change orders listed in Table 5 include these items, but also other items that are not allowed under the contract. Because tax rates vary only slightly for construction workers, the primary variable is worker’s compensation insurance, which is determined by the amount of risk involved in a particular trade. Based on a comparison of the labor burden rates submitted to the RSD under Section 7.1.4 for Crocker Elementary and Frantz Elementary and the trades involved in the change orders addressed in this report, the range for labor burden varies from 10% for supervisors to 31% for steel erectors. For five of the 13 change orders shown in Table 5, the labor burden submitted exceeds the range of 10%-31%.

TABLE 5

School	Change Order #	Item #	Change Order Type	Skills Involved	Labor Burden Percent
Colton	3	--	Concrete Work	Laborer, Carpenter, Finisher	35
Frantz	1	--	Mold Remediation	Supervisor, Abatement Worker	15
Frantz	2	--	Underground Tank Removal	Operator	30
Frantz	4	9	Elevator Removal	Laborer	30
Frantz		11	Carpentry	Skilled Laborer	30
Frantz	5	2	Concrete Work	Laborer	34
Parkview	1	1	Concrete Work	Operator, Carpenter, Rod Buster, Laborer, Foreman	45

School	Change Order #	Item #	Change Order Type	Skills Involved	Labor Burden Percent
Parkview	1	4	Electrical	Electrician	16
Parkview	2	1	Electrical	Electrician	16
Parkview		3	Masonry	Brick Layer, Hod Carrier, Supervisor	40
Woodson	2	1	Concrete Work	Foreman, Electrician, Laborer, Carpenter, Finisher, Operator, Rod Buster	48
Woodson	3	4	Concrete Work	Foreman, Laborer, Carpenter, Finisher, Rod Buster	45
Woodson	3	5	Concrete Work	Foreman, Laborer, Carpenter, Finisher, Operator, Rod Buster	45
Crocker	5	--	Excavation Work	Laborer	30
Crocker	6	1	Masonry	Bricklayer, Laborer	43
Crocker	6	2	Masonry	Bricklayer, Laborer	43
Crocker	6	4	Masonry	Bricklayer, Laborer	43

Recommendation 7: Change orders increase the cost and risk of lump-sum bid contracts. To help maximize the effective use of limited resources, RSD should:

- (1) modify the contract language for change orders to clarify how overhead and profit will be calculated;
- (2) require the cost of change orders to be calculated using the net cost method, which should include reductions for overhead and profit, insurance, and bonds;
- (3) require the project manager to consistently review each change order to verify the recommendations of the project A&E consultant;
- (4) require the project manager and project A&E consultants to compare change order quantities and costs to similar items within the entire Capital Construction Program;
- (5) require all contractors and subcontractors to submit accurate labor burdens; and
- (6) require the project manager to verify that the contractors and subcontractors have submitted accurate labor burdens before initiating any change orders.

Management generally concurred with the recommendation. See Appendix A, pages 15-16.

BACKGROUND

RSD is a statutorily created entity administered by the Louisiana Department of Education. It was created by legislation passed in 2003. RSD's mission is to provide the support and intervention necessary to put academically struggling schools on a path toward success. Prior to Hurricane Katrina making landfall, RSD had already assumed control of certain Orleans Parish schools. After the disaster, RSD assumed control of most of the schools in Orleans Parish.

Because of the damage caused by Hurricane Katrina and the additional damage caused by Hurricane Rita, one of RSD's major functions became rebuilding the New Orleans schools and ensuring that all schools in the RSD are safe, clean, and modernized for 21st Century learning.

Currently, RSD and the Orleans Parish School Board are in the process of implementing the Master Plan for Orleans Parish Schools, which will result in the construction, renovation, or refurbishment of a total of 82 schools. RSD is responsible for 62 of those schools. See Appendix B for additional details about each school. The focus of this report is the nine RSD schools currently being built.

APPENDIX A

Management's Response

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May 24, 2012

Mr. Daryl G. Purpera
Legislative Auditor
1600 North Third Street
P.O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: RSD's Official Response – Compliance Audit of the Recovery School District's Capital Construction Program

Dear Mr. Purpera:

The Recovery School District (RSD) sincerely appreciates the opportunity to respond to the Compliance Audit of the RSD's Capital Construction Program. As you are aware, the RSD is managing one of the largest school construction programs in New Orleans history. We aggressively work to ensure that federal and state dollars are spent appropriately and all requisite federal and state procedures are followed. Below are the RSD's responses to your office's report:

Recommendation 1: To help ensure the A&E consultants' monthly reports are a useful tool, RSD should establish minimum requirements for all A&E reports. Those reports should include the use of standard AIA forms, photographic records of the work, detailed statements about outstanding issues, printed names and signatures of all parties present at the status meetings, observations of safety or potential performance issues, and reports by other A&E sub consultants.

RSD Response to Recommendation 1: The RSD concurs with this recommendation. Specifically, the RSD will use the standard AIA document template for field reporting and modify it to include specific reporting categories that align with the requirements cited in Section 4.3.2, as noted by the auditor. Currently, the architect contracts issued by the RSD do not request a specific format for site inspections and meetings. The format and template for these instruments are currently left to the discretion of each individual firm. However, all future architect contracts will require the above mentioned modified template as the standard. In addition, the RSD plans to implement this standard document for use on our current projects in order to provide as much detail as possible with ample comments.

Recommendation 2: RSD should ensure that engineering reports are filed at least monthly and require the project manager to maintain the reports in an easily accessible manner so documentation is available when requested.

RSD Response to Recommendation 2: The RSD concurs with this recommendation. Reports will be filed weekly as well as monthly. For ease of access, the reports will also be filed on a

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shared drive (the “L Drive”) within the RSD construction management office and will be readily accessible to all employees and the LLA.

Recommendation 3: RSD management should require frequent review of the RFI logs and verification that potential credit change orders are being processed timely by the project A&E consultants. The project manager is in the best position to accomplish this task but it can be performed by any employee with the appropriate skills.

RSD Response to Recommendation 3: The RSD concurs with this recommendation. The district currently reviews and monitors the RFI logs to ensure timely responses by the architect. This process also serves as a means of tracking the impact of RFI responses to ensure appropriate follow-up and reconciliation of change orders. However, the RSD would like to clarify that the architect has the primary responsibility for the final resolution or reconciliation of the Request for Information (RFI) submittal. As required under Article 4.2.14 of the General Conditions, the architect reviews and responds to RFIs with either text clarifications or supplemental drawings referred to as Architectural Supplemental Information (ASI). The RSD has access to all RFI logs published by the contractor as required by Article 3.19 of the General Conditions and monitors them on a regular basis to ensure timely responses are provided by the A/E (Architectural / Engineering) team and surveys the status to determine if there are any cost or time impacts associated with the RFI responses. In addition, the RSD will implement a standardized RFI log and aggressively monitor to ensure that all RFIs are answered or responded to in a timely fashion and within a 90 day period where possible.

Recommendation 4: RSD should require that testing is performed at the appropriate intervals by testing agency personnel only and that contractors are not selecting the samples for the testing agency. RSD should also require its project manager to maintain testing data and reports in an easily accessible manner so documentation is available when requested.

RSD Response to Recommendation 4: The RSD concurs with this recommendation and, in fact, is currently implementing the recommended practice. In the example cited by the LLA’s office, the structural engineer and designer of record of the structural portions of the Osborne ES school project are responsible for reviewing all material testing reports. We are providing the attached exhibits that respond to the specific concrete reports listed by the auditor as appearing to be non-compliant or mislabeled, and mix design documentation to reconcile why different portions of the project require different concrete strengths. Obtaining concrete material from different suppliers is not unusual or problematic. The missing structural steel reports are also attached to satisfy the auditor inquiry regarding their status. Refer to attached Exhibits MTR – 1a through MTR – 4b12 for support documentation on our explanation and response to this item. The RSD will ensure that testing data and reports are more readily available in the future.

Recommendation 5: RSD should consider hiring testing agencies directly.

RSD Response to Recommendation 5: The RSD has considered this recommendation; however, with competing inputs of the various projects, this did not seem feasible. The district

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believes the current practice meets our needs and provides the best value in a timely manner. The current RSD contracts require the contractors to hire independent third-party testing agencies approved by the owner for materials testing purposes. The material testing requirements are being administered and controlled by a third-party testing agency.

Recommendation 6: RSD should continue to make its best efforts to ensure that all permitting is complete prior to letting a project for bid to help reduce the number of change orders that could increase the cost of the project. This action will also help maximize the benefit of RSD's limited resources.

RSD Response to Recommendation 6: The RSD concurs with this recommendation. Every effort is currently being made to expedite the permit approval process. The RSD has made sound decisions to work the permit process in parallel with procurement to expedite the delivery of schools. To this end, the RSD hosted an interagency roundtable with all relevant local, state, and federal stakeholders (for example: the Louisiana State Fire Marshall, the City of New Orleans Department of Safety and Permits, the New Orleans Sewerage and Water Board) on April 5, 2012 to ensure that all relevant parties are familiar with the timeline of future construction projects. The RSD will continue to hold these forums, broken into smaller groups, as construction continues.

The costs identified in the LLA's report have not cost the taxpayers additional dollars as the permit findings are additive in nature. Additionally, having all required construction permits does not remove the possibility of unanticipated delays during construction.

The RSD believes the item discussed by the auditor in Recommendation No. 6 is predominately a scheduling matter. Currently, the RSD project schedules show the permitting and bidding period to be concurrent activities in order to expedite project delivery. We agree that every effort should be made to expedite the permitting process. However, neither the RSD nor its program manager controls the schedule of the permitting entities. The LLA's office may not be aware of the ongoing communications between the RSD, its program manager, and architects with all permitting entities (The City of New Orleans, State Fire Marshall, et. al.) during the design phase to integrate and coordinate permit requirements into the projects. Bottom line, no projects proceed in construction without permit approval.

Recommendation 7: Change orders increase the cost and risk of lump sum bid contracts. To help maximize the effective use of limited resources, RSD should:

- modify the contract language for change orders to clarify how overhead and profit will be calculated;
- require the cost of change orders to be calculated using the net cost method which should include reductions for overhead and profit, insurance, and bonds;
- require the project manager to consistently review each change order to verify the recommendations of the project A&E consultant;

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- require the project manager and project A&E consultants to compare change order quantities and costs to similar items within the entire capital construction program;
- require all contractors and subcontractors to submit accurate labor burdens; and
- require the project manager to verify that the contractors and subcontractors have submitted accurate labor burdens prior to initiating any change orders.

RSD Response to Recommendation 7: The RSD generally concurs with the majority of the above bulleted recommendations. Our responses are numbered below:

1. The RSD has reviewed Article 7.2.3 and is of the opinion that the RSD is in compliance with the intent of the contract. However, the RSD will revise the contract language to further clarify how the general contractor will be allowed to calculate overhead and profit.
2. The RSD has reviewed article 7.2 of the Louisiana State Office of Facility Planning and Control's (FP&C) current contract and will adopt the language for change order credits. Specifically, credits will not be required for overhead and profit.
3. Project managers will continue to review each change order recommendation submitted by the A&E consultants for base cause of the change order, accuracy in scopes of work, pricing and requests for additional time.
4. The RSD is implementing a process to track project costs into a master database. Project managers will be able to analyze proposed change orders using current and historical data specific to the program to assess the accuracy of pricing submitted by the general contractor.
5. The RSD is modifying the general contractor contract language to clarify what can and cannot be included in the calculations for labor burdens.
6. Current practice requires that the labor burden rate be submitted at the pre-construction meeting for each project. The labor burden rate will be established prior to the commencement of work.

Conclusion

Thank you for the opportunity to respond to this audit. The RSD is working aggressively to address your office's recommendations and we look forward to making continued improvements. Please contact me should you have any questions.

Sincerely,



Patrick Dobard
Superintendent

APPENDIX B

RSD's Master Plan Schools

School Name	Construction Type	Status	Auditor Site Visits
A. D. Crossman Elementary School	Refurbishment		
Abrams Elementary School	New School		
Albert Wicker Elementary School	Refurbishment		
Alexander Elementary School	New School		
Allen Elementary School	Refurbishment		
Andrew Jackson Elementary School	Refurbishment		
Andrew Wilson School	Renovation/Addition	Complete	
Bauduit Elementary School	Refurbishment		
Behrman Elementary School	New School		
Bethune Elementary School	Addition		
Booker T. Washington School	New/Auditorium renovation	In Design	
Carter G. Woodson School	New School	Under Construction	✓
Charles J. Colton School	Renovation/Addition	Under Construction	✓
Dr. Charles Drew Elementary School	Renovation		
Dr. Martin Luther King	Minor Renovation		
Dunbar Elementary School	New School		
Dwight D. Eisenhower High School	Refurbishment		
Edgar P. Harney Elementary School	Minor Renovation		
Edward Livingston High School	New School	In Design	
Fannie C. Williams School	New School	Under Construction	✓
Fischer	New School		
Fisk-Howard	New School		
Frances Gaudet Elementary School	New School		
Frederick A. Douglass High School	Renovation		
Gentilly Terrace Elementary School	Refurbishment		
George Washington Carver School	New School	In Design	
H. C. Schaumburg Elementary School	Minor Renovation		
Harriet Tubman Elementary School	Renovation		
Jean Batiste de Bienville School	New School	Under Construction	✓
John McDonogh High School	Renovation		
Johnson-Priestly Elementary School	Renovation		
Joseph Craig Elementary School	Renovation	Complete	
Joseph S. Clark High School	Renovation		
L.B. Landry High School	New School	Complete	

School Name	Construction Type	Status	Auditor Site Visit
Lafayette	Renovation		
Lake Area High School	New School	Complete	
Lake Forest Elementary School	New School		
Langston Hughes	New School	Complete	
Laurel Elementary School	Refurbishment		
Lawrence D. Crocker School	New School	Under Construction	✓
Little Woods Elementary School	New School	Under Construction	✓
Live Oak Elementary School	Renovation		
Lawless High School	New School		
Marshall Elementary School	Refurbishment		
McDonogh #28 Elementary School	Refurbishment		
McDonogh #42 School	Renovation		
McDonogh #7	Refurbishment		
Mildred Osborne School	New School	Under Construction	✓
Military Maritime High School	Renovation	If Funding Becomes Available	
Morial	New School		
New Algiers Pre K-8	New School		
O Perry Walker	Refurbishment		
Parkview School	New School	Under Construction	✓
Paul B. Habans Elementary School	New School		
Phillis Wheatley Elementary School	New School	In Design	
Rosenwald	Refurbishment		
S. J. Green School	Refurbishment		
Sarah T. Reed High School	Refurbishment		
Schwarz Academy	Refurbishment		
Sherwood Forest Elementary School	New School		
Sylvanie Williams Elementary School	Refurbishment		
Village de L'est	Refurbishment		
William Frantz School	Renovation/Addition	Under Construction	✓
William J. Guste Elementary School	Renovation	Complete	