

OFFICE OF AUDITS & ADVISORY SERVICES



FINAL AUDIT – WOMEN’S DETENTION FACILITY AB 900 JAIL FINANCING PROGRAM

FINAL REPORT

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County of San Diego

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JUAN R. PEREZ
CHIEF OF AUDITS

September 30, 2014

TO: April Heinze, P.E., Director
Department of General Services

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: FINAL AUDIT – WOMEN'S DETENTION FACILITY AB 900 JAIL FINANCING PROGRAM

Enclosed is our report on the Final Audit – Women's Detention Facility AB 900 Jail Financing Program. We have reviewed your response to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board of Supervisors Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Franco Lopez at (858) 505-6436.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:FDL:aps

Enclosure

c: David Estrella, Deputy Chief Administrative Officer, Community Services Group
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Brian M. Hagerty, Group Finance Director, Community Services Group
Thomas Fincher, Chief, Department of General Services

INTRODUCTION

Audit Objective

The Office of Audits & Advisory Services (OAAS) has completed the Final Audit – Women’s Detention Facility AB 900 Jail Financing Program. The objective of the audit was to evaluate whether claims made to the State for reimbursement meet AB 900 Jail Financing Program requirements. The audit covered Phase I of the Las Colinas Women’s Detention Facility construction project.

Background

On January 29, 2014, the State of California’s Board of State and Community Corrections (BSCC) and the County of San Diego (County) entered into the BSCC Jail Construction Agreement (Agreement) which provides for sharing of costs associated with the construction of a new women’s detention facility.¹ The Agreement outlines that costs for construction will be shared by the State and County, with the State providing up to \$100,000,000 of financing and the County providing for remaining project costs (\$130,574,966). Roles, responsibilities and performance expectations for the project and the procedures for reimbursement by the State are also outlined in the Agreement, as provided for by the California Assembly Bill (AB) 900 Jail Financing Program.

The construction project consists of the design and construction of a new women’s detention facility to replace the existing Las Colinas Detention Facility in Santee, CA. This new facility will be located on a 45 acre site with approximately 476,000 square feet of building space that will provide housing, inmate services, and support for the San Diego County female inmate population. The facility will be constructed in two phases:

- Phase I was completed on July 1, 2014 and operational on August 16, 2014. Phase I resulted in the construction of eight buildings, including 832 beds and 54 special use beds in 16 housing units. These values represent a net addition of 432 beds and 26 special use beds from the facility it has replaced. Only Phase I was funded through the AB 900 Jail Financing Program.
- Phase II will result in the construction of approximately 126,000 square feet of building space, including 384 additional beds in eight housing units within 4 buildings. Phase II will be funded solely with County funds and is scheduled for completion on January 2016.

Table 1 outlines that as of August 31, 2014; the County has claimed \$100,000,000 of State Funds, \$40,177,788 of Cash Match funds and

¹ The Agreement is intended to be read in conjunction with the other agreements necessary for the construction and financing of the project under the AB 900 Jail Financing Program, including the Project Delivery and Construction Agreement and all other agreements described therein.

\$9,800,000 of In-Kind Match funds.² The State has provided \$95,000,000 out of \$100,000,000 of maximum State Funds financing available. Pursuant to the Agreement, the State is withholding the remaining \$5,000,000 of State financing pending project closeout filings. See Appendix for a more detail breakdown of budget and costs.

Table 1: Billing Status as of August 31, 2014

Category	State Funds	Cash Match	In-Kind Match	Total
Budget	100,000,000	120,774,966	9,800,000	230,574,966
Expenditures	100,000,000	40,177,788	9,800,000	149,977,788
Budget Spent %	100%	33%	100%	65%
Balance	-	80,597,178	-	80,597,178

Audit Scope & Limitations

The scope of the audit consisted of a review of all State financing and all County contributions made under the BSCC to determine if the Women's Detention Center Projects' expenditures were:

- Made in accordance with the Agreement and Project Delivery and Construction Agreement (PDCA) requirements.
- Within approved scope and budgeted costs.
- In compliance with applicable laws, regulations and established criteria.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

Methodology

OAAS performed the audit using the following methods:

- Gained an understanding of the County of San Diego's Department of General Services' (DGS) system of internal controls as it relates to the Agreement and PDCA.
- Performed a risk assessment to determine testing that will be performed.
- Verified that the County maintains a project file and maintains all related contracts for services under the project as required by the Agreement.
- Verified the effectiveness of the Quality Assurance and Quality Control processes.

² Cash Match funds are hard costs for direct expenditures of the construction project; e.g., construction labor, materials, and electrical systems. In-Kind Match funds are soft costs for indirect expenditures that are not directly related to physical construction but that are still necessary to complete the project; e.g., site acquisition costs.

- Verified that Contractors obtained and maintained all necessary insurance in accordance with PDCA requirements.
- Verified that Contractors have obtained and maintained all necessary bonding in accordance with PDCA requirements.
- Verified that sampled Contractors' written agreements were awarded in accordance with PDCA competitive bid requirements.
- Verified that State financing and the County's contribution were expended in accordance with applicable laws, regulations, the BSCC Agreement, and PDCA requirements.
- Verified receipts showing payments received from the BSCC and related disbursement documents.
- Verified project closeout documents were accurately completed.
- Verified invoices from the County to BSCC for payments under the project were appropriately processed. This included invoices from Contractors to the County for construction, architecture, engineering and other eligible costs. Testing was representative of all cost categories in the Agreement and determined whether charges:
 - Conformed to any limitations or exclusions in the award of State financing.
 - Included only eligible costs and did not include ineligible costs or other costs properly chargeable to other programs or accounts
 - Were properly recorded (i.e., correct amount, date) and supported by source documentation. Reported expenditures were incurred within the appropriate period

AUDIT RESULTS

Summary

Within the scope of the audit, OAAS found that requests to the State for reimbursement were made in accordance with AB 900 requirements. Review of all State financing and all County contributions made under the BSCC determined that Women's Detention Center Project expenditures were:

- Made in accordance with the Agreement and PDCA requirements
- Within approved scope and budgeted costs
- In compliance with applicable laws, regulations and established criteria

An issue was noted with the timeliness of mandatory submittals as outlined below.

Finding I:**Late Submittal of Final Project Summary and Fiscal Invoices**

The County did not submit the Final Project Summary and several monthly Fiscal Invoices timely as required in the Agreement.³ Specifically:

- **Final Project Summary:** The Agreement requires submission of the Final Fiscal Invoice and Project Summary within 45 calendar days of the scheduled Phase I construction completion date of July 1, 2014. However, the submission was not made until September 22, 2014.
- **Fiscal Invoices:** The Agreement requires that Fiscal Invoices and Progress Reports be submitted on a regular schedule of monthly, bi-monthly, or quarterly until project completion. However, after the County claimed the maximum amount of State Funds allowed under the Agreement (\$100,000,000) in February 2014, no further submissions were made until the Final Fiscal Invoice and Project Summary on September 22, 2014.

The Contractor delivered its final invoice for costs through June 25, 2014 on August 28, 2014. This delay was the underlying reason why the County was late with its Final Project Summary and Fiscal Invoice submittals as required by the Agreement.

Recommendation:

DGS should implement controls that ensure:

1. Extensions for submittal deadlines are requested timely as needed.
2. Mandatory reporting submission requirements are adequately fulfilled.

³ BSCC Agreement Article 7, Sections A & B

Office of Audits & Advisory Services

Compliance **R**eliability **E**ffectiveness **A**ccountability **T**ransparency **E**fficiency

VALUE

APPENDIX

BSCC AGREEMENT CLAIM STATUS

Items	Budget			
	State Funds	Cash Match	In-Kind Match	Total
1a. Construction	100,000,000	74,267,822	-	174,267,822
1b. Construction Contingency	-	22,150,000	-	22,150,000
2. Architectural	-	14,674,670	-	14,674,670
3. CEQA	-	-	-	0
4. Construction Management	-	9,682,474	-	9,682,474
5. Audit	-	-	-	0
6. Site Acquisition	-	-	9,800,000	9,800,000
7. Needs Assessment	-	-	-	0
8. County Administration	-	-	-	0
9. Transition Planning	-	-	-	0
Grand Total	100,000,000	120,774,966	9,800,000	230,574,966

Items	Expenditures			
	State Funds	Cash Match	In-Kind Match	Total
1a. Construction	100,000,000	21,458,255	0	121,458,255
1b. Construction Contingency	-	0	0	0
2. Architectural	-	14,341,630	0	14,341,630
3. CEQA	-	0	0	0
4. Construction Management	-	4,377,903	0	4,377,903
5. Audit	-	0	0	0
6. Site Acquisition	-	0	9,800,000	9,800,000
7. Needs Assessment	-	0	0	0
8. County Administration	-	0	0	0
9. Transition Planning	-	0	0	0
Grand Total	100,000,000	40,177,788	9,800,000	149,977,788

Items	BUDGET BALANCE			
	State Funds	Cash Match	In-Kind Match	Total
1a. Construction	-	52,809,567	-	52,809,567
1b. Construction Contingency	-	22,150,000	-	22,150,000
2. Architectural	-	333,040	-	333,040
3. CEQA	-	-	-	-
4. Construction Management	-	5,304,571	-	5,304,571
5. Audit	-	-	-	-
6. Site Acquisition	-	-	-	-
7. Needs Assessment	-	-	-	-
8. County Administration	-	-	-	-
9. Transition Planning	-	-	-	-
Grand Total	-	80,597,178	-	80,597,178

DEPARTMENT'S RESPONSE



County of San Diego

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September 30, 2014

RECEIVED

TO: Juan R. Perez, Chief of Audits
Auditor and Controller

FROM: April F. Heinze, P.E., Director
Department of General Services

SEP 30 2014

OFFICE OF AUDITS &
ADVISORY SERVICES

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS: FINAL AUDIT – WOMEN’S DETENTION FACILITY AB900 JAIL FINANCING PROGRAM

Finding I

Late Submittal of Final Project Summary and Fiscal Invoices

OAAS Recommendation

DGS should implement controls that ensure:

1. Extensions for submittal deadlines are requested in a timely manner as needed.
2. Mandatory reporting submission requirements are adequately fulfilled.

Action Plan

The contractor will be notified when payment applications have not been received at anticipated intervals. Extensions for deadlines will be requested in writing for any affected submittals.

Planned Completion Date

October 31, 2014

Contact Information for Implementation

If you have any questions, please contact Andrew Bohnert, Project Manager, at (858) 437-1176


APRIL F. HEINZE, P.E., Director
Department of General Services