

**AUDIT of CAPITAL
CONSTRUCTION PROJECTS
OF
WYOMING SCHOOL
FACILITIES COMMISSION**

June 30, 2010



**STATE OF WYOMING
DEPARTMENT OF AUDIT
PUBLIC FUNDS
CHEYENNE, WY**



STATE OF WYOMING

DEPARTMENT OF AUDIT

PUBLIC FUNDS DIVISION

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Dave Freudenthal
Governor

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Administrator

EXECUTIVE SUMMARY

July 23, 2010

Select Committee on School Facilities
Capitol Building
Cheyenne, WY 82002

Dear Sirs:

We have completed our audit of the School Facilities Commission for the period July 1, 2002, through June 30, 2010. The purpose of the audit was to provide to the legislature an accurate accounting of the capital construction projects financed through the Commission. The audit report provides details concerning the following comments regarding the Commission and the financing of the projects.

1. Unobligated funds at June 30, 2010 were between \$5,270,450 and \$9,241,120. The range was contingent upon whether the legislature approving the transfer of unreverted funds to capital construction projects. (See page 3)
2. The monthly financial report from the School Facilities Commission is a hybrid report including information from the state accounting system, the appropriation bills, and the project tracking system. (See page 3)
3. During the audit, the Asset Intelligent Management (AIM) Project Management System was updated to account for and track all projects funded by the Commission. All appropriations, project budgets, contract amounts and expenditures since inception of the Commission are included in the AIM system. (See page 5)
4. The implementation of the recommendations from the audit done by McGee, Hearne and Paiz, LLP, in August 2009 is progressing. (See page 6)
5. There was not a final close-out audits on completed projects. Such audits would provide an additional level of control and accountability. (See page 7)
6. There were additional operational controls that the Commission could implement for increased accountability and transparency of operations. (See page 8)

The information in the audit report is intended for the use of the Legislative Committee, Commission Management, and other regulatory state agencies. However, this report is a matter of public record and its distribution is not limited.

Public Funds

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July 23, 2010

Select Committee on School Facilities
Capitol Building
Cheyenne, WY 82002

Dear Sirs

We have completed our audit of the capital construction expenditures of the School Facilities Commission (SFC).

OBJECTIVE

The purpose of the audit was to provide an accurate accounting of total costs of all projects receiving funds from the school capital construction account for the preceding four (4) fiscal biennial periods ending with the 2009-2010 biennium, including transfers of funds between projects during those periods.

SCOPE

This performance audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The time period of the audit was from July 1, 2002 through June 30, 2010. The audit period did not extend to transactions that may have occurred in the "13th month;" the time when the state closes the books for the year ending June 30, 2010. Fieldwork on the audit was conducted during the period March 2010 through July 2010.

PROCEDURES AND METHODOLOGY

See Attachment A for the detailed procedures and methods used in conducting this audit.

UNOBLIGATED FUNDS DEFINITION

Unobligated funds are the differences between the appropriations and the amounts budgeted and contracted for projects.

There are two sources of unobligated funds. The first is the difference between the amount initially budgeted for a project and the ultimate cost of the project. When a project is selected for funding, the project budget is established. This budgeted amount is subsequently modified as the project components are bid, contracts are established, and construction is performed. If bids and costs are less than the budget, the difference becomes an unobligated balance. As the unobligated balance accrues, these funds may be used to finance additional projects or to pay for cost overruns on other projects.

The second source of unobligated funds is from undesignated appropriations. For example, during the 2010 Session Laws, the legislature appropriated \$18,000,000 for specific projects. The total projected costs of these projects was \$16,914,009. The difference of \$1,085,991 is included as unobligated funds (subject to its use as prescribed in the appropriations bill).

SCHOOL FACILITIES COMMISSION MONTHLY REPORT

The School Facilities Commission staff prepares a monthly financial report for the Commission. This report is available to the Select Committee on School Facilities at its meetings for the Committee's information. The June 30, 2010 report was referenced during the audit of the capital construction projects. Extracts of selected schedules relating to this audit report have been included in Attachment C.

The audit reconciled the **total** appropriations and expenditures in the **CAPITAL CONSTRUCTION APPROPRIATIONS SUMMARY REPORT** and the **CAPITAL CONSTRUCTION TRANSACTIONS SUMMARY REPORT** to the appropriate Session Laws, the state accounting system and to the project tracking system.

Users of the report need to be aware that this monthly report is a hybrid of information from the project tracking system, the state accounting system and the appropriations bills. The report, therefore, does not directly agree to any single one of these reports.

RECOMMENDATION: The SFC should establish one system from which to extract information for monthly reporting. With the project tracking system being used to account for appropriations and expenditures on projects, we suggest that it be used as the primary source of information for the monthly financial report.

UNOBLIGATED FUNDS AT JUNE 30, 2010 BETWEEN \$5,270,450 AND \$9,241,120.

The practice of the SFC has been to finance additional projects as unobligated funds are identified and become available. As a result, the unobligated funds balance is constantly changing, increasing as unobligated funds are identified and decreasing as funds are utilized for other projects.

In calculating the unobligated balance at June 30, 2010, an additional component has a significant impact on that balance. During the prior bienniums, the SFC was appropriated funds for operations. At the end of each of the bienniums, the unspent, unencumbered funds were not reverted to the school capital construction account. The SFC reported these "unreverted" funds in the Operations Appropriations Summary Report in their monthly financial reports.

In addition to the "unreverted" operations appropriations, there was \$815,984 of "unreverted" special purpose capital construction appropriations from the FY2002-2003 biennium.

In calculating the unobligated balance, the balance in the SFC's project tracking system, Asset Intelligent Management (AIM) was used as the starting point. (AIM, the project tracking system is discussed in more detail later in this report.) The following schedule details various components that had an impact in the calculation of the unobligated balance at June 30, 2010.

Computation of Minimum Unobligated Funds	
Unobligated capital construction funds per AIM	\$5,000,443
Less: "Unreverted" specific capital construction funds from FY2002-FY2003 biennium. These funds were appropriated for a specific purpose. The unspent funds were not reverted but remain as an amount in the total capital construction fund appropriation. (See Attachment C, Capital Construction Appropriations Summary Report)	-815,984
The difference between the appropriation amount and the total projects amounts in the 2010 Session Laws Appropriation Bill Section 333(b)(ii) not allocated to a specific project.	1,085,991
Minimum Amount of Unobligated Funds	\$5,270,450

Computation of Maximum Unobligated Funds	
Unobligated capital construction funds per AIM	\$5,000,443
The difference between the appropriation amount and the total projects amounts in the 2010 Session Laws Appropriation Bill Section 333(b)(ii) not allocated to a specific project.	1,085,991
Subtotal before "unreverted" operations appropriations	6,086,434
Balances remaining from appropriations for operations not reverted at the end of the respective bienniums. These amounts have been carried as balances in the operations appropriations. (See Attachment C, Operations Appropriations Summary Report)	3,164,686
Total Maximum Unobligated Funds	\$9,251,120

The 2010 Session Laws Appropriation Bill, Section 333 required the SFC to encumber up to \$11,715,912 from amounts previously appropriated for specific projects. The projects (less those subsequently to be paid with major maintenance funds) have been established in AIM. Therefore, the unobligated balance has already accounted for this amount.

Subsequent to this report, the SFC received confirmation from the Attorney General' Office that the reallocation of the "unreverted" funds to be used for capital construction was appropriate and consistent with the wording in the appropriations bill.

COMMENT: Subject to the legislature's concurrence with the opinion of the Attorney General, the SFC had \$9,251,120 in unobligated funds at June 30, 2010.

RECONCILIATION OF UNOBLIGATED FUNDS IN SFC FINANCIAL REPORT

The SFC Monthly Financial Report for June 30, 2010 (see Attachment C, Capital Construction Transactions Summary Report) shows unobligated capital construction funds of \$7,066,433. For informational purposes, a reconciliation of this amount follows:

Unobligated capital construction funds per AIM	\$5,000,443
The difference between the appropriation amount and the total projects in the 2010 Session Laws Appropriation Bill Section 333(b)(ii) not allocated to a specific project.	1,085,991
Amount specifically appropriated in the 2010 Session Laws Appropriation Bill Section 027 for ancillary buildings in Teton SD#1, Big Horn SD#3, and Uinta SD#6 not effective until July 1, 2010.	480,000
Amount specifically appropriated in the 2010 Session Laws Appropriation Bill Section 027 for school tracks in Big Horn SD#1 and Lincoln SD#2 not effective until July 1, 2010.	500,000
Total on Monthly Financial Report (\$1 difference due to rounding)	\$7,066,443

ASSET INTELLIGENT MANAGEMENT SOFTWARE

In 2004, the SFC acquired a project management software package to assist in tracking the status of the many projects. The original package was known as Maximus. Subsequently the program was known as AssetWorks. The current name of the software is Asset Intelligent Management (AIM). Since its acquisition, the SFC has worked to make it the primary means of accounting for projects. During the course of the audit, the appropriations, project budgets and expenditures for current and past projects were input into the system. AIM is now the primary source of information and data on projects. The audit focused on testing the projects as recorded in the AIM software.

AIM was shown to be effective in tracking the status of the various projects. However, there are weaknesses in the system that were noted. The significant weaknesses are reported below.

- AIM is capable of producing many and varied reports on the status of projects under construction by the SFC. AIM, however, is a dynamic system where data changes frequently based on updates to the various projects. The system is not capable of reproducing a past report due to the frequent changes in data. This can be mitigated by “freezing” the various reports at specified dates (i.e, end-of-month, end-of-year, etc.). This will allow users to be able to access the same reports for comparison purpose.

RECOMMENDATION: The SFC should periodically post “frozen” reports on the website for users to access. In addition, the SFC and the select committee should coordinate and decide on appropriate dates with which to “freeze” various reports.

- In our testing of the sample of projects, there were instances where contract balances on AIM did not agree to the physical contracts. The differences in some instances were significant to the individual contract; however, for the contracts taken as a whole, the difference was not significant (less than 1%). Generally, the cause was due to a final contract amendment to close out the project that was not completed. Final contracts were not prepared due the requirement for all such amendments to be processed through the state budget division and the Attorney General. Due to the formalities in processing the final amendment, obtaining the documentation was not considered necessary. Also, an occasional charge for value engineering would be assessed against the project and the project budget in AIM increased to reflect the charge, but a contract amendment would not be completed.

The SFC has recently implemented a different process for contracting with the school districts. This involves completing memorandums of understanding with release of project funds subject to an authorization letter from the SFC. This process should resolve the need to obtain contract amendments at the various stages/phases of a project.

RECOMMENDATION: To maintain accuracy of reporting, the SFC needs to ensure that contract balances in AIM agree to the signed physical documents.

- Full implementation of AIM is progressing. The ultimate goal for AIM is to have the school districts submit pay applications directly into the AIM software via a web-based approach. Currently, certain school districts are working on directly entering pay applications with the other districts to follow in the near future.

As a part of the process of entering information into AIM, expenditures from WOLFS (the state accounting system) are input manually into AIM. In conjunction with having the system fully implemented, the use of an electronic interface between AIM and WOLFS was discussed. The idea of an interface was rejected by the SFC as not feasible.

RECOMMENDATION: The SFC should continue to work toward full implementation of AIM. Also, the SFC should reconsider the use of an interface between AIM and WOLFS. An interface would eliminate the double-entry requirement, update both systems in a timely fashion, and help reduce errors and reporting delays that occur with double entry. Also, the interface would decrease labor time spent reconciling the two systems.

- Approximately \$770,000 of capital construction expenses are not tracked in AIM. These are expenditures that are not directly related to a specific project, for instance, money paid to consultants for statewide evaluations of SFC construction activities. Therefore when reconciling WOLFS to AIM it is necessary to make an adjustment for these expenditures.

RECOMMENDATION: AIM was designed to be a project tracking system and not a true accounting system. If it is to be used to track all capital construction related expenditures, procedures for recording these types of transactions need to be developed.

IMPLEMENTATION OF RECOMMENDATIONS FROM PRIOR AUDIT.

An audit was conducted by McGee, Hearne, and Paiz, LLP (MHP) for the period July 1, 2007, through March 31, 2009. The report was dated August 28, 2009. The audit included a review of procedures related to capital construction activities. During the current audit, the status of the implementation of the recommendations contained in the MHP audit report was reviewed.

The SFC has created a matrix which shows the status of each of the recommendations. A review of the implementation as of June 30, 2010, shows that implementation is progressing. The matrix shows a due date for the recommendations and updates as to how the implementation is progressing.

RECOMMENDATION: We recommend the SFC continue to work toward implementing the recommendations. In addition, depending on the outcome of the proposed restructuring of the SFC, the recommendations and planned implementation strategies should be reviewed for continued relevance.

CLOSEOUT AUDITS WOULD PROVIDE AN ADDITIONAL LEVEL OF CONTROL

When a project is contracted, one component of the contract includes a contingency fund to be used to make necessary changes to the project design. Approved changes are documented through contingency fund authorizations (CFA). These CFAs can either increase the cost of a project or decrease the cost, depending on the nature of the change. Funds remaining in the contingency balance at the completion of the project become unobligated funds with the SFC, thereby available for reallocation to other projects.

As part of the testing of the controls over expenditures, a detailed review was made of the contingency fund authorizations (CFA) for one project. A total of 102 CFAs were reviewed. Several categories of disputed payments were noted in the review. In total, \$1,707,588 of CFAs were reviewed with disputed items totaling \$338,114. The categories and amounts are noted below.

Costs relating to school district enhancements paid by SFC	\$128,509
Items were disputed as they are contrary to the bid process (i.e. fuel costs, sales taxes)	45,892
Profit and Overhead costs were not reduced by the appropriate percentage when a credit was issued.	3,055
Payments were made on estimates and not actual costs.	84,627
No, or limited, supporting documentation was provided.	58,799
Subcontractor billed separately for overhead and bonding, when contract defines bonding to be included in overhead funds	7,615
Payments exceeded what was authorized by the architect.	1,482
Fees exceed what is contractually allowed per the Contract between the school district and the contractor	8,135
Total disputed costs	\$338,114

RECOMMENDATION: The SFC should consider implementing close-out audits on projects nearing completion. We suggest the audits be done at about the 90% to 95% completion stage so as to be able to negotiate any adjustments prior to the final payment to the contractor. This could be done by an external contractor or an internal construction auditor.

Close-out audits serve as an additional check to verify all necessary adjustments have been account for. In addition to the adjustments noted above, such audits would typically indentify such adjustments as those described below. This list is very brief and does not include all aspects that could be included in a close-out audit.

- Payments based on standard billing rates are adjusted for actual wages paid,
- Labor burden charges are reconciled to actual time,
- Total rental costs do not exceed cost of equipment, and
- All change orders and pay applications have been reviewed and properly filed.

ADDITIONAL OPERATIONAL CONTROL ISSUES

While conducting the audit, certain issues were noted that management should consider to improve operational controls.

- Of 53 school projects tested, a reference in the minutes to approval of the project could not be found for 8 (15%) of the projects. In several instances, the minutes did not refer to a project by a school name, only by the school district. The lack of detail in the minutes makes it difficult for the reader to understand what decisions are being made by the Commission. Additional information and discussions on projects was available in the board packets. However, the minutes are the official records of the activities and should contain the final funding decisions on projects.

RECOMMENDATION: The Commission minutes should provide more details on project approvals as well as identifying schools by name. Without including the school name, readers may not be able to ascertain which school is being discussed, especially elementary schools.

- The SFC uses WOLFS and AIM to account for the projects funded by the agency. Both of these systems are complicated systems that need to interact in order to achieve the necessary level of transparency and accuracy. Discussions with staff indicated that additional training was needed so more than one person would have operational knowledge of how both systems work.

RECOMMENDATION: The SFC should ensure that individuals receive sufficient cross-training on critical operational systems to permit uninterrupted operations in case one of the individuals were to not be available for an extended period.

Discussion with many individuals indicated a misconception in the school districts of the role of the SFC in financing school construction projects. There was a general feeling that once funds were allocated for a school project, all of the funds should be used in the district. If excess funds were available at the conclusion of the project, the school district should be able to use those funds as it desired. Also, there was a general feeling that the SFC was limiting the design of facilities through limiting the available funds.

RECOMMENDATION: The SFC should continue its efforts to educate the school districts on its role in the financing of school facilities. Once the districts are fully aware of how the projects are selected and how the design process relates to the funding, much of the apparent animosity against the SFC might be mitigated.

This information is intended for the use of the Legislative Management Audit Committee, Board Management, and other regulatory state agencies. However, this report is a matter of public record and its distribution is not limited.

Public Funds

Public Funds

cc: School Facilities Commission
Governor's Office
Administration and Information-Budget Division – Shelly Andrews

ATTACHMENT A
SCHOOL FACILITIES COMMISSION
PROCEDURES AND METHODOLOGY
July 1, 2002 through June 30, 2010

The procedures and methods used in conducting this audit are described below.

Interviews and consultations were conducted with individuals associated with the Commission including the following:

- Representatives of the Governor's Office,
- Representatives of the Attorney General's Office,
- Representatives of the State Budget Office,
- Representatives of selected School Districts.
- Representatives of the School Facilities Commission including the:
 - Director,
 - Deputy Directors,
 - Accounting Manager,
 - Project Managers (Field Representatives),
 - Contract Manager, and
 - Other Staff

Minutes and rules of the Commission were obtained and reviewed for information pertaining to the operation of the Commission and to individual construction projects.

The project management system used by the SFC for tracking of projects (AIM, formerly Maximus) was used as the focal point of the audit. By using AIM as the primary resource for the accounting for capital construction projects, the audit process, in effect, tested the accuracy of the information recorded in the management system. Testing of the accuracy of information contained in AIM included the following procedures:

- The total appropriation balances for capital construction projects approved by the legislature in the session laws were reconciled to the appropriations total in AIM
- The total capital construction expenditures recorded in the State's accounting system (WOLFS) were reconciled to the total expenditures recorded in AIM
- A sample of selected projects was analyzed to ascertain the information contained in AIM could be traced to underlying supporting documentation. The information tested on the individual projects included:
 - Expenditures in AIM were agreed to expenditures in WOLFS,
 - Expenditures were supported by approved pay applications,
 - Pay applications were supported by adequate, appropriate supporting documentation,
 - Pay applications had been approved by school district and SFC personnel,
 - Change orders were reviewed and approved by school district and SFC personnel,
 - Change orders appeared to be reasonable, and
 - Contract balances in AIM agreed to the signed contracts with the school districts.

ATTACHMENT A
(Continued)
SCHOOL FACILITIES COMMISSION
PROCEDURES AND METHODOLOGY
July 1, 2002 through June 30, 2010

Sample selection. The sample of projects selected for review was determined as follows. A list of all projects by contract number was obtained from the SFC in March 2010. The list contained 338 separate contract projects with budgets totaling 1,147,634,267. The list was sorted by project budgeted amounts, from highest to lowest. All projects with budgeted amounts exceeding \$10,000,000 were selected for testing. This selection resulted in testing 46 contracts with budgets totaling \$815,463,061 or 71% of the total budgeted projects.

In addition to those selected by the above process, the seven projects with total budgets of \$16,031,656 from specific appropriations identified in the 2003 Session Laws were also tested.

Total Expenditures Tested

The schedule at Attachment B provides a list of the projects tested during the audit with the total expenditures tested by biennium. As shown in the schedule, a total of \$824,997,670 in project expenditures were tested. This represents 78% of the total capital construction expenditures for the period July 1, 2002 through June 30, 2010.

A test for **duplicate capital construction payments** was conducted using computer audit software and examining supporting documentation for any suspected instances of duplicate payments. (One instance was noted where a duplicate payment had been made to a school district in the amount of \$654,759). The duplicate payment was refunded from the school district when notified of the over payment

A test of **sole-source contracts** was conducted to determine appropriate approvals were obtained in accordance with state statutes and procurement regulations. (No discrepancies were noted. However, of the twenty sole-source contracts reviewed, four justified the bid waiver by stating the company was the "only available source who maintains the necessary expertise and is immediately available." This phrase is usually suspect. Since the contract was not put out for bid, whether the firm is the only available source cannot be substantiated.)

Value Engineering reports from the contracted engineering company were reviewed and interviews conducted with appropriate individuals of the SFC and school districts to determine the effectiveness of the value engineering process. (Based on reports from the engineering firm, the process did contribute to construction cost savings.)

The **June 30, 2010, monthly financial report** relating to capital construction prepared by the SFC staff for presentation to the Commission and the select committee was reviewed and the amounts reconciled to AIM to determine the accuracy of the presented information.

ATTACHMENT B
SCHOOL FACILITIES COMMISSION
PROJECTS TESTED DURING THE AUDIT
 July 1, 2002 through June 30, 2010

School District	Project Description	2003	2005	2007	2009	2011	Total
Laramie County #1	Construction of Cheyenne South High School	\$	\$15,954,833	\$18,463,881	\$26,239,764		\$60,658,478
Natrona County #1	Construction of CY Middle School		3,308,889	11,881,387	17,834,980		33,025,256
Laramie County #1	Renovation of Cheyenne East High School	2,033,057	24,906,084	8,350,355	4,529,630		39,819,126
Sheridan County #1	Construction of Big Horn 6-12 School	5,762	1,771,910	8,712,983	10,810,865		21,301,520
Carbon County #1	Construction of Rawlins consolidated K-5 School	211,083	714,704	2,119,811	9,935,951		12,981,549
Teton County #1	Construction of Davey Jackson Elementary School	1,758,548	874,076	19,866,604	2,876,363		25,375,591
Sheridan County #2	Addition to Sheridan High School & Construction of Middle School	22,816,148					22,816,148
Fremont County #1	Construction of Lander High School	21,926,768					21,926,768
Sheridan County #1	Construction of Tongue River High School	163,255	3,391,501	15,986,737	1,790,806		21,332,299
Park County #1	Construction of Powell High School	1,379,589	20,035,764	1,083,062	50,745		22,549,160
Campbell County #1	Construction of Stocktrail Elementary School		2,022,360	10,833,776	7,604,236		20,460,372
Sublette County #1	Construction of Pinedale Elementary School			7,357,048	9,940,846		17,297,894
Campbell County #1	Construction of Hillcrest Elementary School		4,099,487	16,499,782	(409,325)		20,189,944

ATTACHMENT B
 (Continued)
 SCHOOL FACILITIES COMMISSION
 PROJECTS TESTED DURING THE AUDIT
 July 1, 2002 through June 30, 2010

School District	Project Description	2003	2005	2007	2009	2011	Total
Natrona County #1	Construction of Summit Elementary School	361,061	207,045	4,562,812	9,884,320		15,015,238
Fremont County #38	Construction & Upgrades of Arapahoe K-8 School	233,269	769,305	3,973,946	11,177,796		16,154,316
Lincoln County #2	Construction of Afton K-5 Elementary School	281,962	1,495,493	2,803,717	3,027,704		7,608,876
Big Horn County #1	Construction of Rocky Mountain 7-12 School	520,183	2,601,374	7,500,417	6,485,572		17,107,546
Sheridan County #2	Construction of Woodland Park Elementary School	2,143,677	1,605,351	13,176,820	1,118,445		18,044,293
Sweetwater County #1	Construction of Sage Elementary School	830,986	1,998,641	6,351,634	8,320,118		17,501,379
Natrona County #1	Construction of Cottonwood Elementary School	38,203	4,452,261	12,630,369			17,120,833
Natrona County #1	Construction of Fort Caspar Academy	156,717	10,737,522	9,387,421			20,281,660
Natrona County #1	Construction of Poison Spider K-8 School	1,041,633	824,335	14,349,410	(168,356)		16,047,022
Laramie County #1	Construction of Triumph High School	5,806,139	5,856,032	4,209,177	15,120		15,886,468
Johnson County #1	Construction of Buffalo High School	15,684,695	449,804	110,196			16,244,695
Park County #6	Construction of Sunset Elementary School		1,145,140	4,760,350	7,589,067		13,494,557
Laramie County #2	Construction of Burns Elementary School	1,181,137	1,806,131	9,782,828	2,334,078		15,104,174

ATTACHMENT B
(Continued)
SCHOOL FACILITIES COMMISSION
PROJECTS TESTED DURING THE AUDIT
 July 1, 2002 through June 30, 2010

School District	Project Description	2003	2005	2007	2009	2011	Total
Park County #6	Renovation of Cody High School	215,195	3,847,440	13,028,512			17,091,147
Laramie County #1	Construction of Baggs Elementary School	86,334	613,996	12,828,132	17,571		13,546,033
Lincoln County #2	Construction of Holdaway Elementary School	360,310	12,032,609	684,342	635,566		13,712,827
Laramie County #1	Renovation of Cheyenne Central High School	90,776	6,772,630	9,539,848	2,749,572		19,152,826
Fremont County #25	Construction of Lincoln Elementary School	159,772	1,110,457	12,957,232	157,034		14,384,495
Natrona County #1	Construction & Renovation of Frontier Middle School	13,429,723	1,698,345				15,128,068
Hot Springs #1	Renovation of Hot Springs High School	1,052,989	12,062,530				13,115,519
Laramie County #1	Construction of Rossman Elementary School	2,000	5,687,569	2,545,652	5,300,459		13,535,680
Goshen County #1	Renovation of Torrington Middle School		1,038,376	12,630,569	360,412		14,029,357
Lincoln County #2	Construction of Metcalf Elementary School	198,718	7,772,626	4,072,151	594,305		12,637,800
Johnson County #1	Construction of Clear Creek Elementary School	816,046	11,974,574	183,003			12,973,623
Laramie County #1	Construction of Saddle Ridge Elementary School	1,214,382	2,881,322	4,596,560	4,928,587		13,620,851
Fremont County #6	Addition & Upgrades to Wind River School	482,358	795,852	11,641,296			12,919,506

ATTACHMENT B
(Continued)
SCHOOL FACILITIES COMMISSION
PROJECTS TESTED DURING THE AUDIT
 July 1, 2002 through June 30, 2010

School District	Project Description	2003	2005	2007	2009	2011	Total
Washakie County #1	Renovation of Worland Middle School	11,579,909					11,579,909
Uinta County #6	Construction of Lyman Middle School	356,685	3,893,965	7,192,845			11,443,495
Park County #1	Construction of Southside Elementary School	31,714	683,748	11,025,299	(14,289)		11,726,472
Converse County #2	Construction of Grant Elementary School		4,053,325	7,297,334			11,350,659
Laramie County #1	Construction of Sunrise Elementary School		10,703,921				10,703,921
Crook County #1	Renovation of Hulett K-12 School		9,330,120	1,049,852			10,379,972
Big Horn County #3	Construction of Greybull Elementary School	143,740	7,109,987	2,824,566	398,871		10,477,164
Big Horn County #1	Construction of Cowley Elementary School	6,222,872					6,222,872
Big Horn County #4	Demolition of Hyattville Elementary School	14,146					14,146
Goshen County #1	Consolidate Lingle Middle & High Schools	2,336,244	111,526				2,447,770
Goshen County #1	Consolidate Torrington Shop & Ag Facilities	1,401,564					1,401,564
Goshen County #1	Consolidate Southeast School Functions	1,601,530					1,601,530
Park County #6	Renovation of Cody High School Switzer Gym	4,400,000					4,400,000

ATTACHMENT B
(Continued)
 SCHOOL FACILITIES COMMISSION
 PROJECTS TESTED DURING THE AUDIT
 July 1, 2002 through June 30, 2010

School District	Project Description	2003	2005	2007	2009	2011	Total
Natrona County #1	Schematic design for Frontier Middle School	55,300					55,300
Expenditures of Audited Contracts		124,826,179	215,202,960	328,851,716	156,116,813		824,997,668
Non-Audited Expenditures		33,152,577	116,255,388	61,563,006	20,242,576	84,086	231,297,633
Total Expenditures		\$157,978,756	\$331,458,348	\$390,414,722	\$176,359,389	\$84,086	\$1,056,295,301
Percentage of Expenditures Audited		79.01%	64.93%	84.23%	88.48%	0.00%	78.10%

ATTACHMENT C

**SCHOOL FACILITIES COMMISSION
 EXTRACTS OF SELECTED SCHEDULES FROM THE MONTHLY FINANCIAL REPORT
 Period: July 2002 through June 30, 2010**

OPERATIONS APPROPRIATIONS SUMMARY REPORT						
	(A)	(B)	(C)	(D)	(E)	(F)
	Appropriations	Reversions	Net Appropriations	Expenditures Current Period	Expenditures/ Encumbrances to Date (including current)	Balance
FY2003-FY2004	\$ 4,235,799		\$ 4,235,799		\$ 4,143,601	\$ 92,198
FY2005-FY2006	5,588,272		5,588,272		4,568,674	1,019,598
FY2007-FY2008	7,352,199		7,352,199	8,134	6,179,076	1,173,123
FY2009-FY2010	8,269,473	\$ 403,974	7,865,499	244,331	6,985,732	879,767
Total thru end of FY2010 (does not include FY2011-FY2012 biennium appropriations)	\$ 25,445,743	\$ 403,974	\$ 25,041,769	252,465	21,877,083	\$3,164,686

CAPITAL CONSTRUCTION APPROPRIATIONS SUMMARY REPORT						
	(A)	(B)	(C)	(D)	(E)	(F)
	Appropriations	Reversions	Net Appropriations	Expenditures Current Period	Expenditures to Date (including current)	Balance
FY2003-2004	\$ 123,258,046	\$ 341,426	\$ 122,916,620		\$ 122,100,636	\$ 815,984
FY2005-2006	299,572,162	896,146	298,676,016		298,676,016	0
FY2007-2008	452,150,156	0	452,150,156	357,688	440,462,085	11,688,071
FY2009-2010	360,400,809	18,020,040	342,380,769	17,996,302	197,040,694	145,340,075
FY2011-2012	152,161,707	0	152,161,707		84,086	152,077,621
	\$ 1,387,542,880	\$ 19,257,612	\$ 1,368,285,268	\$ 18,353,991	1,058,363,518	\$ 309,921,751

ATTACHMENT C
(Continued)
 SCHOOL FACILITIES COMMISSION
 EXTRACTS OF SELECTED SCHEDULES FROM THE MONTHLY FINANCIAL REPORT
 Period: July 2002 through June 30, 2010

CAPITAL CONSTRUCTION TRANSACTIONS SUMMARY REPORT						
	(A) Net Appropriations Prior Period Ending Balance	(B) Transfer in/(out) Current Period	(C) Net Appropriations Current Period Ending Balance	(D) Adjustments & Expenditures for Current Period	(E) Expenditures to Date (including current period)	(F) Balance not expended
Awarded Contracts Cap Con	\$ 1,157,679,791	\$ 2,372,396	\$ 1,160,052,186	\$ 17,999,726	\$ 1,051,575,897	\$ 108,476,289
Budgeted Cap Con	178,332,086	2,330,908	180,662,904			180,662,994
Unobligated Cap Con	11,523,391	(4,703,304)	6,820,087			6,820,087
Awarded Off-site Infrastructure Contracts	8,204,095	0	8,204,095	354,265	5,668,555	2,535,540
Budgeted Off-site Infrastructure	1,142,245	157,314	1,299,559			1,299,559
Unobligated Off-site Infrastructure	403,660	(157,314)	246,346			246,346
Awarded SFC Contingency	4,734,476	0	4,734,476	0	1,119,065	3,615,411
Budgeted Contingency	0	6,265,524	6,265,534			6,265,424
Unobligated SFC Contingency	622,655,24	(6,265,524)	0			0
	\$ 1,368,285,268	\$ 0	\$ 1,368,285,268	\$ 18,353,991	\$ 1,058,363,518	\$ 309,921,750

Auditor Note: Calculation of Unobligated Capital Construction Funds at June 30, 2010:

Unobligated Cap Con	\$6,820,087
Unobligated Off-site Infrastructure	246,346
Unobligated SFC Contingency	0
Total Unobligated	\$ 7,066,433

WYOMING SCHOOL FACILITIES COMMISSION



KEN DARAIE, Director

August 16, 2010

**1103 Old Town Lane, Suite 1
Cheyenne, Wyoming 82002
Office (307)777-8670
Fax (307)777-8674**

Department of Audit
Michael Geesey, Director
Public Funds Division
Herschler Building
Cheyenne, WY 82001

Dear Sirs:

The agency is in receipt of the audit report dated July 23, 2010 which was requested by the 2010 Legislature. This is the department's response to the audit findings and recommendations which is presented in seriatim. We would like to preface this response by complimenting your staff for their professional decorum, diligent and efficient work. Considering the scope of this audit, they were able to complete their task in a timely fashion with little or no impact on the operations of the agency.

1. The Unobligated funds reconciliation at June 30, 2010:

Agency concurs.

2. Monthly financial report:

Agency concurs, and has substantially completed conversion to Asset Intelligent Management (AIM) facilities management software.

3. Asset Intelligent Management (AIM), and creation of periodic "frozen" reports currently on SFC website:

- a. *Agency concurs. School Facilities Commission "frozen" financial reports are available on the agency website monthly, and dynamic reports can be accessed from the website using a general public log-in.*
- b. *Agency concurs, and has established an alternative contracting process with the assistance of the Attorney General's office which will no longer require contract close-out amendments.*
- c. *Agency concurs, and Training of business office personnel in the districts is ongoing. Currently, 19 of the 48 districts are entering capital construction payment requests, and all 48 districts are submitting their Major Maintenance requests electronically through AIM.*

Jim McBride
Cheyenne

Jeffrey Carrier
Hulett

Matt Garland
Gillette

Richard Gilpatrick
Riverton

Ralph Goodson
Sundance

Bryan Monteith
Cody

Madeline Algier
Lander

- d. *Agency concurs, and has put in place processes for inclusion of all capital funds through AIM.*

On the issue of the interface with the State of Wyoming Financial System (WOLFS): AIM has undergone eight major software upgrades and the Capital Projects module of the software is undergoing a major re-write at this time. It is the agency's intent to evaluate an interface once the AIM program has stabilized to minimize third party expenses.

- 4. The implementation of the recommendations from the audit done by McGee, Hearne and Paiz, LLP, in August 2009 is progressing:**

Agency concurs.

- 5. Final close-out audits on completed projects:**

Agency concurs and will explore the possibility of acquiring the internal and/or external resources necessary to perform these audits. The value of these audits are not limited to the School Facilities Commission and may be in the state's best interest to enable the Department of Audit to support this function for multiple agencies.

- 6. Additional operational controls that the Commission could implement for increased accountability and transparency of operations:**

Agency concurs. Training of administrative and financial staff is on-going to ensure recording of accurate and thorough Commission meeting minutes, and to provide high quality and relevant professional staff development. This is to include cross training to ensure un-interrupted business operations in the event human resource changes. This goal creates a challenge for a small agency with limited positions.

Sincerely,



Ken Daraie, Director

