



Internal Audit Department

Audit Report Follow-Up
Capital Improvement Program
Professional Services

August 1, 2025

Washoe County School District
Internal Audit Department
Audit Report Follow-up
March 2024 AUDIT OF THE CAPITAL IMPROVEMENT PROGRAM
PROFESSIONAL SERVICES
August 1, 2025

Background

In the November 2016 general election, voters in Washoe County passed ballot initiative WC-1. WC-1 increased the local sales tax by 0.54 percent. Later, a series of WC-1 bond offerings was released, the proceeds of which are subject to the same restrictions as the WC-1 sales tax revenue. By law, proceeds from this sales tax increase are to fund capital projects of the WCSD for the acquisition, construction, repair, and renovation of school facilities. The WCSD Capital Projects Department is responsible for the planning, delivery, and oversight of capital projects, including those capital projects funded by WC-1 sales tax revenue and WC-1 bond proceeds, as well as the establishment of internal controls to appropriately manage capital projects.

The first audit of WC-1 funded capital projects occurred in 2020 when the District sought a third-party firm to audit construction activity and the global consulting firm *Protiviti* was selected to complete the project. The objective was to determine whether expenditures made with the Capital Improvement Program align with certain laws and regulations, and whether the District implemented internal controls which adequately safeguard assets and ensure project completion according to construction agreements. The audit concluded that internal controls associated with the collection and disbursement of funds designated for acquiring, constructing, repairing, and renovating school facilities are adequately designed and appear to be operating effectively. There were two recommendations that arose from that audit and both have been previously determined by the Internal Audit Department as being fully implemented.

Later, the Capital Funding Protection Committee of the WCSD requested an audit to assess the effectiveness of the District's policies for engaging, managing, and monitoring professional service providers contracted to support Capital Improvement Projects. Professional services include architects, engineers, and design firms.

The Internal Audit Department worked with two members of the Capital Funding Protection Committee to scope out the project and afterwards brought the proposed project particulars to the Audit Committee for approval of the agreed-upon procedures. The project was then sent out for bid and was completed by the independent firm *BDO*.

BDO concluded that the District's policies and processes in this area are adequately designed and operating effectively and only identified two recommendations for improvement.

The *BDO* auditors recommended improving the clarity of the language in Administrative Regulation 3323 – Professional Services. The second item was identified during document testing and found that one of the consultant amendment forms was missing one of three required signatures. To remedy the two matters, the Purchasing Department will work to clarify which services Administrative Regulation 3323 applies to, and the Chief Facilities Management Officer plans to implement a quarterly spot check on the applicable forms.

This is the first follow-up to the *BDO* report. This report addresses each of the above two recommendations.

Methodology and Report Format

Capital Projects Department management is responsible for taking actions to address audit findings. The Internal Audit Department evaluates and reports on the adequacy of management's efforts taken to address the identified issues. Some points to consider regarding management actions are as follows:

- Some corrective actions may take considerable time to fully implement and sometimes may require effort from multiple departments.
- For some audit findings, management may decide to assume a risk rather than try to mitigate it. If, according to management's judgement, the benefits of corrective actions do not outweigh the implementation costs, this may be a reasonable approach. However, if in the judgment of Internal Audit, this approach would subject the district to increased risk, we would report such to the Audit Committee and the Board of Trustees.

To prepare this report, we met with the Chief Facilities Management Officer and reviewed relevant documentation to evaluate the status of each audit recommendation. This report contains the original finding, recommendation, and the Department determined implementation status of the recommendations. For purposes of reporting the implementation status of each prior audit recommendation we use the following terminology:

- Fully Implemented – Signifies the recommendation has been completely implemented, either as described in the report or in a manner that resolves the underlying issue.
- Partially Implemented – Reflects the department has taken steps to implement the recommendation, is in process of implementing, and intends to fully implement the recommendation.
- Not Implemented – This status is reported when a department has not taken any steps to implement the recommendation.
- No Longer Applicable – Refers to a set of facts where operational circumstances have changed, and implementation of the recommendation is either no longer feasible or reasonable.

The implementation status of the two recommendations is summarized below:

Status of Two Prior Audit Recommendations

Item #1: Discrepancy between *Administrative Regulation 3323 Professional Services* and actual practices.

Finding Details: Auditors identified a discrepancy between the language in *Administrative Regulation 3323 Professional Services*, actual practices, and expectations of the Purchasing Department. The Regulation is written for contractors/consultants engaged to work on activities other than construction projects and that the Department believed informal requests for proposals between \$25,000 and \$99,999 did not apply to consultants on construction projects.

Recommendation: The Purchasing Department should update *Administrative Regulation 3323 Professional Services* to clarify which services the Regulation applies to.

Status: **Fully Implemented**

Discussions with the Director of Procurement and a review of the proposed changes to *Administrative Regulation 3323 Professional Services*, revealed this matter has been resolved as all professional services, including those for construction projects, will be required by the Purchasing Department to follow the revised Regulation. Based upon the above, it is our opinion that the recommendation for this item is considered Fully Implemented.

Item #2: Deputy Chief Facilities Management Officer's signature missing on an Overage Form.

Finding Details: During document testing, the auditors identified one of the five consultants amendments it reviewed did not have the Deputy Chief Facilities Management Officer's signature on the Overage Form, as required.

Recommendation: Strengthen internal controls to ensure the Deputy Chief Facilities Management Officer's signature is completed as required on the Overage Form.

Status:

Fully Implemented

Discussions with the Chief Facilities Management Officer revealed she has implemented a quarterly review of the forms to ensure all required signatures are present on the forms. The recent review disclosed no exceptions. Based upon these actions, this item is considered Fully Implemented.

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