

MEMORANDUM

January 6, 2021

To: Indra Winquest

From: Cliff Dobler

CC: Audit Committee - Via Matt Dent - Chairman and Paul Navazio

Re: General Fund 2019 Capital Projects - Cost overruns on IT infrastructure - Project #1213CO1505

The budget for fiscal year 2019/2020 provided \$132,800 for the above referenced project which consisted of 5 items with the main theme of creating a "Cluster" (Exhibit "A"). The total costs expended during the year was \$201,356.60 which exceeded the Budget by \$68,556.60 or 33%. To my knowledge nothing was brought to the Board of Trustees to approve the cost overrun nor to augment the Budget. It is also unknown if all of the budgeted work was actually complete at the end of fiscal year 2020.

This appears to be a major breakdown in internal controls. If the work was performed but piecemealed into several contacts then Policy 3.1 would not be applicable. A review of the Board responsibilities for capital expenditures under Practice 13.2.0 indicates an absolute violation by management in complying with the Board Practice.

Board Practice 13.2.0 established that each line item in the Capital Improvement Budget is a separate project and identified. Under section 2.0 of the Policy, **Capital Project Financing Resources**, (Exhibit "C") "the Board of Trustees must establish resources with a preference for each project (section 2.1)". As such, when a capital project has an identifiable and predictable financing resource then under section 2.5 **Exclusivity**, *that financing resource for a project can only be used for that project.*

Below is a summary of the results of the 2020 General Fund Capital Projects

- Three (3) projects were carried forward from fiscal 2019 for \$210,000
- Nine new projects were budgeted for \$485,445
- The total budget was \$686,445.
- Seven projects budgeted for \$447,645 had no expenditures and only ONE project (Human Resources Software) for \$300,000 was carried forward into fiscal year 2021.
- The remaining six projects budgeted for \$147,645 just disappeared, were never brought to the Board for cancellation, nor carried forward into fiscal 2021.
- In effect, the available budget for expenditures was only \$238,800 (\$686,445 less \$447,645 of budgets for projects not started).
- Spending was \$279,424 so the available budget was exceeded by \$40,624.

IVGID management believes that a **project** budget which is NOT started, NOT cancelled, and NOT carried over can be used to cover cost overrun on other projects. In their opinion the budget is established by FUND, contrary to Board Practice. This belief of reporting allows management to have no accountability and allows reckless spending without any constraints. In the past a project has not been done, the budget not carried over but comes up for budgeting in a future fiscal year. i

Nothing is brought to the Board for approval, no final annual report produced and nothing is done other than the Board providing an open check book. In 2019, CIP reporting was a major concern of the Board to establish a proper annual CIP report. As of now, six months after the end of fiscal year 2020, NO CIP report has been produced.

To make matter worse, one project "PC, Laptops, Peripheral Equipment and Desk Top Printers #1213CO1703"(Exhibit "B") had a budget of \$95,000 with an unknown quantity of items to be purchased. Only \$59,869 was spent and nothing was carried over into fiscal 2021. It is unknown how the expenditures matched up against the budget based on quantities . I doubt all items budgeted were purchased, so a carryover should have been required.

IVGID reporting of proper budgeting and expenditures remains in disarray and Board Policies and Practices are not followed. Internal controls do not exist.

Exhibit "A" - Project Summary - IT Infrastructure

Exhibit "B" - Project Summary - District Wide PC, Laptops, Peripheral Equipment and Desk Top Printers

Exhibit "C" - Board Practice 13.2.2.0 - Capital Project Financing Resources.

NOTE - Cost information taken from Draft Summary of CIP Activity by Project for fiscal year 6/30/2020

EXHIBIT "A"



Project Summary

Project Number:	1213CO1505
Title:	IT Infrastructure
Project Type:	G - Equipment & Software
Division:	13 - Information Services
Budget Year:	2020
Finance Option:	
Asset Type:	CO - Computer Equipment
Active:	Yes

Project Description			
During 2014-15 the District replaced substantially all of its networks servers, switches and ancillary support equipment. Various service lives will be experienced that are likely to extend beyond the technological useful life of this equipment. Only time will tell which will dictate a replacement, based on end of life or technological incompatibility. For the purposes of this project, timing will be set by expected service life.			
Project Internal Staff			
IT staff will conduct annual evaluations of the condition of equipment and the relationship of operating software and platforms to compatibility and effectiveness for how the systems are used and operated.			
Project Justification			
The District has committed to building and maintaining a redundant private cloud operation. Reliable equipment utilizing current technology and operating systems is a key feature to having IT networks that supports all operations 24/7/365.			
Forecast			
Budget Year	Total Expense	Total Revenue	Difference
2020			
Admin (2) Support Sever for the Cluster	29,900	0	29,900
Admin Host Server for the Cluster	17,250	0	17,250
License SQL Server and Related CALS	50,000	0	50,000
PW (2) Support Server for the CLuster	18,400	0	18,400
PW Host Server for the Cluster	17,250	0	17,250
Year Total	132,800	0	132,800
2021			
21 POE Swtiches	70,500	0	70,500
Admin Backbone Switch	14,600	0	14,600
PW Backbone Switch	6,700	0	6,700
Year Total	91,800	0	91,800
2022			
Admin Storage Net App	46,000	0	46,000
PW Storage Net App	46,000	0	46,000
Year Total	92,000	0	92,000

EXHIBIT "B"



Project Summary

Project Number:	1213CO1703
Title:	District Wide PC, Laptops, Peripheral Equipment and Desk Top Printers
Project Type:	G - Equipment & Software
Division:	13 - Information Services
Budget Year:	2020
Finance Option:	
Asset Type:	CO - Computer Equipment
Active:	Yes

Project Description

District wide, various offices and venue operations utilize approximately 200 personal computers, up to 50 laptops, at least 100 peripheral devices such as receipt printers and specialty screens and 50 desk top printers. The District supports user levels as super , basic and specialty profiles for computers and related devices. Printers for the most part are black ink for letter size images. Several do have additional features that are necessary for their particular programming such as tournaments and events. These printers were purchased expecting a use life of at least 5 years. Some may be longer depending on the nature of the volume for that venue. Maintenance of the comprehensive list of printers is under one agreement.

Project Internal Staff

The IT Technician will oversee the maintenance of these personal computers and peripheral devices, and the printers which includes the monitoring their care and condition for eventual replacement. The IT Network Administrator monitors the number of users and circumstances under which laptops and the printers are available on the network or dedicated to a user or program.

Project Justification

The approach to replacement is to evaluate the care and condition of each item, placed into the context of program needs. When devices are shared over seasons, we also consider the number of users sharing a device. Historically PC's and peripheral have been used for up to 10 years. We are considering the future to be 5 to 7 years driven mostly by compatibility to network operating systems. We have printers that are from 1 to 18 years in service. We will continue to utilize a printer as long as it can be supported by operating systems, security, and supplies. We will match capacity needs to device type and look for opportunities to convert multiple devices to "all-in-ones" to eliminate individual faxes and scanners. Each proposed replacement device will be based on industry comparisons for functionality and capacity as well as compatibility with the existing machines to maintain the benefits of scale and volume for the service and supply purchases. We have small, medium and large printer devices ranging in price at \$250, \$500 and \$900.

Forecast

Budget Year	Total Expense	Total Revenue	Difference
2020			
ADD HR Recruiting Laptop	900	0	900
Hard drives and other component replacements	8,000	0	8,000
Laptops greatest need replacements	10,000	0	10,000
Peripheral Specialty Printers, Scanners and Screens	16,500	0	16,500
Personal computers and software greatest need replacements	55,000	0	55,000
Printers greatest need replacements	4,600	0	4,600
Year Total	95,000	0	95,000
2021			
Hard drives and other component replacements	8,000	0	8,000
Laptops greatest need replacements	10,250	0	10,250

EXHIBIT "C"

3 pages



**Capital Planning
Capital Expenditures
Practice 13.2.0**

RELEVANT POLICIES: 1.1.0 Strategic Planning, 9.1.0 Establishing Appropriate Capitalization Threshold for Capital Assets, 12.1.0 Multi-Year Capital Planning, and 13.1.0 Capital Project Budgeting

1.0 AUTHORITY

Decision-making responsibilities and duties on capital projects shall be allocated by the General Manager to specific members of the IVGID staff as provided herein. The staff member so assigned may delegate "duties" to another, but shall remain "responsible" for their actions pertaining to the project.

A Project Manager will usually be a representative of the IVGID department which will acquire or construct the project. The Project Manager may seek the input or assistance of a representative of the IVGID department that will utilize the capital asset. A planner, analyst, designer, or construction representative usually reports to the Project Manager as an employee or through a contract for services.

2.0 CAPITAL PROJECT FINANCING RESOURCES

Financial management of capital projects is controlled through a system including the Multi-Year Capital Improvement Plan and each fiscal year's Capital Improvement Project Budget. The ability to pay for the costs of a project will be based on identifiable and predictable financing resources at the time of acquisition.

2.1 Establishment. A capital project's financing resources may be established by action of the Board of Trustees by the adoption of a Capital Project Report. Financing resources may be established for each fund; for each program; or for each project or group of projects. The preference is on each project to facilitate calculating the affects of each project on the Multi-Year Capital Improvement Plan.

2.2 Status. All financing resources identified and received for a Capital Improvement Project shall be held in cash or



Capital Planning Capital Expenditures Practice 13.2.0

investments and shall constitute an element of fund balance or net position until expended or released by an action of the Board of Trustees.

- 2.3 Interest.** Investment earnings on a project's financing resources shall accrue to the project to the extent they were included in the Capital Improvement Project Data Sheet or are deemed needed for possible project cost adjustments. In any project where part of the financing resources came from bond proceeds, the investment earnings must be attached to the project in order to determine and comply with IRS arbitrage regulations.
- 2.4 Expenditures.** Funds identified as financing resources may only be expended by action of the Board of Trustees according to the District's Capital Improvement Project Budget. Projects carrying over from one fiscal year to another are expected to be identified during each budget process to extend spending authority and facilitate completion of the construction or acquisition of the capital assets. The General Manager has the authority to redirect the design or specifications affecting up to an aggregate of \$50,000 if it does not exceed the total approved cost of the project.
- 2.5 Exclusivity.** All financing resources identified for a project, are considered exclusively for expenditures related to that project. No expenditures or obligations shall be made related to that project which cumulatively exceeds the available balance in identifiable and predictable financing resources.
- 2.6 Changes.** The amount of funds in identifiable and predictable financing resources may be increased or decreased by action of the Board of Trustees, provided that no decrease shall occur which causes the unexpended financing resources for any project to fall below the cumulative total of obligations outstanding pertaining to the project.



Capital Planning Capital Expenditures Practice 13.2.0

- 2.7 Close-out.** Upon completion or termination of a project, the unexpended financing resources for that project may be closed out by the General Manager, except when a previous action by the Board of Trustees, designates where the unexpended amount, if any, shall be transferred.

3.0 PROJECT LIFE CYCLE

Projects shall be managed in relation to the following typical project life cycle:

- 3.1 Definition.** The process of developing a document which describes a specific project, in terms of location, function, cost, and other parameters. Approval of a Capital Project Data Sheet means the project has been "**defined.**"
- 3.2 Planning.** The process of developing documents which identify the location and function of projects, in relation to other projects and existing facilities. Approval of a project plan document within an approved Capital Project Summary means the project has been "**planned.**"
- 3.3 Feasibility.** The process of analyzing the practicality of a project, in terms of capital financing and cost, operating revenue and cost, environmental and permit conditions, and other factors. Acceptance information stated on the Capital Project Data Sheet as a feasibility report, means the project has been "**justified.**"
- 3.4 Scheduling.** The process of developing an outline identifying the cost, timing and financing of the capital project. All capital project expenditures shall be evaluated through a Multi-Year Capital Improvement Plan and authorized for expenditure through a specific fiscal year's Capital Improvement Plan Budget. Inclusion of a project within an approved Multi-Year Capital Improvement Plan means the project has been "**scheduled.**"