

**2014-15 Civil Grand Jury Construction Report
Department Responses**

CGJ Year	Report Title	Finding	Response Required	2015 Responses (Agree/Disagree)	2015 Response Text
2014-15	San Francisco's City Construction Program: It Needs Work	F2. The current lowest bid-contracting environment is not optimal for the City, since it increases costs due to additional project change orders, and it reduces the number of quality contractors willing to bid on City projects.	Board of Supervisors	Disagree, partially	The City has to balance its responsibility to the taxpayers with a clear timeline and stricter oversight on project delivery and cost control.
2014-15	San Francisco's City Construction Program: It Needs Work	F3. The complexity of the contracting environment, especially as it relates to LBEs, reduces the pool of contractors willing to do business with the City, thereby limiting vendor selection.	Board of Supervisors	Disagree, partially	The Board of Supervisors passed Legislation amending Chapter 6 of the Administrative Code which took effect August 1, 2015. These changes, among other things, incorporate some industry best practices and therefore are more likely to attract contractors familiar with the most recent industry innovations, allowing us to grow our contractor pool and better serve the Public.
2014-15	San Francisco's City Construction Program: It Needs Work	F3. The complexity of the contracting environment, especially as it relates to LBEs, reduces the pool of contractors willing to do business with the City, thereby limiting vendor selection.	Mayor	Disagree, partially	The City's contracting process can be difficult for new entrants. However, the City continually strives to improve the quality of the bid pool-by attracting new contractors, improving existing contractors, and shoring up processes to minimize non-responsible/non-responsive bids. Effective August 1, 2015, Mayor Lee signed legislation including more than three dozen changes to Chapter 6 of the City's Administrative Code. The changes are intended to simplify and streamline the process for both contractors and City employees. The changes incorporate some industry best practices because updated processes are more likely to attract contractors familiar with the most recent industry innovations, allowing our competitive process to better serve the public.
2014-15	San Francisco's City Construction Program: It Needs Work	F4. Change orders are not managed uniformly across departments, which exposes the City to increased project costs.	Board of Supervisors	Disagree, partially	Though departments need to abide by their respective change order policies, having a uniform change order management policy is not practical given the differing project types and project delivery methods citywide.
2014-15	San Francisco's City Construction Program: It Needs Work	F4. Change orders are not managed uniformly across departments, which exposes the City to increased project costs.	Mayor Office of the Controller	Disagree, partially	The jury is correct that change orders are not managed uniformly across the City. As written, Chapter 6 of the Administrative Code provides for decentralized project management for the six departments it covers (the Airport, Public Works, the Port, Recreation and Park, SF Municipal Transportation Agency, and the SF Public Utilities Commission). Though departments need to abide by their respective change order policies, having a uniform change order management policy is not feasible given the differing project types and project delivery methods citywide. While change orders are not managed uniformly across City departments, each department has its own procedures and controls in place, allowing for greater flexibility and specialization, commensurate with the various sizes and types of construction projects carried out by each department.
2014-15	San Francisco's City Construction Program: It Needs Work	F5. Construction contract close out procedures are not followed, which can result in the City not receiving the services it contracted to receive.	Board of Supervisors	Agree	When the Controller's City Services Auditor (CSA) conducted an audit of the closeout procedures it found a number of shortcomings including lack of sufficient documentation, adequate review or verification, and adherence to existing policies and procedures.
2014-15	San Francisco's City Construction Program: It Needs Work	F5. Construction contract close out procedures are not followed, which can result in the City not receiving the services it contracted to receive.	Mayor Office of the Controller	Disagree, partially	Contract closeout can vary by project complexity and staff, and results vary depending on these and other fact-specific issues; a uniform construction contract closeout policy would not necessarily ensure that the City receives its contracted services. In all cases, however, the City strives to follow the most efficient and effective best practices to close out projects as promptly and cost-efficiently as possible. The City's use of the Controller's City Services Auditor (CSA), in addition to other auditing mechanisms, ensures adherence to these best practices. Over the last three fiscal years, CSA has completed construction contract closeout assessments involving all six Chapter 6 departments. Based on the results of these audits and assessments of various city departments' construction contract closeout procedures, and as noted in the Jury's report, CSA found some internal control weaknesses related to the audited departments' closeout procedures, including lack of sufficient documentation, adequate review or verification, and adherence to existing policies and procedures. CSA follows up on all open (unresolved) audit recommendations every six months to ensure that departments have implemented corrective actions.
2014-15	San Francisco's City Construction Program: It Needs Work	F6. The variety of construction projects in the City creates a mismatch between the design and engineering skills required for current projects and the skills of the staff, resulting in duplicate labor costs when outside firms are retained and excess capacity when there is a decline in construction activity.	Board of Supervisors	Disagree, partially	In addition to the wide variety of skills the department has in-house, the use of consultants gives the department flexibility to meet the needs of other departments and meet peak demands without the need to increase its staff, departmental budgets and overall project costs.
2014-15	San Francisco's City Construction Program: It Needs Work	F6. The variety of construction projects in the City creates a mismatch between the design and engineering skills required for current projects and the skills of the staff, resulting in duplicate labor costs when outside firms are retained and excess capacity when there is a decline in construction activity.	Mayor Office of the Controller DPW	Disagree, partially	The City relies on Public Works to maintain a broad professional skillset across multiple engineering, architectural, and professional disciplines in order to perform a wide range of architectural, engineering, and construction services for many City agencies, including the Library, SFPD, and SFFD. Accordingly, Public Works staff maintains an extensive range of in-house design and engineering skills. The use of consultants gives the department flexibility to meet the needs of client departments and meet peak demands without the need to increase its staff and overall project costs.

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2014-15	San Francisco's City Construction Program: It Needs Work	F7. The lack of integrated construction management systems and the failure to follow centralized construction management policies and procedures prevents the City from generating citywide construction reports	Board of Supervisors	Disagree, partially	The Civil Grand Jury is correct that there is not an integrated citywide construction management system. However the Board of Supervisors is represented on the Capital Planning Committee and appoints members to the General Obligation and Revenue Bond Oversight Committees which all review and monitor activities related to construction and capital projects.
2014-15	San Francisco's City Construction Program: It Needs Work	F7. The lack of integrated construction management systems and the failure to follow centralized construction management policies and procedures prevents the City from generating citywide construction reports	Mayor Office of the Controller DPW	Disagree, partially	The Jury is correct that there is not an integrated citywide construction management system. There has not, however, been a consistent finding of Chapter 6 departments failing to follow centralized construction management policies, as the report notes. In addition, the City has developed a coordinated capital planning and budgeting process to review and prioritize capital budget requests, coordinate funding sources and uses, and provide citywide policy analysis and reporting on interagency capital planning efforts. Oversight bodies, including general obligation and revenue bond oversight committees, as well as departmental commissions, routinely review and monitor activities related to the City's capital and construction projects under their purview.
2014-15	San Francisco's City Construction Program: It Needs Work	F8. The City does not have an independent management group reviewing citywide construction performance reports and monitoring adherence to change orders and construction contract close out policies and procedures.	Board of Supervisors	Disagree, partially	The Jury is correct that there is not an independent management group that monitors construction; However the Board of Supervisors is represented on the Capital Planning Committee which monitors and prioritizes infrastructure investments. In addition, the Board with their independent Budget and Legislative Analyst's office regularly analyzes construction performance. Finally the CSA on a quarterly basis presents an update on the implementation of their audits to the Government Audit and Oversight Committee.
2014-15	San Francisco's City Construction Program: It Needs Work	F8. The City does not have an independent management group reviewing citywide construction performance reports and monitoring adherence to change orders and construction contract close out policies and procedures.	Mayor Office of the Controller	Disagree, partially	The Jury is correct that there is not an independent management group that monitors construction; instead, the City has numerous independent management groups. The Capital Planning Committee, a public decision-making body that monitors, crafts, and recommends policies related to infrastructure investments, is the lead in this area. Construction contracts and projects are further reviewed by various bodies, most notably, department commissions, the Budget and Legislative Analyst, and the Office of the Controller. Further, the Board of Supervisors may exercise its authority to hold hearings related to specific projects or contracts, or general construction closeout procedures and trends. In addition, in its capacity as the City's auditing body for contracts, CSA has found in previous audits and assessments of various City departments' change order management and closeout policies and procedures that some internal control weaknesses exist. Every six months, CSA follows up on all (open) unresolved audit recommendations at a hearing at the Board of Supervisors' Government Auditing and Oversight (GAO) Committee; all departments in question are required to publicly present updates and progress reports at these hearings.
2014-15	San Francisco's City Construction Program: It Needs Work	F9. San Francisco City departments do not issue final reports on construction projects that are readily available to its citizens.	Board of Supervisors	Agree	While some reports are posted online and publicly available, City departments do not issue final reports when construction projects are completed.
2014-15	San Francisco's City Construction Program: It Needs Work	F9. San Francisco City departments do not issue final reports on construction projects that are readily available to its citizens.	Mayor Office of the Controller	Disagree, partially	The Jury is correct that City departments do not issue final reports on all construction projects when complete. City departments do, however, report on projects-especially those funded via the General Obligation bond program, which includes mandatory reporting procedures before, during, and after construction. In addition, Chapter 6 departments must prepare closeout and acceptance documents that must be executed per Administrative Code Section 6.22(k). All reports prepared under these regulations are posted online and publicly available.

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2014-15	San Francisco's City Construction Program: It Needs Work	R1. NONE	NONE		
2014-15	San Francisco's City Construction Program: It Needs Work	R2. The BoS should amend Chapter 6 of the Administrative Code to require contractor performance as an additional criterion for construction contracts.	Board of Supervisors	will not be implemented	The Board cannot commit to timing or outcome of future legislation.
2014-15	San Francisco's City Construction Program: It Needs Work	R3. The CGJ recommends that the proposed Chapter 6 amendment make past performance a construction award criterion for all future City construction contracts including LBE subcontracts.	Board of Supervisors	will not be implemented	The Board cannot commit to timing or outcome of future legislation.
2014-15	San Francisco's City Construction Program: It Needs Work	R3. The CGJ recommends that the proposed Chapter 6 amendment make past performance a construction award criterion for all future City construction contracts including LBE subcontracts.	Mayor	has not been, but will be, implemented in the future	The six Chapter 6 departments (Airport, Public Works, Port, Recreation and Park, SFMTA, and SFPUC), are committed to improving the pool of contractors who bid on City construction projects. In conjunction with the City Attorney and the Office of the Controller, the Chapter 6 departments are actively working to revise Chapter 6 to require performance evaluations and to devise procedures to consider past performance in contract awards. The departments are meeting regularly with a goal of presenting amendments to the law and associated processes to the Board of Supervisors in 2016.
2014-15	San Francisco's City Construction Program: It Needs Work	R4. The Office of the Controller should implement a standardized change order management policy and require all City departments to adhere to any new change order policy.	Board of Supervisors	will not be implemented because it is not warranted	Given the wide variety of project types, sizes, budgets, and complexity undertaken by the Chapter 6 departments, a "one size fits all" approach is not in accordance with best practices.
2014-15	San Francisco's City Construction Program: It Needs Work	R4. The Office of the Controller should implement a standardized change order management policy and require all City departments to adhere to any new change order policy.	Mayor Office of the Controller	will not be implemented because it is not warranted	The Office of the Controller, and specifically the City Services Auditor (CSA), audits and assesses departments' adherence to relevant construction policies and procedures citywide, and provides technical assistance to departments as needed. As presently written, the Administrative Code calls for a decentralized approach to construction management for Chapter 6 departments, leaving this authority with each department. This allows for a segregation of duties between the Office of the Controller and the departments charged with construction management. Given the wide variety of project types, sizes, budgets, and complexity undertaken by the Chapter 6 departments, a "one size fits all" approach is not in accordance with best practices. However, as recommended by CSA's May 2014 audit of citywide construction practices, the Chapter 6 departments, in conjunction with CSA, are moving forward with amendments to the Administrative Code, including potential modifications related to change order management policies. Public Works has a change order management tracking system. Change orders are tracked, categorized and regularly discussed in order to inform project management decisions. This system could be tailored to other Chapter 6 department's needs.
2014-15	San Francisco's City Construction Program: It Needs Work	R5. The Office of the Controller should implement a standardized construction contract closeout policy and require all City departments to adhere to any new policy.	Board of Supervisors	will not be implemented	Although the Board of Supervisors supports the recommendation, it is not within the jurisdiction of the Board.
2014-15	San Francisco's City Construction Program: It Needs Work	R5. The Office of the Controller should implement a standardized construction contract closeout policy and require all City departments to adhere to any new policy.	Mayor Office of the Controller	will not be implemented because it is not warranted	The Office of the Controller, and specifically the City Set-vices Auditor (CSA), conducts audits and assessments of departments' adherence to relevant construction policies and procedures citywide, and provides technical assistance to departments as needed. As presently written, however, the Administrative Code calls for a decentralized approach to construction management for Chapter 6 departments, leaving this authority with each department. This allows for a segregation of duties between the Office of the Controller and the departments charged with construction management. Given the wide variety of project types, sizes, budgets, and complexity undertaken by the Chapter 6 departments, a "one size fits all" approach is not always in accordance with best practices. However, as recommended by CSA's May 2014 audit of citywide construction practices, the Chapter 6 departments, in conjunction with CSA, are moving forward with amendments to the Administrative Code, including potential modifications related to construction contract closeout policies. At this time, Public Works is piloting new construction contract closeout procedures; if successful, this system is designed to be shared with the other Chapter 6 departments.
2014-15	San Francisco's City Construction Program: It Needs Work	R6. The BoS should request the BLA or CSA to benchmark the City's design and engineering workforce organizational structure against comparable cities and issue a report.	Board of Supervisors	requires further analysis	A benchmarking analysis could provide important and helpful insight into best practices for how to improve the organizational structure of the City's design and engineering workforce, and merits further consideration. The Board of Supervisors will confer with their independent Budget and Legislative Analyst's office to assess how to best address this recommendation by January 2016.

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2014-15	San Francisco's City Construction Program: It Needs Work	R6. The BoS should request the BLA or CSA to benchmark the City's design and engineering workforce organizational structure against comparable cities and issue a report.	Mayor Office of the Controller DPW	requires further analysis	A benchmarking analysis could provide important and helpful insight into best practices for how to improve the organizational structure of the City's design and engineering workforce, and merits further consideration. As the Office of the Controller's City Services Auditor prepares its work plan, a benchmarking report will be considered, but must be weighed against other requests for that office's resources. The departments participating in this response defer to the Board of Supervisors with respect to involvement of the Board's Legislative Analyst, and the Office of the Controller will consult with the Board regarding which, if any, office performs the analysis.
2014-15	San Francisco's City Construction Program: It Needs Work	R7. The Mayor should allocate financial resources in the current City budget to fund the Department of Technology hiring a consulting firm with extensive construction management expertise to develop citywide system requirements for the implementation of a construction management system.	Board of Supervisors	will not be implemented	Although the Board of Supervisors supports the recommendation, it is not within the jurisdiction of the Board.
2014-15	San Francisco's City Construction Program: It Needs Work	R7. The Mayor should allocate financial resources in the current City budget to fund the Department of Technology hiring a consulting firm with extensive construction management expertise to develop citywide system requirements for the implementation of a construction management system.	Mayor Office of the Controller DPW	requires further analysis	The City's annual budget process begins in December of each year, and concludes in June the following year. As part of the Fiscal Years 2016-17 and 2017-18 budget process, Public Works, the Department of Technology, and the Mayor's Office will consider the inclusion of financial resources to fund a consultant to meet the vision of the Jury. Any request, however, must be weighed against other citywide funding requests, so funding cannot be guaranteed at this time.
2014-15	San Francisco's City Construction Program: It Needs Work	R8. The BoS should either request the CSA or BLA, or retain an outside firm, to benchmark the independent construction management structure of other cities and develop recommendations applicable to San Francisco.	Board of Supervisors	requires further analysis	This recommendation overlaps with recent and existing work of a workgroup of Chapter 6 departments. Legislation modernizing Chapter 6 went into effect August 1, 2015, after more than a year of collaboration. The next round of changes, including a shared database to track contractor performance, is being discussed now with a goal of implementation by Summer 2016. The Board of Supervisors will confer with their independent Budget and Legislative Analyst's office to assess how to best address this recommendation by January 2016.
2014-15	San Francisco's City Construction Program: It Needs Work	R8. The BoS should either request the CSA or BLA, or retain an outside firm, to benchmark the independent construction management structure of other cities and develop recommendations applicable to San Francisco.	Mayor Office of the Controller	requires further analysis	This recommendation overlaps with recent and existing work of a workgroup of Chapter 6 departments. Legislation modernizing Chapter 6 went into effect August 1, 2015 after more than a year of collaboration. The next round of changes, including a shared database to track contractor performance, is being discussed now with a goal of implementation by summer 2016. However, a benchmarking analysis could provide important and helpful insight into best practices for how to improve the City's independent construction management structure, and will be considered. As the Office of the Controller's City Services Auditor prepares its work plan going forward, a benchmarking report will be considered, but must be weighed against other requests for that office's resources. The departments participating in this response defer to the Board of Supervisors with respect to involvement of the Board's Legislative Analyst, and the Office of the Controller will consult with the Board regarding which, if any, office performs the analysis.
2014-15	San Francisco's City Construction Program: It Needs Work	R9. The BoS should require all City departments to issue final project construction reports within nine month of project completion for all construction projects and for the reports to be posted on each department's website.	Board of Supervisors	requires further analysis	This recommendation will be revisited by the Board of Supervisors by January 2016 as part of the ones being considered when further amendments to Chapter 6 of the Administrative Code are brought forward.
2014-15	San Francisco's City Construction Program: It Needs Work	R9. The BoS should require all City departments to issue final project construction reports within nine month of project completion for all construction projects and for the reports to be posted on each department's website.	Mayor Office of the Controller	will not be implemented because it is not warranted	This recommendation is directed specifically to the Board of Supervisors. However, the responding departments welcome further discussion regarding final construction reports should the Board of Supervisors choose to pursue this recommendation. It should be noted, however, that pertinent budget and schedule information is provided in various forms to staff and oversight bodies. As per Administrative Code Section 6.22(k), Chapter 6 departments must prepare and execute closeout and acceptance documents. Upon presentation to oversight bodies (including the Citizens' General Obligation Bond Oversight Committee, the Recreation & Park Commission, Port Commission, Airport Commission, Public Utilities Commission, and the Municipal Transportation Agency Board of Directors), this information is posted online and made available to the public.