

**NJSCC PLAN FOR IMPLEMENTATION OF
INSPECTOR GENERAL RECOMMENDATIONS
NJSCC BOARD OF DIRECTORS MEETING MAY 10, 2005**

1. SCC Internal Management and Financial Controls

A. CFO/Controller

- SCC will immediately reorganize to establish the Office of Chief Financial Officer reporting to senior management and Board Audit Committee.
- All financial functions will reside with this office
- Recruiting for external candidate for CFO
- Anticipated Hire Date: May 31, 2005

B. Staffing – Accounting and Internal Audit

- The number, credentials and experience of needed additional accounting staff will be determined by new CFO and approved by the Audit Committee
- SCC has initiated a benchmarking study, reviewing Internal Audit staffing at similar entities, and will develop an Audit Plan, including the staffing, training and operational needs for the expanded Internal Audit Unit (Expected Completion: May 31, 2005)
- SCC Internal Audit Director currently reports to and meets privately with the Audit Committee of the Board of Directors at minimum four times per year
- Audit Committee membership is exclusively non-SCC management. The Audit Committee chair will have a strong financial background, and the Audit Committee will be financially literate.
- All SCC Operating Divisions will develop, implement and follow written procedures manuals covering all business operations using Contract Procurement & Administration Division manuals as models (expected Completion: August 15, 2005)

C. Accounting/Auditing Standards

- SCC accounting conforms with Generally Accepted Accounting Principals (GAAP) and Governmental Accounting Standards Board (GASB) standards, following the methodology implemented for the Program by EDA to match its high volume but non-complex needs
- The CFO, in consultation with SCC's outside auditors (Ernst & Young) and SCC's Internal Audit Director, will review our

corporate governance and make recommendations to the Audit Committee bring SCC into compliance, to the extent feasible for a non-profit government entity, with applicable auditing standards enunciated in Sarbanes-Oxley legislation

2. Contract Approval Procedures

A. Unilateral Approval of Award/Payment Requisitions

- SCC immediately discontinued the practice of singular approval of contract awards; today (May 10, 2005) the SCC is presenting for Board consideration a revised Operating Authority to reflect this change, as well as to conform the Operating Authority with current practice requiring minimum of two signatures for approval of payment requisitions
- Further modifications to the Operating Authority, serving to revise dollar thresholds downward for each approval level, will be presented for Board consideration at its meeting of May 25, 2005
- As part of its future responsibilities, the Office of the CFO will review and approve all payment requisitions including those related to change orders

B. Contingencies – Case by Case, Specific Board Authorization

- Contingencies are applicable exclusively to authorizations concerning Land Acquisition and Relocation
- SCC will eliminate contingencies for real estate and relocation from future recommendations to the Board
- Going forward, SCC management will inform the Board upon request, but at a minimum, on a quarterly basis as to actual expenditures

3. Employee Bonuses

- The bonus program was terminated for calendar year 2005 (in application to work year 2004) and will not be reinstated in the future
- Any salary increases are based upon merit
- SCC personnel are not provided with emoluments beyond the standard salary and benefit structure that applies to all other public employees
- SCC eliminated mileage allowances and will compensate staff for actual mileage at the rate used to compensate state employees

4. SCC Regional Offices

- Regional Offices were opened to place staff in closer proximity to the actual work in the school districts to better support district needs
- SCC Executive Staff has initiated a study to determine the extent of its current need for region-based operations - including consolidation of northern offices and location of southern office - based upon ongoing and anticipated school construction projects, workload, funding and costs
- Recommendations will be presented for Board consideration at its meeting of June 22, 2005

5. Outside Employment Contracts

- SCC Executive Staff has immediately initiated a hold on the ongoing usage of the existing contract
- SCC will substantially reduce staff over the next 30 days and terminate the contract by July 31, 2005, considering workload, permanent staffing level, and current Program funding

6. SCC Board of Directors

A. Expanded Board

- SCC fully supports the addition of two public members to the Board of Directors, with the financial management background and absence of either personal or professional interest in either the education community or construction industry as outlined by IG Cooper and directed by Acting Governor Codey in Executive Order No. 32
- SCC management recommends that all current Board vacancies be filled

B. Information to the Board of Directors

- SCC will distribute the complete Board Agenda and full supporting documentation on the Wednesday prior to the scheduled Wednesday Board date. Agendas will be hand delivered (Ex-officio, Trenton-area locations) and sent via Federal Express for a Thursday morning delivery
- The CEO will expressly limit the number of “walk-on” or last-minute items presented to the Board to extreme situations. In the event emergent projects or an extreme situation arises after the Wednesday before the Board meeting, the CEO will have memoranda explaining these matters faxed or electronically transmitted to the Directors at the earliest possible time

- The CEO will provide an additional period of review to the Board of Directors through distribution of the School Review Committee (SRC) Agenda to full Board membership rather than only the five SRC members, thereby providing the full Board with draft memoranda thirteen (13) days prior to the Board Meeting
- The CEO has instructed staff that all Board Memoranda are to follow a consistent format, providing complete context and explaining in a meaningful way the impact of the matter on the cost of the project and the effect on the project's budget

7. Disbursement Recovery and Change Order Policy

A. Recover Monies Disbursed Due to Design Errors/Omissions

- The SCC is currently developing a policy to define when to seek recovery of monies disbursed due to errors and omissions; SCC will review DPMC's and other State Agency policies and adopt, an SCC policy, by May 31, 2005
- SCC has eliminated bidding work out based upon less than 100% complete Construction Drawings; this is designed to allow for fewer change orders and clearer responsibility for costs of design errors and omissions

B. Overhaul Policies and Procedures Governing Review/Approval of Change Orders

- (1) CEO will task the expanded Internal Audit Unit with reviewing previously approved change orders toward recouping funds, as appropriate
- (2) SCC has created a Change Order Review Unit on April 8, 2005 – organizationally outside of its Design & Construction (D&C) Division – to independently review requested Change Orders. The Unit will include, at a minimum, individuals with construction, architectural, legal, engineering and estimating backgrounds and will be drawn from other than the D&C Division. The Unit will also develop Policies & Procedures to ensure consistency and integrity of process and conclusions, as well as a Staffing Plan, by June 15, 2005. While D&C will initially assess whether a change is attributable to an Error/Omission, the Change Order Review Unit will review that assessment, notify the architect and pursue the recoupment of funds as appropriate. As part of its future responsibilities, the Office of the CFO will review and approve all payment requisitions including those related to change orders

- (3) For future contract awards, the use of change order contingency will be initially limited to 5% of the original contract amount. Board approval will be sought before changes exceed that 5%, at which time the SCC will review with the Board the expenditures toward that initial 5% and seek Board approval for an additional 5%, if necessary. A revised Operating Authority to reflect this modification will be presented for Board consideration at its meeting of June 22, 2005
- (4) Effective immediately, as recommended, only in highly emergent circumstances will change order work be authorized prior to approval from the Board, with full written justification to follow, including documentation of the emergent conditions

8. Ownership of Architectural Designs

- SCC has initiated discussion with the Attorney General's Office to determine what changes are necessary to modify Design Consultant Contracts to require that Architect's ownership and copyright of designs, etc., revert to the SCC
- SCC expects to conclude this review and implement by June 15, 2005
- Guidelines will be established for appropriate design and construction materials on all SCC projects. Expected Completion date: August 15, 2005

9. Project Management Firms

- Firms currently working as PMFs will be immediately directed that they can no longer bid as a prime, or act as a sub, on any contractor work for SCC-managed projects
- PMFs and their subconsultants are already prohibited from working as prime/subcontractors in their PMF regions
- SCC will develop a plan to scale back PMF responsibilities, relying more on permanent staff for the upfront predevelopment and design work with the districts, and using qualified construction managers to manage the construction, consistent with the recommendation. Expected completion date: June 15, 2005
- Hiring Project Management staff as SCC Project Officer staff will be considered in the context of Program funding and workload

10. Land Acquisition

A. Establishment of Guidelines for Selection of Property

- SCC will develop Guidelines for selection of property. Preliminary Draft Guidelines will be reviewed by the Board's Land Acquisition Task Force and will be presented for Board consideration at its meeting of June 22, 2005