

**State of Delaware  
Office of Auditor of Accounts**

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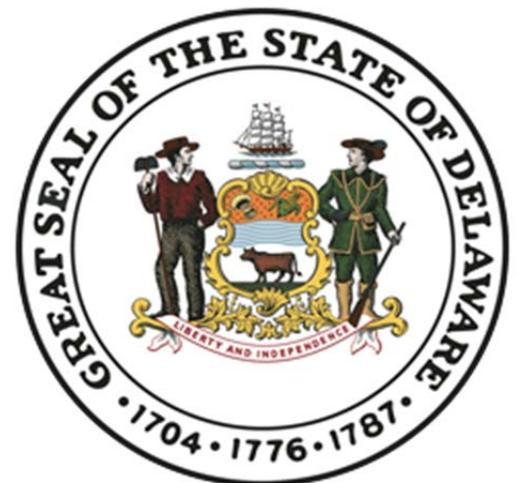
**Sussex Technical School District  
Land Acquisition and Construction  
Management Services**

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**Inspection**

**Issuance Date: June 8, 2017**

R. Thomas Wagner, Jr., CFE, CGFM, CICA  
Auditor of Accounts





State of Delaware  
Office of Auditor of Accounts  
R. Thomas Wagner, Jr., CFE, CGFM, CICA  
**At a Glance**

*Working Hard to Protect YOUR Tax Dollars*

**Why We Did This Inspection**

On July 1, 2014, the Office of Auditor of Accounts (AOA) received an anonymous complaint that Mr. Michael Horsey of Laurel, DE, purchased a piece of land and then sold it for a high price to Sussex Technical School District (Sussex Tech). Sussex Tech then awarded the Construction Manager (CM) contract for the High School Bus Entrance project to Common Sense Solutions, LLC (CSS), a business owned by Mr. Horsey. In addition, Sussex Tech paid CSS over \$400,000 in the first two quarters of Fiscal Year 2014, although no construction work was being performed at that time.

This inspection was performed in accordance with the Council of the Inspectors General on Integrity and Efficiency, *Quality Standards for Inspection and Evaluation*.

For further information on this release, please contact:

**R. Thomas Wagner, Jr.**  
CGFM, CICA, CFE  
(302) 739-5055

**What We Found**

AOA examined land transaction documents provided by Sussex Tech and Sussex County land records. Governmental Services, LLC, a business owned by Mr. Horsey, purchased the land parcel Sussex Tech needed for the High School Bus Entrance project for \$110,000 and sold it to Sussex Tech two weeks later for \$200,000. In addition, AOA obtained documentation proving that Mr. Horsey had prior knowledge of Sussex Tech's need for the land parcel. CSS, another business owned by Mr. Horsey, was subsequently awarded the CM contract for the High School Bus Entrance project for \$205,699.

During our review, Sussex Tech awarded CSS additional CM contracts for other construction projects by way of "piggybacking" from the existing High School Bus Entrance CM contract. AOA expanded the scope of this inspection to include review of these contracts and other payments to CSS. AOA reviewed \$3,873,431 in expenditures paid to CSS for the period July 1, 2011 through November 4, 2016.

AOA's review of payments to CSS identified an overall lack of support for invoices, numerous State of Delaware *Budget and Accounting Policy Manual* violations, avoidance of fair procurement processes, and conflicts of interest. In an effort to avoid oversight by the State, AOA identified 105 payment vouchers with a total dollar amount of \$929,682 that appeared to be split in order to stay below the thresholds requiring purchase orders, three letter bids, and competitive bidding.

In addition, the former Director of Facilities retired from Sussex Tech on July 1, 2015 and was subsequently employed by CSS as the project coordinator and liaison for Sussex Tech projects. These projects were the same contracts he awarded to CSS and managed when employed by Sussex Tech.

Throughout the course of this inspection, Sussex Tech lacked appropriate scrutiny of transactions and enforcement of fiscal policies and procedures. The School Board entrusted Sussex Tech administration to make decisions regarding the construction projects without the School Board's involvement which created a lack of accountability. These practices and violations are still occurring as of the release of this report, and CSS continues to gain additional contracts from Sussex Tech.

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Abbreviations

<b>ADA</b>	Americans with Disabilities Act
<b>AOA</b>	Auditor of Accounts
<b>BAM</b>	Budget and Accounting Manual
<b>CM</b>	Construction Management
<b>CN</b>	Certificate of Necessity
<b>CSS</b>	Common Sense Solutions
<b>DelDOT</b>	Delaware Department of Transportation
<b>DOA</b>	Division of Accounting
<b>DOE</b>	Department of Education
<b>FSF</b>	First State Financials
<b>GED</b>	General Educational Development tests
<b>GSS</b>	Government Support Services
<b>HVAC</b>	Heating, Ventilation, and Air Conditioning
<b>ITB</b>	Invitation to Bid
<b>OMB</b>	Office of Management and Budget
<b>PO</b>	Purchase Order
<b>RFI</b>	Request for Information
<b>RFP</b>	Request for Proposal
<b>RFQ</b>	Request for Quote

## Background

### Sussex Technical School District

Sussex Technical School District (Sussex Tech) sits on approximately 147.15 acres<sup>1</sup> located on Route 9 in Georgetown, Delaware. The District consists solely of Sussex Tech High School (HS) which is approximately 275,000 square feet<sup>2</sup> and served 1,491 high school students during the 2013-2014 school year, 1,545 students in the 2014-2015 school year, and 1,444 students in the 2015-2016 school year. Students select 1 of 6 career-technical majors that best aligns with their interests and future goals as their program of study. In addition to providing education services to high school students, Sussex Tech also serves adults preparing to pass the GED<sup>3</sup> test through the Sussex Tech Extended Learning/Adult Division.

In September 2010, the Department of Education (DOE) authorized a Certificate of Necessity (CN) to Sussex Tech for renovations totaling \$17,275,200 (60% state funds, 40% local funds). CN #1240 authorized funding for four renovation projects:

CN section	Description	State funds	Local funds	Total
A	Sussex Tech District Office	\$ 590,200	\$ 393,500	\$ 983,700
B	HS Industrial Shops Renovations	4,099,000	2,732,600	6,831,600
C	HS Bus Entrance	1,625,900	1,084,000	2,709,900
D	HS HVAC Systems	4,050,000	2,700,000	6,750,000
	<b>Total</b>	<b>\$ 10,365,100</b>	<b>\$ 6,910,100</b>	<b>\$ 17,275,200</b>

The HS Bus Entrance included "...bus entrance reconfiguration/construction; land acquisition; utility relocations; fencing; road construction and storm water management conveyances renovation/construction." The remaining projects included funding for the planning, construction, and equipping of renovations and/or replacement<sup>4</sup> of the District Office, HS Industrial Shops, and HS HVAC (Heating, Ventilation, and Air Conditioning) systems. These renovations included, but were not limited to: building structural and envelope repairs/renovations; roof repairs/replacement; insulation; building systems renovations/replacement; interior renovations; ADA (Americans with Disabilities Act) compliance; and storm water conveyances renovations/repairs.

### State of Delaware Guidelines

#### The Request for Proposal Process

Various monetary thresholds specified in the State of Delaware (the State) *Budget and Accounting Policy Manual* (BAM) trigger formal bidding procedures in the areas of Materiel and Non-Professional Services, Public Works, and Professional Services.<sup>5</sup> Construction Management (CM) services are considered Professional Services where a threshold of \$50,000 requires the formal Request for Proposal (RFP)

<sup>1</sup> Obtained from Sussex County Land Records and Sussex County Mapping website

<sup>2</sup> Obtained from Google Maps

<sup>3</sup> General Educational Development (GED) tests, when passed, certify that the test taker has high school level academic skills. (Source: [www.wikipedia.org](http://www.wikipedia.org))

<sup>4</sup> The CN was revised in October 2011 to include renovations *and/or selected replacements* for the Sussex Tech District Office and HS Industrial Shops Renovations projects. The funding amounts remained the same.

<sup>5</sup> BAM Section 5.3, v.5.5

process. Public Works contracts include construction, reconstruction, demolition, alteration and repair work and maintenance work paid for, in whole or in part, with public funds.<sup>6</sup> Construction projects with probable cost under \$50,000 are done through open market purchases. Projects with probable cost between \$50,000 and \$99,999 are required to obtain three letter bids, while projects with probable cost greater than \$100,000 are required to go through the competitive bidding process.

The Contracting Unit within Government Support Services (GSS) manages all statewide contracts for goods and services and administers agency contracts, as requested.<sup>7</sup> GSS uses their website, <http://bids.delaware.gov/>, to manage contracts and bid solicitations across the State. Vendors can access this website at any time to view current and closed solicitations; solicitations not awarded, awarded contracts, and archived contracts. As a matter of policy, GSS reviews all RFPs for appropriateness and sufficiency to Delaware Code requirements. After RFPs are submitted, the soliciting entity will then review all proposals according to the criteria set forth in the RFP and issue an award letter to the selected firm.

### **Payment Approval Process**

All accounting transactions require standard approvals for processing unless specifically stated otherwise in the BAM. Transaction approvals are processed and recorded electronically in the State's accounting system, First State Financials (FSF).<sup>8</sup> All transactions require the approval of the organization's internal accountant and business manager for proper processing in FSF.

Organization purchases over \$5,000 made using both General Fund and federal or local school district funds must use a purchase order (PO) to satisfy General Fund purchase requirements.<sup>9</sup> All POs require Division of Accounting (DOA) review and approval in addition to any organization level approvals. Transaction amounts exceeding \$10,000 require approval from the Office of Management and Budget (OMB) in addition to DOA and any organization level review and approvals.

Per Sussex Tech policy, the Director of Facilities and Operations initiates and approves POs and payments for construction projects. The Financial Accountant then processes the transactions, which are approved by the Business Manager as standard practice.

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<sup>6</sup> 29 Del. C. §6902 (22)

<sup>7</sup> <http://mymarketplace.delaware.gov/>

<sup>8</sup> BAM Section 6.2, v.3.16

<sup>9</sup> BAM Section 7.2.1, v.4.24

## ***Objectives, Scope, and Methodology***

### **Allegation**

The Office of Auditor of Accounts (AOA) received an anonymous complaint reporting that Michael Horsey of Laurel, DE, purchased a piece of land and then sold it for a much higher price to Sussex Tech. Sussex Tech then awarded the CM contract for the HS Bus Entrance project to Common Sense Solutions, LLC (CSS), a business owned by Mr. Horsey. In addition, it was alleged that Sussex Tech paid CSS over \$400,000 in the first two quarters of Fiscal Year ended June 30, 2014, although no construction work was being performed at that time.

### **Objectives**

The objectives of the inspection were to investigate and substantiate the allegation and to determine if Sussex Tech properly followed State procurement laws in the following instances:

- In its acquisition of land needed for the HS Bus Entrance construction project, and
- In its selection of a CM for the HS Bus Entrance construction project.

After our engagement started, we discovered that Sussex Tech extended the HS Bus Entrance CM contract with CSS to two additional construction projects. Therefore, AOA also determined if Sussex Tech properly followed State procurement laws in its retention of the same CM for other projects.

### **Scope**

The scope of the inspection included activity associated with land acquisition and construction activity during the period July 1, 2011 through November 4, 2016.

### **Methodology**

The methodology for this inspection included, but was not limited to:

- Obtaining written policies and procedures for procurement from Sussex Tech and evaluating them against relevant criteria.
- Obtaining background checks of the parties involved and evaluating them against each other to determine the existence of related parties.
- Evaluating correspondence between the parties that would indicate sharing insider information.
- Interviewing persons connected to or responsible for transactions identified in our scope as needed.
- Reviewing documentation regarding the land purchased for the HS Bus Entrance project.
- Reviewing documentation relating to the HS Bus Entrance project from the Delaware Department of Transportation (DelDOT).
- Reviewing the bid process and CM contract for the HS Bus Entrance project (CN #1240C).
- Reviewing prior year construction examination reports.

We expanded the above methodology to address the additional objective and to further examine areas discovered through data analysis. The expanded methodology included:

- Reviewing bid process and CM contracts for additional CN #1240 projects.
- Reviewing CM contract payments and their documentation supporting transactions between Sussex Tech and CSS.
- Reviewing all other payments and other documentation supporting transactions between Sussex Tech and CSS.
- Further scrutinizing CM contract terms and deliverables cited in CN #1240 projects.
- Reviewing any additional POs related to projects being managed by CSS.

## Procedures and Results

The BAM states:

*In addition to using State funds lawfully and in compliance with their intended use, the State is committed to a culture of personal integrity and ethics for all employees. Employees are expected to exercise diligence, objectivity, and honesty in their professional activities and avoid situations that constitute, or appear to constitute, a conflict of interest. Employees must execute good judgment and common sense to avoid negligent, fraudulent, inappropriate, or unlawful expenditures.<sup>10</sup>*

### Land Acquisition

AOA compiled the following timeline of events related to the land acquired by Sussex Tech:

- A planning meeting for the HS Bus Entrance project was held with DeIDOT and Sussex Tech on **December 7, 2011**. Mr. Michael Horsey, representing Superior Lawn & Landscaping, a company affiliated with David G. Horsey & Sons, his father's business, was also in attendance. According to the meeting minutes, it was evident Mr. Horsey was intimately involved in the project at this time and was aware of Sussex Tech's need to purchase the parcel of land for the entrance.
- According to public land records obtained from Sussex County, Governmental Services, LLC acquired the land parcel needed for the bus entrance project (Parcel 2.31 19.00 14.01)<sup>11</sup> on **April 30, 2012** from Kruger Farms, Inc. for the amount of \$110,000. At the time of formation in October 2010, Governmental Services, LLC was owned by Mr. Horsey and his spouse, Mrs. Kathleen Horsey.
- Two weeks later, on **May 14, 2012**, the Sussex Tech Board of Education approved the purchase of the same parcel from Governmental Services, LLC for the sum of \$200,000, which represented a \$90,000 or 82% increase in value over the two week period.
- The official transfer of the property occurred on **July 9, 2012**. The transaction documents indicated Mrs. Horsey was the sole member of Governmental Services, LLC.
- On this same date, **July 9, 2012**, the Facilities and Operations report to Sussex Tech's Board of Education included a request to award the project manager contract for the HS Bus Entrance project to Mr. Horsey of CSS, prior to any RFP being issued for this service. This request was tabled until the August meeting. The August meeting minutes stated a CM will be contracted to oversee the project.
- After an RFP was issued on **October 24, 2012**, the CM contract for the HS Bus Entrance project was approved and awarded to CSS at the **November 19, 2012** Sussex Tech Board of Education meeting with a CM fee of \$205,699.

Title 29 of the Delaware Code (Del. C.) §9505 sets forth real property acquisition policies for State agencies. Excerpts are as follows:

The agency shall comply with the following policies:

1. Every reasonable effort shall be made to acquire expeditiously real property by negotiation.

<sup>10</sup> BAM Section 1.4, v.2.9

<sup>11</sup> Obtained from Sussex County land records

2. Real property shall be appraised before the initiation of negotiations...The agency shall provide the owner with a copy of the agency's approved appraisal prior to initiation of negotiations for acquisition of the property.
3. Before the initiation of negotiations for real property, an amount shall be established which it is reasonably believed is "just compensation" therefor, and such amount shall be offered for the property. In no event shall such amount be less than the approved appraisal of the fair market value of real property.

In addition to the timeline presented above, AOA noted the following items were not in compliance with 29 Del. C. §9505:

- Sussex Tech did not have an appraisal performed on the property.
- There was no evidence of price negotiations. Governmental Services, LLC set the price instead of Sussex Tech establishing an amount as "just compensation" and making the initial offer based on the appraisal.

### *RFP: CM Services for the HS Bus Entrance Project*

Procurement requirements for professional services expected to exceed \$50,000 are set forth in 29 Del. C. §6981. Each agency is to publicly announce, not less than once a week for two consecutive weeks in a newspaper published or circulated in each county of the State and by electronic publication accessible to the public<sup>12</sup> when professional services are required. The public announcements are to include, among other items, the project identification and a general description and scope of the project.

The RFP for CM services for the HS Bus Entrance project was posted to the bids.delaware.gov website on October 24, 2012.<sup>13</sup> An excerpt of the first three pages of the RFP can be found in Appendix A.

Although OMB reviewed and approved the RFP document, it did not include a detailed description of the construction project for which Sussex Tech was seeking CM services. AOA performed a word search on the entire RFP for "bus" and "entrance" with no results. Additionally, despite at least two requests submitted by potential proposers for clarification and description of the specific project during the open RFP process, the response from Sussex Tech included in the Q & A (Question & Answer) Addendum was "Answered in RFP" when, in fact, no description existed. The omission of a detailed project description from the public documents limited the vendors from submitting accurate proposals and did not allow for fair competition.

In addition, section 5.6.3 (4) of the BAM states all pertinent documents related to the bid process must be retained so that they are available for audit or review at all times. According to score sheets, Sussex Tech received five proposals in response to the HS Bus Entrance CM RFP, however they did not retain the proposals or support for the negotiation of compensation to the awarded vendor. Therefore, AOA could not evaluate the content of the proposals or the determining factors of the agreed-upon compensation.

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<sup>12</sup> GSS's website, <http://bids.delaware.gov/>, satisfies this requirement.

<sup>13</sup> The RFP is available to the public at [http://contracts.delaware.gov/contract\\_archive\\_detail.asp?i=1546](http://contracts.delaware.gov/contract_archive_detail.asp?i=1546).

*Lack of RFPs: Additional Projects Piggybacked from the  
HS Bus Entrance RFP*

In October 2013, one year after awarding the HS Bus Entrance CM contract to CSS, Sussex Tech obtained an opinion from its legal counsel stating that it could retain CSS as the CM for the HS HVAC Systems and HS Industrial Shops Renovations projects without going through the RFP process by way of “piggybacking” from the existing CM contract for the HS Bus Entrance project. 29 Del. C. §6981 (b) (1) and (2) describe exceptions where public advertising is not required:

- (1) In case of critical needs so certified pursuant to §6907 of this title; or
- (2) Where professional services are determined by the agency to be necessary during the course of completion of a previously awarded contract and:
  - a. The agency determines that it would be in the best interest of the State to procure such additional or supplemental professional services from a firm already under contract for which the supplemental and additional professional services are required; and
  - b. Such additional or supplemental professional services are within the scope of the contract.

The attorney’s opinion letter included a document titled “Request for Proposal Construction Management Services” (see Appendix B) appearing to serve as public notice for the HS Bus Entrance CM RFP. However, this document was not included in the RFP package on bids.delaware.gov and was not proven to have been publicly distributed. The attorney relied on specific statements in this document presented as part of the RFP package to formulate his opinion as to whether Sussex Tech could retain CSS as the CM for additional projects. The attorney’s letter stated, “Because the RFP reserves the right to roll-over the contract to include additional projects, the additional projects at issue here are within the scope of the contract.”

Sussex Tech subsequently amended the CM contract to add the HS HVAC Systems and HS Industrial Shops Renovations projects at an estimated CM fee of \$828,123 each. In addition, these new contracts included a statement that reimbursable items would be changed to allow a 10% mark-up over the cost.

The attorney’s letter was based upon a document that was not posted to the GSS website (bids.delaware.gov) and not provided as public notice. Accordingly, the premise that “the RFP reserves the right to roll-over the contract to include additional projects” was not included in the RFP of record and should not have been relied upon to allow for the piggybacking of additional projects and corresponding contracts.

Furthermore, each year AOA contracts with an outside, independent firm to perform an examination of each school district’s construction projects in accordance with 29 Del. C. c. 69. The *Fiscal Year 2016 Statewide School District Construction Examination* for Sussex Tech,<sup>14</sup> issued on December 14, 2016, included Finding 2016-2 which stated Sussex Tech incurred charges from CSS for professional services that were not bid in accordance with the provisions of the Delaware Code, the School Construction Manual (SCM), and the BAM. The finding further stated that although the addition to the CM contract for the HS HVAC Systems and HS Industrial Shops Renovations projects is in compliance with the terms

<sup>14</sup> The *Fiscal Year 2016 Statewide School District Construction Examination* for Sussex Tech is available at <http://auditor.delaware.gov/wp-content/uploads/sites/40/2017/01/Sussex-Tech-School-Construction-Final-Report-FY15.pdf>.

of the RFP, the RFP itself is not in compliance with State procurement law. The public notice document referred to above presented as part of the RFP included the following statements:

*The Board reserves the right to retain new/other CM services for projects beyond the scope of the bus entrance modification project without explanation or justification...The District reserves the right to “rollover” the contract with the successful construction manager to include additional projects, and to renegotiate terms, fees, and conditions as a part of that “rollover.”*

These statements made by Sussex Tech are not in compliance with the exceptions described in 29 Del. C. §6981 (b) (1) and (2).

Despite having knowledge of this finding, Sussex Tech still awarded CSS another CM contract for a fourth construction project, the District Office Renovations project (CN #1240 A), on December 2, 2016, by again piggybacking from the HS Bus Entrance CM contract. The current amount of the District Office Renovations CM contract is \$79,500 plus reimbursable items at cost plus 10%.

**Analysis and Review of Expenditures**

To address the portion of the allegation stating Sussex Tech paid CSS over \$400,000 in the first two quarters of Fiscal Year 2014 despite no construction work being performed, AOA pulled all transactions paid to CSS by Sussex Tech for the period July 1, 2013 through December 31, 2013. The amounts totaled \$409,913. AOA examined various documents and correspondence indicating construction work was performed during this time. Although not all of the transactions were related to the HS Bus Entrance project, documentation included notification of substantial completion of this project dated November 7, 2013.

As noted in the Methodology, AOA expanded the scope of its procedures to review the actual expenditures paid to CSS for not only the expenditures related to the above CM agreements, but also for any other expenditures paid to CSS. Table 2 below represents all expenditures paid to CSS by Sussex Tech from July 1, 2011 through November 4, 2016 by project or appropriation. These amounts were the subject matter of the following analysis and review of expenditures.

<b>Table 2: Payments to CSS from July 1, 2011 through November 4, 2016</b>	
<b>Appropriation</b>	<b>Total</b>
HS Bus Entrance	\$ 277,638
HS HVAC Systems	890,478
HS Industrial Shops Renovations	1,972,776
District Office Renovations	8,912
HS Renovations	58,497
Minor Capital Improvements	145,200
Local Funds	392,134
Unrestricted Reserve	104,894
Other	22,903
<b>Total</b>	<b>\$ 3,873,432</b>

While CSS was initially hired to perform contract management services for the District that totaled \$1,806,703 in CM fees, CSS was still paid another \$2,066,728 for additional construction related

services. Many of these expenditures were incurred without proper review and approvals in accordance with the State-mandated thresholds and lacked adequate supporting documentation.

**State Mandated Thresholds**

**Purchases and Expenditures**

BAM Section 7.5, v.4.28, explicitly states, “A PO is required for purchases exceeding \$5,000 (individually or in aggregate)...All proposed purchases over \$5,000 require DOA review and approval in addition to any Organization level approvals.” Transactions exceeding \$10,000 also require OMB’s approval.<sup>15</sup> Furthermore, Section 7.3 (1) v.4.28 states, “A purchase must not be split into multiple transactions under \$5,000 to circumvent the State Procurement Code.”

**Public Works Contracts**

Public works contracts as defined by 29 Del. C. §6902 (22) are “...construction, reconstruction, demolition, alteration and repair work and maintenance work paid for, in whole or in part, with public funds.” The amounts for public works thresholds (on a contract by contract basis) are based on “probable cost”<sup>16</sup> and are as follows:

<b>Table 3: Public Works Thresholds<sup>17</sup></b>	
<b>Threshold</b>	<b>Requirement</b>
Less than \$50,000	Open Market Purchase
\$50,000 - \$99,999	Three Letter Bids
\$100,000 and over	Competitive Bidding

Title 29 Del. C. §6903 (a) prohibits fragmenting or dividing contracts to avoid compliance with State procurement laws. It states, “Any person, who, with intent to avoid compliance with this chapter, willfully fragments or subdivides any contract for the purchase of materiel, nonprofessional services, public works or professional services, shall be subject to the penalties listed in this section.” Penalties include fines and or imprisonment as determined by the Superior Court for the State.<sup>18</sup>

**Benford’s Law**

Benford’s Law asserts that in many naturally occurring collections of numbers, smaller digits, such as 1 or 2, appear more often as leading digits rather than larger digits, such as 8 or 9. According to this law, sets of data should be distributed in a predictable manner, and when it is not, those are typically areas that auditors would want to examine further. Auditors have used this law as an effective aid in analyzing data sets for any irregularities that may be indicative of fraud, duplicate payments, circumvention of controls, or other accounting inefficiencies.

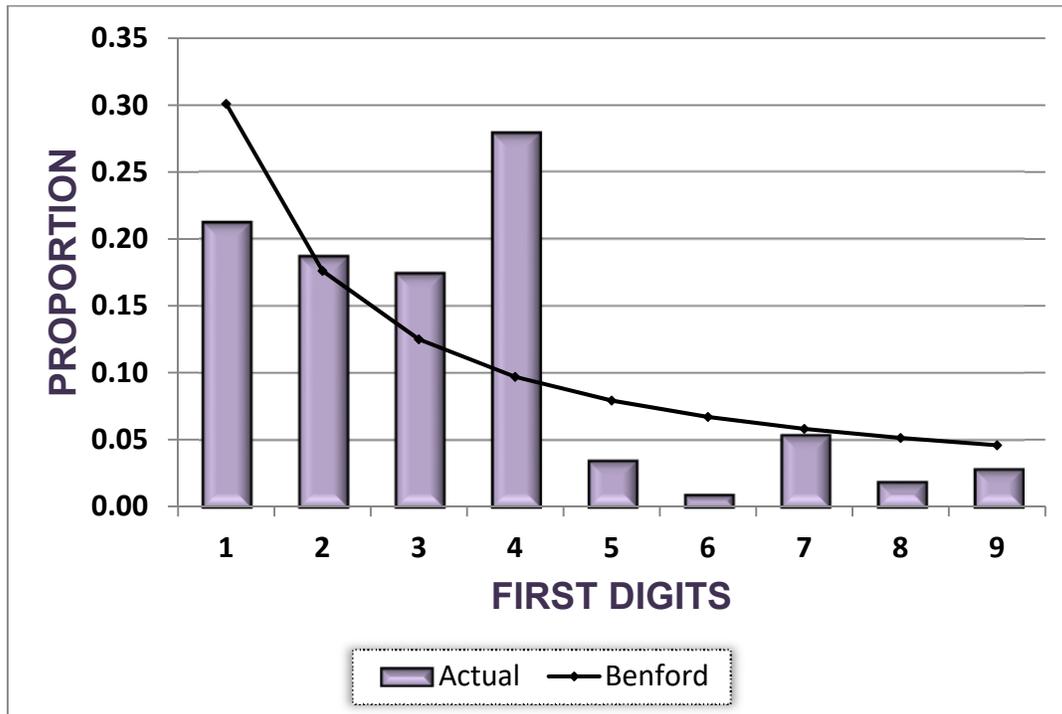
AOA used Benford’s Law analysis as an aid in determining if there were invoice amounts from CSS that occurred more frequently than others that may be indicative of invoice splitting to avoid purchasing thresholds requiring additional approvals. AOA analyzed the CSS transactions based on the first digit of the invoice amounts. Figure 1 illustrates how often each number should occur versus how often the

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<sup>15</sup> BAM Section 6.5, v.3.16  
<sup>16</sup> 29 Del. C. §6961 and §6962  
<sup>17</sup> BAM Section 5.5, v.5.5  
<sup>18</sup> 29 Del. C. §6903 (f)

numbers actually occurred in the CSS invoices. The first digit ‘4’ is predicted by Benford’s Law to occur 9.7% of the time; however, in the CSS vouchers, the first digit ‘4’ occurred 27.9% of the time. There are very few invoices with a first digit of ‘5’ and higher. Because any transaction \$5,000 and above requires a PO with review and approval from DOA in addition to organization level controls at the District, our analysis indicates CSS submitted their invoices in amounts that would avoid the PO threshold.

Figure 1: First Digit Distribution in CSS Invoice Data



**Circumventing the \$5,000 and \$10,000 threshold**

After reviewing a sample of invoices, it quickly became evident that CSS issued invoices to Sussex Tech just under the \$5,000 threshold to circumvent Section 5.5 of the BAM requiring approved POs from DOA. The circumvention of the \$5,000 threshold, in turn, circumvented additional higher State thresholds. Sussex Tech not only accepted and approved the payment of these numerous invoices, but encouraged the practice. AOA discovered emails from the former Director of Facilities and Operations to several vendors instructing them to split their invoices into amounts less than \$5,000.

CSS split the invoices in various ways and examples are included in Appendix C:

- CSS shifted the 10% reimbursable mark-up that would have put the invoice over the \$5,000 threshold to a subsequent invoice that totaled less than the \$5,000 threshold.
- CSS billed for the same work over different invoices. As an example shown in Table 4 below, the nine invoices being billed are for the exact same purpose.
- CSS billed on a daily basis, or even five times a day for the same type of work. As an example shown in Table 6 below, 31 invoices described for the same purpose were frequently billed multiple times per day.
- Many invoices CSS presented for payment lacked supporting documentation and should have included an invoice from another vendor, identification of personnel, and calculation of time and equipment charges to support the amount being billed.

**Table 4: Example of split invoices by CSS to avoid PO requirements and circumventing DOA and OMB approvals**

Description on Invoice		Date	Amount
1	Selective demo and set for construction office	6/1/2014	\$ 4,872.06
2	Selective demo and set for construction office	6/5/2014	4,352.87
3	Selective demo and set for construction office	6/9/2014	4,982.08
4	Selective demo and set for construction office	6/30/2014	4,536.47
5	Selective demo and set for construction office	7/7/2014	4,232.56
6	Selective demo and set for construction office	7/25/2014	4,539.38
7	Selective demo and set for construction office	11/21/2014	4,061.45
8	Selective demo and set for construction office	1/30/2015	4,850.92
9	Selective demo and set for construction office	3/27/2015	3,272.00
		<b>Total</b>	<b>\$ 39,699.79</b>

Based on the circumvention of the \$5,000 and \$10,000 thresholds, we noted the following public works expenditures that, based on their consistent description and total cost approaching or exceeding the thresholds, may have circumvented the \$50,000 and \$100,000 thresholds requiring competitive bidding.

**Circumventing the \$50,000 threshold**

**Table 5: Examples of invoices and split payments to undercut \$50,000 threshold requiring 3 letter bids**

Description on Invoice		Date	Amount
1	Paving of wing parking lot	4/16/2012	\$ 47,948.61
2	Build 3 offices, Joe’s Office, Additions: steps, door, paint, water, sewer	5/30/2012	\$ 49,872.08
3	400 Wing Industrial Shop Area Drainage	8/1/2014	\$ 49,148.61
4	Auto tech shop renovations - demolition	6/22/2015	\$ 42,759.82
	Auto tech shop - Demolition labor and equipment	9/1/2015	4,227.31
	Auto tech shop - Demolition labor and equipment	9/23/2015	3,068.88
	Auto tech shop - Demolition labor and equipment	11/19/2015	2,151.59
	Auto tech shop - Demolition labor and equipment	1/21/2016	791.25
	Auto tech shop - Demolition labor and equipment	1/25/2016	4,459.50
	Auto tech shop - Demolition labor and equipment	1/13/2016	4,811.04
		<b>Total:</b>	<b>\$ 62,269.39</b>
5	Prepared and assisted with Certificate of Necessity submission - formats, preparation, analysis, and review	10/31/2016	\$ 49,546.00

## Circumventing the \$100,000 threshold

Table 6: Example #1 of split payments to undercut \$100,000 threshold requiring competitive bidding			
Invoice Description		Invoice Date	Amount
1	Auto collision shop - demolition of ceilings	3/4/2016	\$ 3,236.75
2	Auto collision shop - demolition of ceilings	3/7/2016	3,973.75
3	Auto collision shop - demolition of ceilings	3/8/2016	3,233.35
4	Auto collision shop - demolition of walls	3/10/2016	2,798.68
5	Auto collision shop - demolition of walls	3/11/2016	4,297.19
6	Auto collision shop - demolition of floor	3/14/2016	4,005.07
7	Auto collision shop - demolition of walls	3/14/2016	4,957.19
8	Auto collision shop - demolition of metal	3/16/2016	3,834.27
9	Auto collision shop - demolition of floor	3/16/2016	1,922.25
10	Auto collision shop - demolition of walls	3/16/2016	4,748.19
11	Auto collision shop - demolition of metal	3/17/2016	4,087.33
12	Auto collision shop - demolition of walls	3/17/2016	4,565.98
13	Auto collision shop - demolition of walls	3/18/2016	4,748.19
14	Auto collision shop - demolition of metal panels	3/31/2016	4,995.10
15	Auto collision shop - demolition of metal panels	4/4/2016	4,788.04
16	Auto collision shop - demolition of metal panels	4/6/2016	4,857.07
17	Auto collision shop - demolition of concrete	4/6/2016	4,899.55
18	Auto collision shop - demolition of pipe	4/7/2016	4,963.58
19	Auto collision shop - demolition of steel and overhead door	4/8/2016	4,182.75
20	Auto collision shop - demolition of pipe	4/8/2016	4,942.04
21	Demolition of concrete curb - auto collision shop	5/17/2016	2,755.50
22	Demolition of concrete curb - auto collision shop	5/18/2016	2,347.88
23	Demolition of lift cylinder - auto collision shop	5/19/2016	1,793.00
24	Demolition of exhaust covers - auto collision shop	5/19/2016	3,290.85
25	Auto collision shop - demolition of pipe and metal panels	5/19/2016	4,904.32
26	Auto collision shop - demolition of pipe, metal panels, heaters, and concrete	5/19/2016	4,607.50
27	Auto collision shop - demolition of pipe in boiler room	5/20/2016	4,711.03
28	Auto collision shop - Demolition of concert pipe at overhead doors	5/20/2016	4,037.07
29	Auto collision shop - demolition of metal panels east and north elevations	5/20/2016	3,679.28
30	Auto collision shop - demolition of metal panels east and north elevations	5/20/2016	3,077.48
31	Auto collision shop - demolition of metal panels west and south elevations	5/20/2016	4,114.65
		<b>Total</b>	<b>\$ 123,354.88</b>

**Table 7: Example #2 of split payments to undercut \$100,000 threshold requiring competitive bidding**

Invoice Description		Invoice Date	Amount
1	Demolition work in rooms 410 and 416 for Hospitality Management proposal	4/18/2016	\$ 46,785.00
2	Demolition of Room 410 - demo lights, frames, walls, vents, overhead door, and restroom fixtures for hospitality renovation	7/18/2016	34,977.38
3	Removal of lab equipment, cabinetry, plumbing, HVAC, ceilings and fixtures - preparation for hospitality renovation.	7/26/2016	42,001.29
4	Preparation, excavation, and delivery of existing concrete blocks to assist mason with concrete block work for hospitality renovation project.	7/28/2016	10,822.31
5	Demo work of exterior walls, trim masonry, and prep to accept new metal studs on interior walls, removal of debris for hospitality renovation project	8/3/2016	23,469.92
6	Installation of utilities, security technology, and preparation for flooring installation for hospitality renovation project.	8/5/2016	35,671.80
7	Plumbing and HVAC work for Hospitality Renovation Project	8/15/2016	16,223.39
		<b>Total</b>	<b>\$ 209,951.09</b>

**Emergency Procedures and Critical Need**

According to 29 Del. C. §6907(a), “An agency head may waive any or all provisions of this chapter to meet the critical needs of the agency as required by emergencies or other conditions where it is determined to be in the best interest of the agency...An emergency condition creates an immediate and serious need for materiel and/or nonprofessional services that cannot be met through normal procurement methods for the protection of public health, safety, or property.”

Sussex Tech solicited quotes in April 2013 for two 24’ x 68’ modular classroom buildings. However, a letter from Sussex Tech’s Superintendent dated June 11, 2013 stated timing and increased enrollment resulted in a critical need. The letter stated enrollment counts increased in May, resulting in changes to the structures’ specifications to 36’ x 68’ and only CSS could guarantee the new classrooms would be completed by the first week of August. The normal procurement process was therefore waived and the project was awarded to CSS.

There was no documentation to show that Sussex Tech attempted to obtain any updated quotes or inquired on the timing of delivery from the vendors. The only support provided to AOA was a document dated April 2013 listing each company’s cost per square foot for the modular classrooms. Sussex Tech did not provide written quotes from each individual vendor, including the building specifications, nor information regarding the timing of delivery of the buildings. The total cost of the two modular

buildings, paid to CSS, was \$273,757. Since the cost is well over the \$100,000 threshold, Sussex Tech would have needed to issue an RFP for these buildings.

### *CM Contract Analysis*

Based on the circumvention noted above, AOA decided it was necessary to perform a more thorough review of the executed CM contracts. As part of that analysis, AOA reviewed the following:

1. How Sussex Tech's CM contracts compares to other CM contracts with other State school districts or agencies.
2. Whether the terms of Sussex Tech's CM contract with CSS was being completely fulfilled.
3. Whether reimbursable costs marked-up represented allowable reimbursable costs.
4. Whether Sussex Tech's School Board was provided with the necessary information to properly oversee the various projects and the CM's responsibilities.

### **Contract Comparison**

AOA obtained seven CM contracts awarded by other State agencies to compare costs with CSS contracts. The estimated total CM cost includes two components: costs for on-site supervision and a CM rate percentage applied to the total project cost. The average estimated total CM cost as a percentage of the total project cost for the seven contracts was 11%. Although CSS charged Sussex Tech a total CM cost of 11% for the HS Bus Entrance project, the percentage increased to 16% for the HS HVAC Systems project, and 16% for the HS Industrial Shops Renovations project.<sup>19</sup>

The CM rate percentage charged in the seven contracts ranged from 1.33% to 4.0%. CSS charged 8% on all three Sussex Tech contracts. CSS also charged 10% over cost for reimbursable items for both the HS HVAC Systems project and HS Industrial Shops Renovation project. Six out of the seven contracts in the comparison did not charge above cost for reimbursable items and the remaining contract charged cost plus 5%.

### **Contract Fulfillment**

Article 3 of the CM contract with CSS describes the numerous responsibilities of the contract manager which includes coordination and scheduling, review of quality of work, cost estimating, and allocation of construction activities among multiple contractors. AOA requested documentation for the HS Bus Entrance, HS HVAC Systems, and HS Industrial Shops Renovations projects to ascertain if CSS was fulfilling its responsibilities in accordance with those contract provisions. While the contract contains numerous responsibilities, AOA only requested documentation to support some of the more basic responsibilities. Table 8 below indicates where the documentation was sufficient or not sufficient to support the responsibility was met.

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<sup>19</sup> For the HVAC Systems and Industrial Shops Renovations projects, the initial cost of \$828,123 each was used for this analysis. These amounts do not account for subsequent Change Orders authorizing additional costs.

**Table 8: Contract Fulfillment**

<b>Deliverable</b>	<b>HS Bus Entrance</b>	<b>HS HVAC Systems</b>	<b>HS Industrial Shops</b>
The construction management plan	No	Yes	Yes
Preliminary estimates of the cost of work and related updates	Yes	Yes	Yes
Recommendations for the division of the project into individual contracts for the construction of various categories of work, including the method to be used for selecting contractors and awarding contracts	No	No	No
Actual versus budgeted costs	Yes	No	No
Construction change directives and change orders	No	No	No

CSS did not maintain any documentation outlining actual versus budgeted costs for the HS HVAC or HS Industrial Shops projects. Sussex Tech personnel tracked only the actual costs incurred for the projects, but did not have any comparisons to budgeted or future cost estimates that should have been provided by the Construction Manager according to the CM contract. There was also no documentation by CSS making recommendations for the division of the project into individual contracts, nor any documentation of construction change directives or change orders.

**Reimbursable Items**

In addition to monthly CM fees, CM contracts allow for the reimbursement of certain expenditures. According to CSS’s CM contract, reimbursable items are of an administrative nature and include transportation expenses, long distance services, printing services, postage, overtime, professional photography, site office expenses, etc. The original HS Bus Entrance CM contract stated that reimbursable expenses would be charged at cost with no mark-up. The subsequent addendums adding the HS HVAC Systems and HS Industrial Shops Renovations projects allowed a 10% mark-up on reimbursable items. For these three projects as of November 4, 2016, Sussex Tech paid CSS \$1,806,703 for CM fees and \$1,334,189 for additional charges. Through our review of the additional charges, many of the invoices that CSS marked-up by 10% did not meet the definition of a reimbursable cost in accordance with the contract and included construction work assigned to itself. Other charges lacked supporting documentation such that AOA could not determine if the cost was marked-up. See Table 9 below for detail by project.

Table 9: Reimbursable Expense Detail							
Project	CM Fees	Additional Charges	# of Invoices Additional Charges	Amount Incorrectly Charged as a Reimbursable	# of Invoices Incorrectly Charged as a Reimbursable	Amount of Invoices lacking support	# of Invoices lacking support
HS Bus Entrance	\$ 205,699.39	\$ 71,938.86	6	\$ -	-	\$ -	-
HS HVAC Systems*	800,501.80	89,975.97	23	7,458.00	3	28,215.28	7
HS Industrial Shops*	800,501.80	1,172,273.81	176	255,144.47	68	104,970.79	34
Total	\$1,806,702.99	\$1,334,188.64	205	\$ 262,602.47	71	\$133,186.07	41

\*Denotes this project was not complete as of November 4, 2016.

**School Board Oversight and Construction Related Examinations**

In the *Fiscal Year 2016 Statewide School District Construction Examination* mentioned on Page 6 of this report, Finding 2016-1 described two transactions to CSS totaling \$68,352 that were specifically not approved by the Board in the August 2015 meeting. At the September 2015 meeting, the Board approved a change to District policy delegating their approval for purchase and change orders to the Superintendent and the Supervisor of Transportation and Operations and/or Administration. There were no change orders or POs presented to the Board after September 2015, and the CSS POs from August were never approved by the Board. Following this policy change, the auditors identified 23 change orders totaling \$182,968 that were not approved by the Board through June 30, 2016.

Due to this change in policy, the Board was no longer involved in the payment authorization process and would have no knowledge if the POs or change orders were within the approved budgets for the projects they had previously authorized. From September 1, 2015 through November 4, 2016, Sussex Tech paid CSS \$1,546,529 without the Board’s oversight.

*Conflicts of Interest*

The State Employees’, Officers’ and Officials’ Code of Conduct<sup>20</sup> was established to promote high standards of ethical conduct in State government. Specifically, 29 Del. C. §5805 (d) states “Post-employment restrictions — No person who has served as a state employee, state officer or honorary state official shall represent or otherwise assist any private enterprise on any matter involving the State, for a period of 2 years after termination of employment or appointed status with the State, if the person gave an opinion, conducted an investigation or otherwise was directly and materially responsible for such matter in the course of official duties as a state employee, officer or official. Nor shall any former state employee, state officer or honorary state official disclose confidential information gained by reason of public position nor shall the person otherwise use such information for personal gain or benefit.” Violation of this provision is considered a misdemeanor punishable by imprisonment and a fine.

The former Director of Facilities and Operations (the Director) retired from Sussex Tech on July 1, 2015. He then began employment with CSS<sup>21</sup> as the Project Coordinator and the liaison between CSS and Sussex Tech for the same projects he managed when employed by Sussex Tech.

<sup>20</sup> 29 Delaware Code, Ch. 58, subchapter I

<sup>21</sup> Official start date of employment with CSS is unknown; however, the two year period has not lapsed as of the date of this report.

While employed with Sussex Tech, the Director was responsible for several construction projects and contracts including the CM contract and subsequent amendments that were awarded to CSS. The former Director encouraged the splitting of vendor invoices, initially attempted to select CSS as the CM for the HS Bus Entrance project before an RFP process was completed, subsequently posted a non-descriptive RFP, and later was a member of the three person evaluation committee who selected CSS as the CM for the HS Bus Entrance project. The HS Bus Entrance CM contract was rolled forward onto several additional construction projects through the “piggy-back” provision in 29 Del. C. §6981 (b), avoiding the public bidding process.

### ***Conclusion***

CSS turned their original HS Bus Entrance CM contract of \$205,699 into nearly \$4,000,000 in payments by piggybacking the HS HVAC Systems, HS Instructional Shops, and District Office Renovations projects onto the original CM contract with Sussex Tech as well as providing other services to the District that were not subject to any contract or required State approvals. As of May 1, 2017, the HS HVAC Systems, HS Industrial Shops Renovations, and District Office Renovations projects are still ongoing and incurring additional charges and fees from CSS.

Through various interviews with employees at Sussex Tech, it has been stated that each time someone began questioning the payments made to CSS, they were pushed out of the decision-making and payment approval processes. CSS invoices are currently addressed to and approved by the Assistant Superintendent instead of the current Director of Facilities and Operations.

In August 2016, Sussex Tech’s School Board met to request a CN authorizing construction of new school facilities stating their “...facility is in dire shape and we fear for the health, life, & safety of all that we serve and those who serve them.”<sup>22</sup> In October 2016, the DOE denied the CN request and, in November 2016, Sussex Tech stated they would send a rebuttal of the denial to DOE. Due to the school’s blatant disregard for the State’s procurement requirements and thresholds, it is possible Sussex Tech will continue the current CM relationship without following proper procurement procedures if and when a CN to build a new school is approved by DOE. Documentation obtained from DOE shows that Mr. Horsey has already been heavily involved in the CN request process for a new school.

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<sup>22</sup> Obtained from the August 31, 2016 Sussex Technical School District Board Meeting minutes.

***Appendix A***

Excerpt of the first three pages of the RFP posted to bids.delaware.gov website referred to on page 5.

**REQUEST FOR PROPOSALS FOR PROFESSIONAL SERVICES**

**TO PROVIDE Modified Construction Management Services**

**ISSUED BY - Sussex Technical School District**

**CONTRACT NUMBER - CN1240C**

**I. Overview**

The State of Delaware, Sussex Technical School District seeks Modified Construction Management services. This request for proposals ("RFP") is issued pursuant to 29 *Del. C.* §§ 6981 and 6982.

The proposed schedule of events subject to the RFP is outlined below:

Public Notice	Date: 10/24/2012
Deadline for Receipt of Proposals	Date: 11/07/ 2012
Notification of Award	Date: 11/19/2012

Each proposal must be accompanied by a transmittal letter which briefly summarizes the proposing firm's interest in providing the required professional services. The transmittal letter must also clearly state and justify any exceptions to the requirements of the RFP which the applicant may have taken in presenting the proposal. (Applicant exceptions must also be recorded on Attachment 3). Furthermore, the transmittal letter must attest to the fact that no activity related to this proposal contract will take place outside of the United States. The Sussex Technical School District reserves the right to deny any and all exceptions taken to the RFP requirements.

II. **Scope of Services**

The CM firm selected shall provide the district with the following:

1. Basic services during the pre-construction phase include but are not limited to: review of design(s); making relevant recommendations in the best interest of the district; value engineering; presentation of a detailed estimate of construction cost; development of a construction schedule; assistance in preparation of bid packages; conducting pre-bid meetings and general assistance in the administration of construction contract(s); and, interfacing with the engineer, as necessary.

2. Basic services during the construction include but are not limited to:

Cooperation with engineer, coordination of the contractors with the various phases of the project; conducting pre-construction and progress meetings; receiving and reviewing shop drawings and related submittal before forwarding to the engineer; assuring compliance with contract drawings and specifications; maintaining current cost data and reporting to the Owner on a regular basis in order to maintain accountability for project cost; maintaining and updating the current project schedule; and assisting in the processing of requests for payment.

**III. Required Information**

The following information shall be provided in each proposal in the order listed below. Failure to respond to any request for information within this proposal may result in rejection of the proposal at the sole discretion of the Sussex Technical School District.

**A. Minimum Requirements**

1. Delaware business license:  
Provide evidence of a Delaware business license or evidence of an application to obtain the business license.
2. Professional liability insurance:  
Provide evidence of professional liability insurance in the amount of \$1,000,000.00/\$3,000,000.00
3. (Any other minimum criteria required)

**B. General Evaluation Requirements**

1. Experiences and Reputation
2. Expertise (for the particular project under consideration)
3. Capacity to meet requirements (size, financial condition, etc.)
4. Physical response time to site
5. Demonstrated ability
6. Familiarity with public work and its requirements
7. Familiarity with Sussex Tech and its requirements

## *Appendix B*

“Request for Proposal Construction Management Services” document referred to on page 6.

### **Request for Proposal Construction Management Services**

Public Notice is hereby given that the Sussex Technical School District is seeking a Construction Management (CM) firm during the pre-construction, and construction of the bus entrance modifications project. The District reserves the right to determine the extent of meeting qualifications to provide services for future projects of this program. The Board reserves the right to retain new/ other CM services for projects beyond the scope of the bus entrance modification project without explanation or justification. There shall be no appeal process for such a decision and the Board's decision shall be final and absolute.

#### I. Introduction

Key role for the Construction Manager will be assisting in cost estimating, scheduling, value engineering, constructability review and working with the program and design teams to ensure quality and timely construction while staying within the authorized scope and budget.

During the construction phase, the district may elect to break the work into component bid packages. The successful responder must document experiences in preparation, administration, and coordination of multiple bid packages as part of a successfully completed, comparably complex project.

#### II. Project Description

Modification to the existing bus entrance on route 9, also referred to as County Seat Highway, Georgetown, DE

#### III. Selection Process

- A. Selection of a Construction Manager will comply with Delaware Code, Title 29, §6982 (a).
- B. After receipt of proposals, a committee will review the credentials of each firm and "shortlist" those firms deemed most qualified to deliver the required construction management services.
- C. The selected firms will be invited to make oral presentations to the Review Committee which will evaluate and select the firm deemed best qualified to undertake the project. This selection will be based on both the written proposal and interview presentation. Interviews are tentatively scheduled for TBD

- D. The District will then enter into negotiations with the preferred firm. If negotiations cannot be completed to the satisfaction of the District, then the firm will be so notified in writing, and the District will enter into negotiations with the next highest ranked firm. However, the District reserves the right to "roll-over" the contract with the successful Construction Manager to include additional projects, and to renegotiate terms, fees, and conditions as a part of that "roll-over."

IV. Proposal Requirements

- A. Understanding of the Project State in succinct terms your firm's understanding of the project and the issues surrounding the successful delivery of the district's major capital improvement program.

- B. Firm Capabilities

Provide a brief description of your firm, joint venture and subconsultant(s). At a minimum, include the following for your team: past experience in highway construction, site work, and the level of available resources; and, a statement as to why your team will be best qualified to deliver the project. If a joint venture, briefly state the length of your relationship and prior experience as a team.

- C. Relevant Experience

1. Describe construction projects of similar size and scope that you have completed in the past. Provide at a minimum: a) project name and location b) planned vs. actual completion date c) planned vs. actual budget d) brief description of project e) owner and engineer (include reference for both).
2. If a joint venture or association, provide the same information as shown above for work completed previously as a team. Provide no more than four (4) project examples.

- D. Work Plan and Management Approach

Describe your scope of services for pre-construction and construction phases. Also provide your methodology for interacting with the Owner, user groups, architect/engineer, consultants and other team members during all phases of work to ensure successful completion of the project.

It is understood that this work plan will be preliminary in nature but it should be illustrative of a realistic work plan for a project of this scope and type.

- E. Scope of Services

The CM firm selected shall provide the district with the following:

1. Basic services during the pre-construction phase include but are not limited to: review of design(s); making relevant recommendations in the best interest of the district; value engineering; presentation of a detailed estimate of construction cost; development of a

construction schedule; assistance in preparation of bid packages; conducting pre bid meetings and general assistance in the administration of construction contract(s); and, interfacing with the engineer, as necessary.

2. Basic services during the construction include but are not limited to:

cooperation with engineer, coordination of the contractors with the various phases of the project; conducting pre construction and progress meetings; receiving and reviewing shop drawings and related submittal before forwarding to the engineer; assuring compliance with contract drawings and specifications; maintaining current cost data and reporting to the Owner on a regular basis in order to maintain accountability for project cost; maintaining and updating the current project schedule; and assisting in the processing of requests for payment.

#### VI. Submissions Requirements

The Sussex Technical School District will accept submissions of qualifications until 3:00 p.m., on TBD. Bearer assumes the risk of late delivery; and late submissions shall be returned unopened. Please provide one (1) original and five (5) copies of your proposal. Requests for additional information and submission of proposals must be directed to:

Terry B. Little, Dir of Fac & Operations  
Sussex Technical School District  
17099 County Seat Highway  
Georgetown, DE 19947

The total length of the proposal shall not exceed fifty (40) pages inclusive of all components, but exclusive of the following: firm's annual reports, appendix, and confirmation of receipt of all addenda.

The district reserves the right to accept or reject any or all proposals, to make partial awards and to waive any requirements of this RFP. Any firm not meeting the minimal submittal requirements will be summarily eliminated.

Appendix C

Examples of split invoices referred to on page 9.

Page 1 of 2

Common Sense Solutions, LLC  
14127 Rottwaller Road  
Laurel, DE 19956  
(302) 875-4510

Date: 2/17/2014

*paid*

To: Terry Little  
Sussex Tech  
17137 County Seat Highway  
P. O. Box 351  
Georgetown, DE 19947

Invoice #1401

From: Common Sense Solutions, LLC

RE: CN #1240B  
HS Renovations - Industrial Shops

\*Reimbursement -  
Construction Materials for Electronic Storage.

*MARYANN -  
we need to  
Set up Kerubus  
Amounts.  
Thanks Terry*

Total \$4,769.45

*3/12/14  
ok to pay  
TL*

Electronic Storage

(Project #003)

11/26/2013 Dukes Lumber	\$161.30 coil stock
12/2/2013 Dukes Lumber	\$467.80 lumber materials
12/4/2013 Dukes Lumber	\$1,038.50 guard, trim, corner, angle, gable, screws
12/4/2013 Dukes Lumber	\$217.45 lumber materials
12/5/2013 Dukes Lumber	\$228.50 door unit, sill, wood jamb, brick
12/6/2013 Dukes Lumber	\$295.90 lumber materials
12/10/2013 Dukes Lumber	\$110.00 4' x 8' OSB
1/15/2014 EYS Exteriors	\$2,250.00 Electronics Shed

\$4,769.45 Cost  
~~\$1,76.95~~  
~~\$5,446.40 Cost +10%~~

Cost + 10% calculation has been scratched out and item charged at Cost in order to avoid \$5,000 purchase order requirement.

Common Sense Solutions, LLC  
14127 Rottwaller Road  
Laurel, DE 19956  
(302) 875-4510

Date: 3/8/2016

To: Hud Athey  
Sussex Tech  
17137 County Seat Highway  
P. O. Box 351  
Georgetown, DE 19947

Invoice #20169105

From: Common Sense Solutions, LLC

RE: Reimbursement Industrial Shop Renovations  
Auto Tech Shop - Painting

C & B Construction Inc.  
150 A Vickers Drive  
Milford, DE 19963

Invoice #16.02.12 Dated 2/12/2016 \$4,725.00

Complete Painting Auto Tech Shop - Labor Only - 105 hours x \$45/hour

Cost + 5%

Total \$ 4,961.25

*Aut Tech  
3/8/16*

Cost + 10% =  
 $4,725 * 1.10 = \$5,197.50$

Invoice charged at  
Cost + 5% in order  
to avoid \$5,000  
purchase order  
requirement.

Page 1 of 2

Common Sense Solutions, LLC  
14127 Rottwaller Road  
Laurel, DE 19956  
(302) 875-4510

Date: 4/1/2015

Invoices are both the same scope of work, one week apart, and approved on the same day. Invoices were split apart to avoid \$5,000 purchase order threshold.

To: Terry Little  
Sussex Tech  
17137 County Seat Highway  
P. O. Box 351  
Georgetown, DE 19947

Invoice #2015900

From: Common Sense Solutions, LLC

RE: Storm Drain Lines @District Office

Total \$4,900.00

4/1/15  
Dist. office Renovations - major cap  
-cfr

Page 2 of 2

Common Sense Solutions, LLC  
14127 Rottwaller Road  
Laurel, DE 19956  
(302) 875-4510

Date: 3/25/2015

To: Terry Little  
Sussex Tech  
17137 County Seat Highway  
P. O. Box 351  
Georgetown, DE 19947

Invoice #2015854

From: Common Sense Solutions, LLC

RE: Storm Drain Repairs @ District Office

Total \$4012.34

4/1/15  
major CAP - Dist. Office Renovations  
ML

## *Sussex Tech’s Response to Findings*

“Sussex Technical School District is currently attempting to improve both process and procedure as it pertains to the appropriate scrutiny of transactions and enforcement of fiscal policies. Decreases in personnel over the years has led to many individuals wearing various hats and/or splitting job duties, this has presented challenges as all were learning and continue to learn their role and responsibilities. Sussex Technical School District will continue to do the best job possible while serving our community. All input will be synthesized and assist with our efforts moving forward. As of June 30, 2017, the contract with Common Sense Solutions (CSS) will come to an end. There are no further plans to utilize CSS’s Construction Management services beyond that point.”