



Internal Audit of Program Management FY 2019-2020 Q2

February 2020



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TRANSMITTAL LETTER

March 3, 2020

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Pursuant to the approved internal audit scope of work, submitted October 3, 2019, we hereby submit our FY 2019-2020 Q2 internal audit report of the Program Management function. We will be presenting this report to the Audit Committee at the next scheduled meeting on March 12, 2020.

Our report is organized in the following sections:

Executive Summary	This section provides a brief background and a summary of the observations related to our internal audit of the Program Management function.
Current Period Observations	This section presents descriptions of the observations noted during our internal audit, recommended actions, as well as responses from the Program Management team.
Subconsultant Billing Analysis	This section presents the analysis of CBRE-Heery Subconsultant billings, as requested by the Facilities Task Force.
Prior Observations Follow Up	This section provides an update and current status of remediations related to prior noted findings.
Objectives and Approach	The objectives and approach of the internal audit are explained in this section.
Appendix	This section includes documentation provided by the OR/PM in response to prior observations.

We would like to thank all those involved for their assistance in connection with the FY 2020 Q2 internal audit of the Program Management function at Broward County Public Schools.

Respectfully Submitted,

RSM US LLP



EXECUTIVE SUMMARY

Background, Objectives and Scope

RSM has provided various operational and construction auditing services through agreement with District's Office of the Chief Auditor ("OCA") since 2012. In March of 2017, RSM began providing quarterly evaluation reports of the District's Program Management team directly to the District's Office of Facilities and Construction ("OFC"). During our engagement we worked closely with OFC and members of the ATKINS and CBRE-HEERY Program Management team to improve the District's design and construction control environment, and encourage transparency and accuracy in reporting. In November 2018, contractual oversight and management of our work shifted from OFC, back to the OCA. RSM works with OCA on a quarterly basis to define an audit plan for upcoming quarter.

The objective of our engagement is to verify that the District's Program Management Consultant ("PM" - Atkins) and Owner's Representative ("OR" - CBRE-HEERY) are providing deliverables and services in conformance with the terms and conditions of their respective agreements / RFP. Our procedures included testing of PM/OR compliance with District standard operating procedures and industry leading practices. Our scope included activities performed during the period October – December 2019.

Observations

The observations identified during our assessment are summarized on the following page, and include management action plans with estimated completion dates.

During our work, noted instances of non-compliance with the standard operating procedures for Change Management and Project Closeout, and also noted inconsistent and or missing documentation in support of change order costs in e-Builder.

Further, we noted a variance between days approved on the change orders and the total days added to project schedules. We also noted \$97,661 of work performed by the OR-PM for a design engineering and feasibility study, that was not competitively bid as required by the District's procurement policy.

Approach

Our audit approach consisted of the following:

Program Manager (Atkins)

- Obtained and reviewed deliverables submitted in accordance with PM monthly reporting requirements derived from RFP Article 6.4.2.6.
- Reviewed Atkins monthly invoicing for contractual compliance, proper supporting documentation, and mathematical accuracy
- Selected a sample of change orders for testing of the Atkins independent cost estimating process
- Followed up on prior findings

Owner's Representative (CBRE-Heery)

- Obtained and reviewed deliverables submitted in accordance with PM monthly reporting requirements derived from RFP Article 6.4.3.10.
- Selected a sample of project(s) for control assessment and testing
- Tested the sample projects for compliance with District Standard Operating Procedure and best practices. In-Scope processes for this period included:
 - o Construction change orders / change management
 - o Construction closeout
- Performed an analysis of OR and sub-consultant billings, compare to original contract scope (and amendments), identify specific funding mechanisms, and communicate results to the Facilities Task Force and Audit Committee
- Reviewed CBRE-HEERY monthly invoicing for contractual compliance, proper supporting documentation, and mathematical accuracy

Reporting

At the conclusion of our procedures, we summarized our findings related to the Contract Administration process. We have reviewed the results of our testing with OCA, OFC, the PM/OR team, and incorporated management's response into our report.



EXECUTIVE SUMMARY - CONTINUED

Summary of Observations

Following is a summary of observations that were identified during our work. Further details of each item are included within the Detailed Observations section of this report.

Observations
1. Change order supporting documentation and retention in e-Builder Through our detailed testing, we noted a lack of supporting documentation for labor, material, and equipment rates utilized in contractor change order proposals.
2. Change Order retention in e-Builder (Repeat Finding) Through our detailed testing we noted that applicable supporting documentation was not uploaded to e-Builder in a timely manner.
3. Contract time modifications Through our detailed testing of change orders, we noted a variance between additional days approved via change orders, and days added to the schedule.
4. PM/OR Adherence to SOP for Change Management Through our detailed testing of the Change Management Standard Operating Procedure ("SOP"), we noted non-compliance with the following requirements: • e-Builder was not updated appropriately to show the change order request status as "potential" • change order requests forms (1250b,c,d) were not completed by contractors • distribution of the formal approval letter (notice to proceed) to the contractor was untimely, or was not completed
5. PM/OR Adherence to SOP for Project Closeout Through our detailed testing of the Project Closeout Standard Operating Procedure ("SOP"), we noted that closeout checklists were not completed as required by the SOP, but rather used as a reference or guide to complete the closeout process.



EXECUTIVE SUMMARY - CONTINUED

Observations
6. Project Closeout Checklist Improvement Opportunity Through our detailed testing of the Project Closeout Standard Operating Procedure ("SOP"), we noted an opportunity to add two (2) items to the project closeout checklist.
7. Procurement of Design and Engineering Feasibility Scope of Work "Cafeteria Study" Through our review of the consultant/subconsultant invoices, we noted \$97,661 of work performed by the OR-PM for a design engineering and feasibility study, that was not competitively bid as required by the District's procurement policy.



CURRENT PERIOD OBSERVATIONS



DETAILED OBSERVATIONS

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q2	
OBSERVATION	1. Change order supporting documentation
DETAIL	In our detailed testing of change orders, we noted inconsistent documentation was provided in support of change order costs. Through our review of labor, material, and equipment costs included in change orders, we noted that inconsistent support was provided by contractors as support for the rates (hourly/daily/weekly) utilized: • For 7 of 9 applicable change orders, there was partial or no labor support provided for the rates used • For 6 of 9 applicable change orders, there was partial or no material support provided for the rates used • For 4 of 9 applicable change orders, there was partial or no equipment support provided for the rates used To mitigate the risk of receiving unreasonable cost estimates, a breakdown of labor, equipment, and material rates and costs should be required to facilitate an effective review. Breakdowns should include both unit rates and quantities required to allow for a review of the reasonableness of proposed costs, and are required by the Project Manual. Although the Cost and Program Controls Manager prepares independent estimates for comparison of costs, these estimates are only provided for changes in excess of \$25,000. Our sample selection included 7 change orders that were over the \$25,000 threshold. Detailed breakdowns from contractors are critical to allow thorough evaluation of changes, particularly for those changes where an independent estimate is not prepared (<\$25,000).
RECOMMENDATION	We recommend the OR-PM require contractors to submit supporting documentation for change orders to allow for a detailed review of the reasonableness of cost quotes provided by the contractor, especially for changes under \$25,000.
MANAGEMENT'S RESPONSE	Response: While the change orders included all relevant documentation, staff recognizes that the level of detail was not consistent across all change orders. As the program progressed into the construction phase, staff had not received many change orders at that point, and the requirements, although delineated in the contract were not closely adhered to fully. The automatic workflow that processes all change orders through e-Builder includes requirements for detailed cost support documentation regardless of the value of the change order. There is also a committee for reviewing change orders, the Change Order Review Panel (CORP). The CORP Chair reviews each change order for completeness then uploads the item to the agenda for the next CORP meeting. The Panel then reviews all documentation prior to approval. In summary, we have taken all action necessary to meet the recommendation for detailed labor and material breakdowns, inclusive of labor rates. Action taken and Complete. Estimated Completion Date: N/A



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q2	
OBSERVATION	2. Change Order retention in e-Builder (Repeat Finding)
DETAIL (REFER TO APPENDIX A FOR CHANGE ORDER FORMS)	We previously reported a finding related to design procurement document retention in e-Builder (FY 2018-2019 Q3 report). In the current quarter, we noted similar exceptions related to change order document retention. To conduct our testing for SOP compliance, we first reviewed documents available on e-Builder, and subsequently followed up with the PM/OR and District personnel to obtain those documents which were not originally uploaded therein. All documentation requested was provided and uploaded to the appropriate location in e-Builder after our request; however, the following documents were consistently missing from e-Builder: • Change Request/Proposal form (document 1250b) for 5 of 9 applicable change orders • Proposal Worksheet Detail (document 1250c) for 5 of 9 applicable change orders • Proposal Worksheet Summary (document 1250d) for 5 of 9 applicable change orders Each of the documents noted above are key components of change order pricing detail, and are required by the SOP (example forms included as Appendix A). As e-Builder is the District's central repository of information related to projects, all relevant project and program documents should be uploaded in a timely manner.
RECOMMENDATION	We understand the e-Builder workflow for change orders was implemented/effective as of 5/31/2019, and requires that all documentation be attached in order to complete the review process. We recommend the PM/OR team evaluate the current maintenance of legacy documentation. Pending results of this analysis, the PM/OR team should consider migration of the legacy documentation created prior to the implementation date of 5/31/2019 into e-Builder for purposes of document retention.
MANAGEMENT'S RESPONSE	Response: OR-PM document control staff is currently, retroactively, migrating change order files along with 1250b, c, and d documents into e-Builder (folder G05-08-CO). The file migration of retroactive projects should be completed no later than the end of April 2020. Estimated Completion Date: April 2020



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q2

OBSERVATION

3. Contract time modifications and schedule updates

DETAIL

Through our detailed testing of change orders, we noted a variance between additional days approved via change orders, and days added to the next corresponding project schedule update. We also noted instances where the final completion date listed in versions of project schedules, prior to approved changes, did not agree the final completion date listed in the Notice to Proceed (NTP).

Project final completion dates are included in the contractor's NTP. Minor fluctuations to the daily/weekly schedule are expected, and should be reflected in the updated schedule provided by contractors each month (typically with the pay application package). Changes to the final completion date are only allowed with the District's approval through a change order, and should also be reflected in monthly schedule updates. We selected a sample of ten (10) change orders to validate that appropriate schedule updates were made, to reflect additions of time approved via the change order. Exceptions noted during our testing are detailed in the table below:

	A		B	C = A+B	D	C-D
	Original completion date per NTP	Completion date from schedule prior to approved changes	Approved addition of days via sampled change order	Calculated completion date from NTP	Completion date per schedule attached to next pay application	Calculated variance between approved days and days shown on schedule
P.001677 Stranahan HS CO #1	11/23/2017	11/23/2017	150	4/22/2018	3/23/2018	30
P.001630 Plantation HS CO #1	3/8/2018	1/17/2018	60	5/7/2018	4/26/2018	12
P.001835 Village ES CO #1	3/4/2018	5/10/2018	38	4/11/2018	5/10/2018	-29
P.001941 McNicol MS CO #1	11/13/2018	5/23/2019	120	3/13/2019	3/5/2019	8

Contract time modifications approved through change orders should be reflected on the schedule when incorporated into the pay application to provide project management with an accurate schedule through project completion. Creation and monitoring of accurate schedules is critical to the successful and timely completion of projects. If updates to the schedule are not prepared in a timely manner, project and program management may not have appropriate information for decision making, and further, may provide outdated schedule information to other stakeholders (School Board, Facilities Task Force, etc.)

RECOMMENDATION

We recommend the OR-PM review the process for updating the schedule included in the pay applications to ensure the accuracy of the project schedule.



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q2

OBSERVATION

3. FY 2019-2020 (Observation #3) Contract time modifications and schedule updates (continued)

MANAGEMENT'S RESPONSE

Response: Currently, the e-Builder workflow for GC Invoices, which went live in Q1 2019 includes a requirement for the raw schedule file which subsequently gets reviewed by the OR-Scheduler to ensure schedule integrity including validation of an approved change order in the subsequent payment application period. Additionally, OR-PM is currently updating the SOP to include that step in the pay application process to show how this is done. This will formalize and memorialize this process. Work is projected to be completed by end of March 2020.

Estimated Completion Date: March 2020



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q2	
OBSERVATION	4. PM/OR Adherence to SOP for Change Management
DETAIL (REFER TO APPENDIX A FOR CHANGE ORDER FORMS)	Through our detailed testing related to the Construction Change Management Standard Operating Procedure (“SOP”), we noted instances of non-compliance with the SOP in effect as of 2/1/2019. We selected ten (10) change orders for testing, and noted exceptions from the following procedures: <i>(Step 2) If generated by the A/E, OR, or BCPS, a Proposal Request (PR) will be submitted to the contractor. The Contractor will respond with Change Order Request proposal (COR). If the request is generated by the Contractor, a Change Order Request proposal (COR) will be submitted.</i> - o The COR must include the following: - o i. Request For Information (RFI) and response, if applicable; - o ii. COR Form 1250b (Attachment 12.20-3) A clear description of the scope and justification as to why it is a change are to be included on 1250b. Additionally, the backup for 1250b needs to include 1250c and 1250d. - o iii. Necessary sketches or drawings identifying the change, as needed <i>(Step 4) The OR-PM reviews the merit of the COR request, ensures the proper supporting information has been provided by the Contractor; and enters the COR with its status shown as “Potential”</i> <i>(Step 10) Upon approval by Board and receiving of executed Agenda Request Form (ARF), a Change Order approval letter will be prepared by OR-BD for signature by OFC-CD and sent to the Contractor.</i> During our testing the OR-PM confirmed that the current process does not align with steps 4 and 10 outlined above. The following instances of non-compliance with the procedures above were noted: • For 1 of 9 applicable change orders, the contractor included the 1250b and 1250d forms but did not complete the 1250c form. (Step 2) • For 1 of 9 applicable change orders, the contractor did not complete the 1250c,d forms which typically follow the 1250b form, but rather completed the cost proposal through their own format. (Step 2) • For 10 of 10 applicable change orders, the OR-PM did not enter the change order request “COR” status in e-Builder to “potential”. (Step 4) • For 10 of 10 applicable change orders, the OR-BD did not prepare an approval letter to be sent to the contractor after the board approved the change order. However, we did note that the OR provided informal email correspondence notifying the contractor of the approved change order for 5 of the 10 samples. (Step 10)



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q2	
OBSERVATION	4. PM/OR Adherence to SOP for Change Management (continued)
DETAIL (CONTINUED)	The purpose of identifying potential change orders in e-Builder is to allow for a projection of incoming requests/questions that may result in extra costs and/or extensions of time. Without timely recognition of potential change orders in e-Builder, program and project management may be limited in their ability to base decisions on all available information. Through discussions with the OR-PM, the Project Managers had been informally notifying the contractor via email and phone when a change order had been approved by the Board. There is a risk of additional cost and potential delays to the project when there is a delay informing the contractor of additional approved work.
RECOMMENDATION	We recommend OFC and the PM-OR update step 4 of SOP 12.20 to reflect the current process, which now includes the usage of e-Builder workflows. We further recommend the PM-OR to determine if e-Builder can automatically send change order approval letters to the contractor after the Board's approval to proceed, in an effort to mitigate the risk of untimely notification.
MANAGEMENT'S RESPONSE	Response: SOP 12.20 will be updated, as recommended, and signed off by BCPS. Once complete, the revised SOP will be provided to RSM. Due date set as end of March 2020. In addition, the automated e-Builder workflow of approved change order notification to the contractor is underway. Roll-out is planned for the end of Q2 2020. Until such time the manual process will continue to be utilized. Estimated Completion Date: March 2020



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q2	
OBSERVATION	5. PM/OR Adherence to SOP for Project Closeout
DETAIL	Through our detailed testing related to the Project Closeout Standard Operating Procedure (“SOP”), we noted instances of non-compliance related to the use of checklists. We selected the two (2) completed projects from the November 2019 OR-PM milestone schedule located in e-Builder for testing. SOP 5.40 details the procedures for completing the project closeout process with a focus on the following: • Certificate of occupancy • Final acceptance and completion • Project financials • Warranty • Document control closeout and record turnover. The SOP references attachment 5.40-2 (project closeout checklist) which includes a column for the OR-PM to sign-off on each SOP step. Additionally within the project closeout SOP, steps one (1) and two (2) refer to the certificate of occupancy and final acceptance and completion checklists (attachment 5.20-15). Per discussion with the OR team, the checklists noted above are used as a reference or guide to complete project closeout, but are not completed for documentation purposes. We noted through testing that all of the applicable steps within the SOP were completed for our two (2) sample selections. Although the checklists are not required, use of the checklists would help mitigate the risk of an incomplete closeout, and would further serve to document which individual verified the completion of each closeout step. Also refer to Observation 6 below, related to the content of the closeout checklist.
RECOMMENDATION	We recommend the OR-PM team implement the use of the checklists noted above for all project closeouts going forward. The checklists should be evaluated for completeness and clarity of content, as during our review we noted that many documents/procedures were included in a single signoff step.
MANAGEMENT’S RESPONSE	Response: The use of the checklist as listed in the SOP for Closeout will be made a required element to be completed by Project Managers and included in the documents that are monitored by the Closeout Specialist. The SOP will be updated accordingly and signed off by BCPS. Estimated Completion Date: March 16, 2020



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q2	
OBSERVATION	6. Project Closeout Checklist Improvement Opportunity
DETAIL	Through our review of the Project Closeout Checklist, we noted the opportunity exists to add certain items: - Final Punchlist review and approval – as projects near closure and contractors demobilize from the jobsite, validation of punch list items prior to final payment is an important step in providing a complete project to end users. Punchlist items may often seem small or insignificant as compared to the project's scope, but may drastically impact the perceived overall quality of the project to the end users. - Buyout reconciliation (as applicable) – for CMAR projects, buyout reconciliations are a critical component to validating that project savings are appropriately tracked throughout the project, and returned to the District as applicable. Closeout checklists provide a guide for project management to perform all activities related to the closure of the project. We noted that the items listed above were not included in the current closeout checklist, but may be helpful additions to assist project management in validating that relevant project activities are performed and documented.
RECOMMENDATION	We recommend the OR-PM team review the content of existing checklists, and consider implementation of the items above in the next update of the closeout checklist.
MANAGEMENT'S RESPONSE	Response: OR-PM will review the content of the SOP and add the final punch list review and approval as well as buyout reconciliation (applicable only to CMAR projects) to the closeout checklist. A revised checklist will be sent to RSM by March 16, 2020. Estimated Completion Date: March 16, 2020



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q2	
OBSERVATION	7. Procurement of Design and Engineering Feasibility Scope of Work “Cafeteria Study”
DETAIL	During our analysis of CBRE – Heery and subconsultant invoices, we noted invoiced hours related to a “Cafeteria Study” with \$97,661 in total billings that appeared to be outside the original scope of the Owner’s Representative agreement. Through further inquiry with the PM/OR team and OFC, we understand that at the request of the District, CBRE – Heery performed design and engineering feasibility studies for 15 schools cafeteria and food service department renovations. The study occurred over approximately 19 months, with one project (Stranahan HS) ultimately selected for construction. Design and engineering feasibility studies are not a component of the scope of services defined in Section 6 of the RFP for Owner’s Representative services. The scope as defined therein, focuses on the management of the Program, and management of individual projects, but does not identify performance of these services. District policy 3320 requires a minimum of three (3) quotes for purchases above \$50,000. Lack of compliance with the competitive bidding process required by policy 3320 carries a number of risks: • Legal action, such as lawsuits and fines, due to violations of state or federal procurement laws; • Perceived corruption between the buyer and seller • Negative public perception • Overpaying for goods or services due to non-competitive bidding; • Less than optimal quality of service or goods due to non-competitive bidding
RECOMMENDATION	We recommend OFC prepare a sole source justification memo summarizing the decision to award the cafeteria study to CBRE-Heery, rather than utilizing a competitive bidding process. This memo should be prepared in accordance with the District’s Purchasing policy. For other ad-hoc requests that may arise outside the scope commemorated in the RFP, OR agreement, and amendments thereto, we recommend the District follow purchasing policy for competitive procurements.
MANAGEMENT’S RESPONSE	Response: In accordance with Section 6.2.1 and 6.2.2 of the RFP, the Owner’s Representative was assigned planning and assessment studies of fifteen high school cafeterias to determine what necessary improvements could be performed to address a food court concept. The studies were partially completed and were conceptual in nature. They were done for the purpose of informing The Board of potential options with respect to capacity of the dining area and configuration of food stations for better efficiency. Although it was staff’s assumption that the cafeteria studies could be performed under the description of the above-noted sections, it has become apparent that this type of task falls outside of these requirements, and therefore, must be executed through a separate procurement. In light of this understanding, staff commits to ensuring that all additional assignments are within the scope of services allowed by the current Owner’s Representative agreement. Estimated Completion Date: N/A



SUBCONSULTANT BILLING ANALYSIS



SUBCONSULTANT BILLING ANALYSIS

At the direction of the OCA, in response to a request by the Facilities Task Force, RSM compiled the analysis below, which summarizes CBRE-Heery billings by Subconsultant and scope through August 31, 2019. RSM conducted evaluations of subconsultant billings, for the purposes of identifying work outside of the scope of the PMOR agreement (see observation #5), and to identify improper funding approaches for Subconsultant work.

Consultant/Subconsultant (8/31/2015 – 8/31/2019)	Administrative / Document Control	Design Support	MWBE Support	Procurement Support	Project / Program Management	Total Billings
BACH REAL ESTATE	-	-	\$1,219,335.78	-	\$76,899.38	\$1,296,235.16
CORRADINO	-	-	-	\$77,078.00	\$8,151,814.39	\$8,228,892.39
DEZAYAS	\$2,202,681.54	-	-	\$986,546.75	\$542,827.44	\$3,732,055.73
DICKEY	-	-	-	\$172,349.68	-	\$172,349.68
GARTH	\$1,452,159.35	-	-	\$1,334,377.56	\$2,528,989.04	\$5,315,525.95
HEERY	\$113,923.75	\$4,288,245.39	-	-	\$12,082,503.23	\$16,484,672.37
KEITH & ASSOCIATES	\$1,417.50	-	-	-	\$4,849,053.47	\$4,850,470.97
REI ENGINEERS	-	-	-	-	\$34,999.17	\$34,999.17
Total	\$3,770,182.14	\$4,288,245.39	\$1,219,335.78	\$2,570,351.99	\$28,267,086.12	\$40,115,201.42

Through our discussions with the Capital Budget Analyst V, we noted that all payments related to the invoicing above have been funded through the SMART Bond program. As the Bond Resolution 14-88 broadly defines the bond scope “for improvements to public school facilities of the District, including safety enhancements and instructional technology upgrades”, we note that the descriptions of work performed in scope areas noted above fall within the broad description of the bond program.

In addition to program management of SMART projects, the PM OR team also assists with the management of projects that are funded from sources outside the bond. Although the team assists with these other projects, we noted that all program management fees were being allocated to SMART program projects. Projects funded from other mechanisms to which program management fees were unallocated include: District Educational Facilities Plan (DEFP), SMART/DEFP, and “Legacy” projects. Through discussions with Capital Budget personnel, we noted that program management budgets were established for DEFP and DEFP/SMART projects; however expenditures were not being allocated to those projects. Capital Budget indicated that expenditure allocations will be made going forward, and RSM is currently working with Capital Budget to quantify the program management fees relevant to Legacy projects.



PRIOR OBSERVATIONS FOLLOW UP



PRIOR OBSERVATIONS FOLLOW UP

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2018-2019 Q3	
OBSERVATION	FY 2018-19 Q3 (Observation #1) PM/OR Compliance with Reporting Requirements
DETAIL	We noted exceptions to reporting requirements. In January 2019, the RFI aging report was not provided and as of February 2019 the post project completion reporting had not been provided.
RECOMMENDATION	To comply with section 6.4.2.6 of the Program Manager RFP, we recommend the Program Manager report on post project stakeholder satisfaction. If stakeholder satisfaction assessments are not currently solicited, we recommend OFC and Atkins co-develop a survey for distribution to stakeholders as part of the project closeout process. In addition, we recommend OFC issue an addendum, memorandum of understanding, or similar to the CBRE-Heery contract specifying that reporting requirements have been modified to include project specific schedule reporting, as a replacement to the program level reporting specified in section 6.4.3.10 of the Owner's Representative RFP.
MANAGEMENT'S RESPONSE	Response: The post project completion report has been drafted by CPCM for review by OFC and the ORPM. Upon approval the report will be submitted in the CPCM monthly reporting. The January 2019 RFI report has since been provided to OFC and the office of the Chief Auditor. The group of stakeholders has been selected with some questions customized to each stakeholder. Consensus on the stakeholder questions should be reached on 9/13 Interdepartmental Meeting. Original estimated completion date: July 2019 Estimated completion date: February 2020
OBSERVATION STATUS	Closed – RSM received and reviewed the post occupancy satisfaction survey results for two closed projects, Manatee Bay Elementary School and Indian Ridge Middle School. The survey was sent to 49 key stakeholders ranging from 15 various departments including: Procurement, Project Management, and the Building Department. Per inquiry with the PM-OR, results and responses from the survey will be reviewed and discussed at the bi-weekly interdepartmental meetings. Further, we were provided the January 2020 Program Manager monthly reporting package which was inclusive of the summary results from the post occupancy satisfaction surveys.



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2018 -2019 Q4	
OBSERVATION	FY 2018-19 Q4 (Observation #2) Construction Invoice Supporting Documentation
DETAIL	During our testing of Construction Manager at Risk “CMAR” invoicing, we noted insufficient supporting detail was provided for the sample of invoices tested from 3 active CMAR projects. All three projects were considered cost-plus contracts, with the subcontractors classified as a director cost. We noted the following instances of insufficient support: - For 2 of 5 applicable invoices, subcontractor pay applications were not included in supporting documents - For 1 of 3 applicable invoices, a cover was provided, but no corresponding schedule of values was provided with the subcontractor pay applications - For 1 of 5 invoices, no lien releases were provided for either the prime contractor or subcontractors - For 2 of 5 invoices, the prime contractor’s lien release did not agree to the pay application - For 1 of 4 applicable invoices, signed subcontractors lien releases for \$10 were provided as supporting documentation, although no related subcontractor costs were invoiced For five (5) sample projects related to non-CMAR invoices, we obtained all approved pay applications as of our testing date to complete a rollforward and review of supporting documentation. The following instances of insufficient support were noted: - For 2 of 5 projects, project management did not obtain general contractor lien waivers in a timely manner for any of the pay applications approved. - Per review of the lien releases provided, the liens were dated after RSMs request date for the missing documentation. Additionally, for one (1) of the projects, the lien release provided was the amount due for the three pay applications combined - For 1 of 5 sampled projects, subcontractor lien releases were not provided for 1 of 4 of the project’s approved invoices - For 1 of 5 sampled projects, subcontractor lien releases were not provided for 1 of 3 of the project’s approved invoices. However, five (5) subcontractor lien releases were provided for \$10.00 for services through 2/28/19. This occurred before the first pay application period of 3/1/19 – 3/31/19.
RECOMMENDATION	We recommend the OR-PM enforce the supporting documentation requirements of the CMAR and non-CMAR agreements, and require contractors to provide subcontractor invoices, and all related lien releases with each application for payment. Invoices should not be approved or processed for payment prior to receipt of all appropriate supporting documentation. To aid in the completeness of review a checklist should be utilized by the OR-PM, and all reviewers to document receipt and review of all applicable supporting documents. Further, we recommend for the projects where this support has not been provided, a retrospective audit be performed to ensure the District has not been overbilled for tradework actually performed.



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2018-2019 Q4	
OBSERVATION	FY 2018-19 Q4 (Observation #2) Construction Invoice Supporting Documentation (continued)
MANAGEMENT'S RESPONSE	Response: The Checklist has been reviewed by staff, cross-referenced with the General Condition requirements for CMAR and ITB projects and are in the process of being revised. A review/refresher of pay invoice document requirements is planned for Friday, October 25th, 2019 as part of the weekly Project Managers meeting. In the long term, the invoice workflow in e-Builder is in the process of being improved. The end result is to increase checks and balances at the submittal stage for the vendor, thus reducing the opportunity for submitting invoices lacking complete supporting documentation. The outcome is expected to reduce rejected pay-applications and thus increase the speed of vendor payment processing. The target for completion and roll-out in January 2020. In addition, Capital Budget and staff have provided training on the proper processing of Direct Owner Purchases in the invoice system to project managers and contractors. This was another area where improper processing caused rejections of pay-applications. Original Estimated completion date: October 2019 Estimated completion date: March 2020
OBSERVATION STATUS	Partially Complete – Management provided an updated pay application checklist and minutes from a PM staff meeting, showing discussion of procedures for reviewing pay applications and utilization of the new checklist. This observation remains open, pending RSM testing of future pay applications for conformance with the updated checklist and review procedures.



OBJECTIVES AND APPROACH

Objectives

The objective of our work was to verify that the District's Program Management Consultant ("PM" - Atkins) and Owner's Representative ("OR" - CBRE-HEERY) are providing deliverables and services in conformance with the terms and conditions of their respective agreements / RFP. Further, our procedures included testing of PMOR compliance with District standard operating procedures and industry leading practices.

Approach

Our audit approach consisted of the following:

Program Manager (Atkins)

- Obtained and reviewed deliverables submitted in accordance with PM monthly reporting requirements derived from RFP Article 6.4.2.6 including:
 - o Monthly schedule delays / slippage at both program and project level
 - o Cash flow – actual vs projected
 - o RFI aging and reporting by project
 - o Change order reporting – project & program level
 - o Vendor performance monitoring
 - o Post project completion reporting
 - o Project quality – design process revise & resubmits, inspection results
- Selected a sample of change orders for testing of the Atkins independent cost estimating process
- Reviewed Atkins monthly invoicing for contractual compliance, proper supporting documentation, and mathematical accuracy
- Followed up on prior findings, including e-Builder utilization and workflow rollout

Owner's Representative (CBRE-Heery)

- Obtained and reviewed deliverables submitted in accordance with PM monthly reporting requirements derived from RFP Article 6.4.3.10 including:
 - o Updated project schedules – all projects
 - o 6 phases report
- Selected a sample of project(s) for control assessment and testing
- Tested the sample projects for compliance with District Standard Operating Procedure and best practices. In-Scope processes for this period included:
 - o Construction change orders / change management
 - o Construction closeout
- Performed an analysis of OR and sub-consultant billings, compare to original contract scope (and amendments), identify specific funding mechanisms, and communicate results to the Facilities Task Force and Audit Committee
- Reviewed CBRE-HEERY monthly invoicing for contractual compliance, proper supporting documentation, and mathematical accuracy

Reporting

At the conclusion of our procedures, we summarized our findings related to the Contract Administration process. We have reviewed the results of our testing with Internal Audit, OFC, the PM/OR team, and incorporated management's response into our report.



APPENDIX A



The School Board of Broward County, Florida
Office of Facilities & Construction
2301 N.W. 26th Street
Fort Lauderdale, FL 33311
(754) 321-1500

Document 01250a (00 63 53)-Proposal Request

To:

(Contractor)

Project No:

Project Title:

Facility Name:

Location No:

**Proposal
Request No.:** _____

Date: _____

(One Proposal
request per form)

Please submit an itemized quotation for changes in the Contract Sum and/or Time incidental to proposed modifications to the Contract Documents described below.

This is not a Change Order nor a direction to proceed with the Work described below.

Description: (Written description of the Work)

Attachments: (List attached documents that support description):

**Project
Consultant:**

By: (Signature)



The School Board of Broward County, Florida
Office of Facilities & Construction
2301 N.W. 26th Street
Fort Lauderdale, FL 33311
(754) 321-1500

Document 01250a (00 63 53)-Proposal Request



The School Board of Broward County, Florida
Office of Facilities & Construction
2301 N.W. 26th Street
Ft. Lauderdale, FL 33311

(754) 321-1500

Document 01250b (00 63 57)-Change Order Request (Proposal)

To:

(Project Consultant)

Change Order
Request No.:

Date:

Project No:

Project Title:

(One Request
(Proposal) per form)

Facility Name:

Location No:

This Change Order Request (Proposal) contains an itemized quotation for changes in the Contract Sum and/or Time in response to proposed modifications to the Contract Documents based on Proposal Request No. ____ or other conditions which require this Proposal.

Description of Proposed Change:

☐ Attachments

Reason for Change:

Does Proposed Change involve a change in Contract Sum or Time? ☐ Yes ☐ No

If yes: Proposed Change in Contract Sum:

Proposed Change in Contract Time:

Attached Pages: ☐ Proposal Worksheet Summary

☐ Proposal Worksheet Detail(s)

Contractor:

By: (Signature)

☐ Attached is supporting information from:

☐ Subcontractor

☐ Supplier

☐ _____



The School Board of Broward County, Florida
Office of Facilities & Construction
2301 N.W. 26th Street
Fort Lauderdale, FL 33311

(754) 321-1500

Document 01250c (00 63 55)-Proposal Worksheet Detail

To:

(Project Consultant)

Project No. &
Location No.:
Project Title:
Facility Name:

Proposal
Request No.: _____

Change Order
Request No.: _____

Date Prepared: _____

From/Trade: _____

Shaded Areas for Project Consultant's Use Only

Contact: _____

Phone: _____

Additions:

	Ref No.	Item Description	Estimated		UNIT PRICES									
			Quantity		Materials	&	Labor						TOTAL	
1														
2														
3														
4														
4														
5														
6														
7														
8														
9														
10														
Subtotal: (Enter this number on Worksheet Summary)														



Document 01250d (00 63 54)-Proposal Worksheet Summary

To:

(Project Consultant)

Project No:

Project Title:

Facility Name:

Location No:

Proposal

Request No.: _____

Change Order

Request No.: _____

Date Prepared:

From/Trade: _____

Contact: _____

Phone: _____

Additions:

	Sheet	Item Description	Materials	Labor	Subtotal	Work Type
1						
2						
3						
4						
5						
6						
7						
8						
Subtotal Additions Self Performing:						
Subtotal Additions Lower Tier:						

Deductions:

	Sheet	Item Description	Materials	Labor	Subtotal	Work Type
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
Subtotal Deductions Self Performing:						
Subtotal Deductions Lower Tier:						

Total (Additions-Deductions) _____



Document 01250d (00 63 54)-Proposal Worksheet Summary

Maximum Markup on Work Performed:

1	Self-Performed Work (Direct Cost) (GC or Sub)	
	15% on first \$25,000	
	10% on portion between \$25,000 and \$50,000	
	7.5% on portion between \$50,000 and \$200,000	
	5% on portion greater than \$200,000	

Total _____

Maximum Markup on Work Performed:

2	By Lower Tier Contractor: (Low Tier of Sub-Contractors or other on Change Order proposal)	
	8% on first \$25,000	
	4% of portion greater than \$25,000	

Total _____

CONSTRUCTION MANAGER AT RISK (CMAR) CONTRACTS

Maximum Markup on Work Performed: (Per Agreement Exhibit B) & General Conditions

1	Self-Performed Work (Direct Cost)	
	PER NEGOTIATED FEE PERCENTAGE (%)	

Total: _____

Per General Conditions

2	Lower Tier Contractor (Low Tier of Sub-Contractors or other on Change Order Proposal)	
	10%	

CMAR Total: _____

GC/CMAR Mark Up (Lower Tier)

	%	
--	---	--

Grand Total: _____



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