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BROWARD
County Public Schools

Internal Audit of Program Management FY 2019-2020 Q3

June 2020



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TRANSMITTAL LETTER

June 9, 2020

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Pursuant to the approved internal audit scope of work, submitted January 15, 2020, we hereby submit our FY 2019-2020 Q3 internal audit report of the Program Management function. We will be presenting this report to the Audit Committee at the next scheduled meeting on June 18, 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.
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 Q3 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 January – March 2020.

Observations

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

During our work, we identified a segregation of duties conflict related to a PMOR employee who was approving their own timecards.

We also noted a finding related to increasing the level of documentation used to support billings of PMOR subconsultant labor for Communications.

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:
 - Construction Procurement
- Conducted interviews and process walkthroughs with CBRE-HEERY and select consultants to understand staffing model and assignment of key responsibilities. This included a design assessment of processes and staffing, and analysis of billings by position, some of which is still in process as of our report date.
- 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 into this report. We have reviewed the results of our testing with OCA, OFC, the PM/OR team, and incorporated management's response herein.



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
<p>1. CBRE–Heery labor invoice review</p> <p>Through our detailed testing of OR-PM invoices, we noted that a CBRE-Heery employee was approving their own timecards. This occurred over a 5 month period, and represented total billings to the District of \$85,860.</p>
<p>2. Subconsultant Fees and Billing Support - Communications</p> <p>During our review we noted that although some deliverables from the Communications team are specifically defined, while other duties performed may not directly correlate to measurable deliverables. We recommend the Office of Facilities and Construction obtain a monthly description from the Communications team that outlines deliverables and/or tasks performed by individual to support hours billed.</p>



CURRENT PERIOD OBSERVATIONS



DETAILED OBSERVATIONS

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q3

OBSERVATION

1. CBRE–Heery labor invoice review

DETAIL

Through our detailed testing of the monthly CBRE-Heery labor invoices that were available during our testing period, we identified instances where a CBRE-Heery employee was self-approving their own timecards, which were used as supporting documents for hours invoiced to the District. Self-approvals were contained within labor invoices from August 2019 - December 2019. Prior to August 2019, the employee's timesheets were approved by a supervisor.

We informed Capital Payments of the self-approvals prior to the District's receipt of the December 2019 invoice, and understand that Capital Payments directed CBRE-Heery to obtain supervisor approval of the employee's timesheets going forward; however, the December invoice still contained the self-approval of the same employee's timecard. The following table summarizes the self-approved timecard transactions which total 636 hours and \$85,860:

Month	Hours	Bill Rate	Bill Amount
August	144	\$ 135	\$ 19,440
September	92	\$ 135	12,420
October	176	\$ 135	23,760
November	124	\$ 135	16,740
December	100	\$ 135	13,500
Total	636		\$ 85,860

A separate employee, with knowledge of the actual time worked, should be the approver of this employee's timesheet. Without appropriate review of an employee's time, the District is at an increased risk for billings of incorrect and/or overstated time.

In review of subsequent invoices, we noted the secondary review of this employee's timesheet was documented in the January 2020 invoice, and in 3 of the 4 weeks of the February 2020 invoice. Through discussion with Capital Payments, we understand that an independent review/approval of this employee's timesheets will be verified prior to payment going forward.

RECOMMENDATION

We recommend that CBRE-Heery modify the timecard review process to include appropriate segregation of duties. We further recommend the District include a review step to verify that all timecards submitted with an invoice include a secondary review and approval prior to acceptance and payment.



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q3

OBSERVATION	1. CBRE–Heery labor invoice review
MANAGEMENT’S RESPONSE	<p>Response: CBRE/Heery has revised the timecard review and approval process where the Program Director now reviews and approves all timesheets submitted by CBRE/Heery staff. We have gone back and reviewed all of the timesheets where the employee reviewed and approved their own timesheets and have verified and validated all time charged during this period in question was appropriate.</p> <p>This concern will not be an issue moving forward and has been resolved.</p> <p>Estimated Completion Date: N/A</p>



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q3

OBSERVATION 2. Subconsultant Fees and Billing Support - Communications

DETAIL We reviewed the CBRE-Heery Subconsultant billings for the team that leads communications efforts for the SMART program. During our review we noted that although some deliverables are specifically defined, other duties performed by the team may not directly correlate with consistently measurable deliverables. Through discussions, we noted that team members perform a variety of duties related to internal and external reporting and public outreach, which include the following:

- Compilation of the quarterly Bond Oversight Committee reports
- Web design for the SMART Futures website
- Compilation of other newsletters, circulars, and pamphlets
- Graphic design
- Photography
- Copywriting
- Social media updates
- Ad-hoc reports requested by various OR-PM and District leadership

The following table summarizes the personnel and costs associated with the Communications team:

<i>Communications Team (July – December 2019)</i>					
Headcount	Avg. FTE	Avg. Monthly / Head	Avg. Monthly Cost / Head	Annualized Cost / Head	Annualized Total
7	5.89	146	\$9,645	\$115,740	\$790,920

Although we understand the duties performed by the team cover many facets of reporting and professional design, timesheets related to these hours only include the “Communications” description. Considering the size of the team dedicated to communications, and costs associated therewith, District management may not have adequate information to assess reasonableness of hours incurred.

RECOMMENDATION In addition to the timesheets provided with the CBRE-Heery invoices, we recommend the Office of Facilities and Construction obtain a monthly description from the Communications team that outlines deliverables and/or tasks performed by individual. This will help provide additional context to the work performed, as support for the hours incurred in this area, and allow the team to repurpose employees if there is variability in workload.



DETAILED OBSERVATIONS – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019-2020 Q3

OBSERVATION	2. Subconsultant Fees and Billing Support - Communications
<p>MANAGEMENT'S RESPONSE</p>	<p>Response: The SMART Communications Team, led by Garth Solutions, Inc (GSI), performs a variety of tasks associated with delivering a comprehensive communications program intended to keep a diverse base of stakeholders informed about the Program's progress. Related deliverables include but are not be limited to a variety of reporting documents such as the Bond Oversight Committee report, community/District presentations, photo documentation, content/graphic development, digital & social media campaigns, web design/maintenance, newsletters and other collateral materials – all of which require diverse skill sets.</p> <p>The communication deliverables are currently tracked and monitored internally utilizing GSI's project management tools. Additionally and as a result of the remote work environment due to the COVID pandemic, GSI has recently implemented a more detailed timesheet documentation process to capture daily activity logs of each staff member. GSI will leverage these tools to enhance reporting of activities related to SMART Communications by submitting a monthly communications report that summarizes deliverables and related tasks performed by assigned individuals. This documentation will be submitted beginning with the June 2020 pay application and will continue thereafter throughout the term of the program.</p> <p>Estimated Completion Date: June 2020</p>



PRIOR OBSERVATIONS FOLLOW UP



PRIOR OBSERVATIONS FOLLOW UP

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2018 -2019 Q4	
OBSERVATION	FY 2018-19 Q4 (Observation #2) Construction Invoice Supporting Documentation
DETAIL	<p>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:</p> <ul style="list-style-type: none"> • 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 <p>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:</p> <ul style="list-style-type: none"> • 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. <ul style="list-style-type: none"> ○ 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	<p>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.</p> <p>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.</p>



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2018 - 2019 Q4

OBSERVATION	FY 2018-2019 Q4 (Observation #2) Construction Invoice Supporting Documentation
<p>MANAGEMENT'S RESPONSE (SEE APPENDIX A FOR MEMORANDUM)</p>	<p>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.</p> <p>Q3 2020 Update: The original observation identified opportunities to improve checks and balances by insuring that additional supporting documentation are included by the contractors requesting payment. Specifically, the recommendation that resulted was to require contractors to provide sub-contractor invoices and all related lien releases with each application for payment.</p> <p>Subsequently, Pay-Application check lists were revised and targeted to satisfy this recommendation. Since that time, the checklists were posted and were used live in the e-Builder process work flow. Training was conducted with Project Manager's and other members of the Project Manager's team. Furthermore, the check lists generated input from a number of the design teams and a round table discussion ensued. The result of the round table was another fine-tuning of the check lists.</p> <p>There has been on-going work with contractors regarding processing of Pay-Applications, the use of check lists and related requirements for contractors, designers and project managers.</p> <p>A memorandum was recently prepared to create a final cut-off for including the sub-contractors' documents and is to be issued via e-Builder the week of June 8, 2020. This memorandum dictates that the documentation as required is not just reviewed in draft form but uploaded into e-Builder as part of the Pay-Application work flow.</p> <p>This memorandum will be reviewed at construction progress meetings</p> <p>Original Estimated completion date: October 2019</p> <p>Estimated completion date: March 2020</p> <p>Revised Estimated completion date: August 2020</p>



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2018 - 2019 Q4	
OBSERVATION	FY 2018-2019 Q4 (Observation #2) Construction Invoice Supporting Documentation
OBSERVATION STATUS	<p>Partially Complete – RSM reviewed the most recent pay application for 2 CMAR and 3 Non-CMAR projects to verify project management utilization of the new pay application checklist. In our testing, we noted the new checklist was completed for the samples tested; however, we also noted that while the checklist was used, subcontractor pay applications were still omitted from the final pay application packages tested for the CMAR project.</p> <p>In further discussions, the OR-PM team indicated that subcontractor pay applications were reviewed and marked-up during monthly site walkthroughs and prime contractor pay application “pencil copy” reviews, but were not included in final packages uploaded to e-Builder. Without maintaining and uploading the subcontractor pay applications with the final prime contractor package, appropriate supporting documentation is not maintained in the District’s records to support amounts invoiced by the prime contractor. As such, we recommend the project management team obtain subcontractor pay applications, or require inclusion of subcontractor invoices in the packages uploaded to e-Builder by the prime contractor.</p> <p>As the updated checklist has been implemented, we note follow up related to this finding as partially complete, pending further testing in to validate that appropriate supporting documentation is included with pay applications.</p>



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019 - 2020 Q2	
OBSERVATION	FY 2019-2020 Q2 (Observation #1) Change order supporting documentation
DETAIL	<p>In our detailed testing of change orders, we noted inconsistent documentation was provided in support of change order costs.</p> <p>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:</p> <ul style="list-style-type: none"> • 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
RECOMMENDATION	<p>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.</p>
MANAGEMENT’S RESPONSE	<p>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.</p> <p>Estimated Completion Date: N/A</p>
OBSERVATION STATUS	<p>Closed - RSM tested a sample of 4 change orders that were reviewed by the Change Order Review Panel (CORP) after their formation in Q1 2019. In our testing, we noted a significant improvement in the level of supporting documentation for change orders. We also conducted testing of a separate sample of 3 change orders and validated that the e-Builder workflow was utilized, and that approvals occurred at all steps defined in the workflow.</p> <p>In 1 of 4 change orders reviewed for supporting documentation, we noted the General Contractor did not provide a rate card/timesheet to support labor rates. The total GC labor was less than 10% of the total change order cost, and the CORP review identified a reduction of approximately \$10,000 in proposed labor costs. Considering these items, the CORP review was an effective control in validating the proposed change order costs. In addition, considering the significant improvement noted in supporting documentation for other sampled change orders, we recommend closing the follow up related to this finding.</p>



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019 - 2020 Q2	
OBSERVATION	FY 2019-2020 Q2 (Observation #2) Change Order retention in e-Builder (Repeat Finding)
DETAIL	<p>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:</p> <ul style="list-style-type: none"> • 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
RECOMMENDATION	<p>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.</p>
MANAGEMENT'S RESPONSE	<p>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.</p> <p>Estimated Completion Date: April 2020</p>
OBSERVATION STATUS	<p>Complete, pending testing – In discussions, the OR-PM noted that all available historical change order documentation has been uploaded to e-Builder, and was completed in April 2020. We will conduct testing in the next quarter to validate completeness of historical change order data in e-Builder.</p>



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019 - 2020 Q2	
OBSERVATION	FY 2019-2020 Q2 (Observation #3) Contract time modifications and schedule updates
DETAIL	<p>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).</p> <p>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. We noted exceptions for 4 of our sample selections.</p>
RECOMMENDATION	<p>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.</p>
MANAGEMENT'S RESPONSE	<p>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.</p> <p>Q3 2020 Update: SOP 12.20a-Construction Change Management-Construction Change Order has been revised incorporating this Observation in Step 5 of the SOP.</p> <p>OR-Scheduler and/or PC-Scheduler will review Pre-Impact and Impact Electronic Construction Schedules including required narrative for schedule integrity. Upon review the OR-PM has the option to revise and resubmit back to the GC or submit to the A/E, OR-Sch, and/or PC-Sch.</p> <p>SOP 12.20a was sent to the District for review. The District had comments. Those comments have been incorporated into the SOP and now the SOP 12.20a has been sent back to the District for their review.</p> <p>Also, SOP 11.20a-Contractor Pay Application Review Process-Hard Bid ITB and CSMP and 11.20b-Contractor Pay Application Review Process CMAR AND CC CMAR revisions have taken place incorporating this observation in Step #4 of the SOP and the SOPs are under review with the District.</p>



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019 - 2020 Q2	
OBSERVATION	FY 2019-2020 Q2 (Observation #3) Contract time modifications and schedule updates
MANAGEMENT'S RESPONSE	<p>The OR-Scheduler receives notification through e-Builder that an electronic Construction Schedule has been submitted to review in tandem with A/E and/or OR-PM for schedule integrity, i.e. if applicable, implemented approved Change Order(s). OR-Sch, A/E and/or OR-PM.</p> <p>Estimated Completion Date: March 2020</p> <p>Revised Estimated Completion Date: August 2020</p>
OBSERVATION STATUS	<p>Open - RSM tested a sample of 4 change orders to verify inclusion of change order time extensions/reductions. Through our testing we noted discrepancies between the scheduled final completion date noted in the pay application, and the RSM calculated final completion date for 4 of 4 samples. In further discussions, the OR-PM team indicated there was a delay in the implementation of procedures related to comparison of schedules to change orders. The OR-PM has updated the SOP to specifically include this review/comparison procedure.</p> <p>We understand the SOP has been drafted and provided to the District for review. This observation remains open pending further testing of change orders and completion/approval of the updated SOP.</p>



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019 - 2020 Q2	
OBSERVATION	FY 2019-2020 Q2 (Observation #4) PM/OR Adherence to SOP for Change Management
DETAIL	<p>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 the following exceptions.</p> <ul style="list-style-type: none"> 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) <p>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.</p>
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	<p>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.</p> <p>Q3 2020 Update: SOP 12.20-Construction Change Management has been divided into 3 SOPs:</p> <ul style="list-style-type: none"> SOP 12.20a Construction Change Management-Construction Change Order was sent to the District for review. The District had comments. Those comments have been incorporated into the SOP and now the SOP 12.20a has been sent back to the District for their review. SOP 12.20b Construction Change Management-Construction Change Directive is under development in accordance with the e-Builder process. SOP 4.29-Contingency Use Directive – is under revision in accordance the e-Builder Process.



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019 - 2020 Q2	
OBSERVATION	FY 2019-2020 Q2 (Observation #4) PM/OR Adherence to SOP for Change Management
	<p>Original Estimated Completion Date: March 2020</p> <p>Estimated Completion Date (For automated e-Builder rollout): June 2020</p> <p>Revised Estimated Completion Date: July 2020</p>
OBSERVATION STATUS	<p>Partially Complete – RSM tested a sample of 3 recent change orders to verify appropriate forms were included in the e-Builder workflow. We noted all required forms were completed and attached to the change order as applicable. Through discussions with the OR-PM team, we noted that updates to the Change Management SOP are still in process, due to the complexities of the new e-Builder workflow. This finding remains open, pending completion of the updated SOP, and testing of the automated e-Builder workflow for distribution of change order approval letters.</p>



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019 - 2020 Q2	
OBSERVATION	FY 2019-2020 Q2 (Observation #5) PM/OR Adherence to SOP for Project Closeout
DETAIL	<p>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.</p> <p>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.</p> <p>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.</p>
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	<p>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.</p> <p>Q3 2020 Update: Our Standard Operation Procedure has been completed and approved by the Broward County Public Schools. See attached signature page. Beginning July 1, 2020, the OR-PM will ensure the utilization of the checklists going forward.</p> <p>Estimated Completion Date: March 16, 2020</p> <p>Revised Estimated Completion Date: July 1, 2020</p>
OBSERVATION STATUS	Partially Complete –The approved SOP was provided to RSM which included the requirement to utilize the project checklist. Further, we understand that Project Managers have been instructed to utilize and complete the closeout checklist for current projects in the closeout phase. This finding remains open pending testing to validate usage of the closeout checklist.



PRIOR OBSERVATIONS FOLLOW UP – CONTINUED

INTERNAL AUDIT – PROGRAM MANAGEMENT FY 2019 - 2020 Q2	
OBSERVATION	FY 2019-2020 Q2 (Observation #7) Procurement of Design and Engineering Feasibility Scope of Work “Cafeteria Study”
DETAIL	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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	<p>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.</p>
MANAGEMENT’S RESPONSE	<p>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.</p> <p>Estimated Completion Date: N/A</p>
OBSERVATION STATUS	<p>Closed – RSM will continue to test PM-OR invoices, conduct analysis, and report as applicable.</p>



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:
 - Monthly schedule delays / slippage at both program and project level
 - Cash flow – actual vs projected
 - RFI aging and reporting by project
 - Change order reporting – project & program level
 - Vendor performance monitoring
 - Post project completion reporting
 - 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:
 - Updated project schedules – all projects
 - 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:
 - Construction Procurement
- Conducted interviews and process walkthroughs with CBRE-HEERY and select consultants to understand staffing model and assignment of key responsibilities. This included a design assessment of processes and staffing, and analysis of billings by position.
- 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

Date: June 4, 2020
To: All General Contractors and Construction Managers at Risk
From: CBRE | Heery on Behalf of Broward County Public Schools
Subject: Required Documentation Necessary for Processing Pay Applications

MEMORANDUM

The following directive is to be applied to the May 2020 pay application cycles, but no later than the June cycle if at the time of receiving this directive, the May cycle has already been submitted into e-Builder.

As shown in the Pay Application checklist for General Contractors and for Construction Management at risk, the following documents are necessary to be uploaded with the relevant pay application into e-Builder.

REQUIREMENT	CMAR Process GINVC CMAR-CC-CMAR Checklist #	GC Process GINVH Hard Bid (ITB) or CSMP Checklist #
Sub-contractor Pay Application and/ or invoices	17	12
Sub-contractor Lien Releases	19	14



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