



Broward County Public Schools

Internal Audit of Program Management

May 2024



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TRANSMITTAL LETTER

May 9, 2024

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Broward County Public Schools
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Fort Lauderdale, Florida 33301

Pursuant to the approved internal audit scope of work, dated February 8, 2024, we hereby submit our internal audit report of the Program Management function. We will present this report to the Audit Committee on May 16, 2024.

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 the current status of remediations related to prior noted findings.
PM/OR and CPCM Invoice Testing Results	This section provides the results of our testing of PM/OR and CPCM invoices.
Objectives and Approach	The objectives and approach of the internal audit are explained in this section.

We would like to thank the staff and all those involved in assisting us with this internal audit.

Respectfully Submitted,

RSM US LLP

RSM US LLP



EXECUTIVE SUMMARY

Background, Objectives and Scope

RSM has provided various operational and construction auditing services through agreement with the 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 Capital Programs ("OCP").

During our engagement, we worked closely with OCP 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 OCP, back to the OCA. RSM works with OCA on a quarterly basis to define an audit plan for the upcoming quarter.

The objective of our procedures is to verify that the District's Cost and Program Controls Manager ("CPCM" - Atkins) and Program Manager - Owner's Representative ("PM/OR" - AECOM) are providing deliverables and services in conformance with the terms and conditions of their respective agreements/RFP/RFQ.

Generally, our procedures include tests of compliance with contracts (CPCM and PM/OR), tests to confirm adherence to District standard operating procedures, and evaluations of alignment with industry leading practices.

Approach

Our audit approach consisted of the following:

Cycle Audit Procedures

- Obtained and reviewed deliverables submitted in accordance with PM monthly reporting requirements derived from the CPCM RFP;
- Reviewed CPCM monthly invoicing for contractual compliance, proper supporting documentation, and mathematical accuracy;
- Obtained and reviewed deliverables submitted in accordance with PM monthly reporting requirements derived from PM/OR RFQ;
- Reviewed PM/OR monthly invoicing for contractual compliance, proper supporting documentation, and mathematical accuracy;
- Tested a sample projects for compliance with District Standard Operating Procedure and best practices for construction closeout; and
- Followed up on prior findings.

Reporting

Fieldwork was conducted between November 2023 and April 2024. At the conclusion of our procedures, we summarized our findings into this report. We have reviewed the results of our testing with OCA, the CPCM and PM/OR teams, and incorporated management's response herein.

Observations

Through our testing, we noted observations related to noncompliance with standard operating procedures ("SOP") for project closeout, and outdated SOPs for project closeout. The observations identified during our assessment are summarized on the pages that follow and include management action plans.

Three (3) of four (4) follow-up items remain open, including observations related to PM/OR monthly deliverables, contractor compliance with contractual construction schedules, and PM/OR S/M/WBE compliance.

We would like to thank all District team members who assisted us throughout this review.



CURRENT PERIOD OBSERVATIONS



CURRENT PERIOD OBSERVATIONS

INTERNAL AUDIT – PROGRAM MANAGEMENT

OBSERVATION

1. Adherence to SOPs for Project Closeout

DETAIL

Through our detailed testing of the District's project closeout process, we noted several instances of noncompliance with established standard operating procedures ("SOP"). Specifically, we noted the following:

A. SOP 5.20 – Final Acceptance and Completion

SOP 5.20 outlines the District's procedures for the completion and acceptance of a construction project. The primary purpose of the procedure is to verify that all punch list and deficiency items have been addressed, necessary inspections have been performed, and the project is reviewed and accepted by all applicable parties. The process is facilitated through the use of standardized forms, specifically the Document 01770 forms (a-h), which are used to document the completion of critical steps within the process. Through our testing, we noted the following:

- For one (1) of five (5) sampled projects, Document 01770c ("Substantial Completion Inspection") was not uploaded to e-Builder or available upon further request. Further, for four (4) sampled projects, the form provided was not signed by the Facilities Department.
- For one (1) of five (5) sampled projects, Document 01770d ("Substantial Completion Inspection") was uploaded to e-Builder; however, the completion dates for punch list items were not documented. A completed form was provided and uploaded to e-Builder by the PM/OR upon further request.
- For one (1) of five (5) sampled projects, Document 01770e ("Project Consultant's Letter Establishing Substantial Completion Date") was not uploaded to e-Builder or available upon further request. Further, for three (3) sampled projects, the form provided was not signed by the Facilities Department, and for one (1) sample, the form was not signed by either Facilities or the PM/OR.
- For two (2) of five (5) sampled projects, Document 01770f ("Contractor's Request for Final Completion Inspection") was not uploaded to e-Builder or available upon further request.
- For two (2) of five (5) sampled projects, Document 01770g ("Contractor's Request for Final Completion Inspection") was not uploaded to e-Builder or available upon further request.
- For one (1) of five (5) sampled projects, Document 01770h ("Project Consultant's Notification of Readiness for Final Completion Inspection") was not uploaded to e-Builder or available upon further request.
- For one (1) sampled project, seven (7) total Document 01770 forms (Document 01770a, b, c, d, e, g, and h) were not uploaded to e-Builder during our initial testing; however, these forms were uploaded by the PM/OR upon further request.
- For five (5) of five (5) sampled projects, we noted that key forms related to the Building Department's final inspections and certification of occupancy were not uploaded to e-Builder, including:
 - Form BD 100 ("Application for Certificate of Occupancy")
 - Form BD 104 ("Verification of Readiness for Occupancy Inspection")
 - Form BD 200 ("Final Inspection Completion")
 - Form BD 205 ("Completion of Final Inspection List")
- For five (5) of five (5) sampled projects, while project record documents were uploaded to e-Builder, evidence of PM/OR review and approval was not provided, as required by SOP 5.20, Step 29 ("Project Record Documents").



CURRENT PERIOD OBSERVATIONS (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT

OBSERVATION

1. Adherence to SOPs for Project Closeout (Continued)

DETAIL

B. SOP 5.30 – Warranty Management

SOP 5.30 documents the process for managing warranties for construction projects, focusing on the documentation and handling of warranty issues from inception through closeout. Procedures focus on verifying that all warranty-related activities are documented and managed consistently within e-Builder and the District's warranty management system, Track-It, from the start of the warranty period at substantial completion to the final warranty walkthroughs and resolutions. Through our review, we noted the following:

- For three (3) of five (5) sampled projects, we noted that video recordings of training sessions for newly installed assets were not available in e-Builder, or upon further request. Further, Document 01820a ("Contractor's Demonstration and Training Attendance Log") was not provided for two (2) samples.
- Through our review of closeout documentation in e-Builder, we noted inconsistencies in the level of documentation available for 6-month and 11-month warranty inspections, as detailed below:
 - **6-month warranty inspections:** For two (2) of five (5) samples, evidence of a 6-month warranty inspection was not provided (i.e., sign-in sheet or warranty inspection report). For two (2) samples, a sign-in sheet was provided; however, a "Warranty Defect Response Request" form or a detailed report summarizing the results of the inspection was not provided.
 - **11-month warranty inspections:** For three (3) of five (5) samples, a sign-in sheet was provided; however, a "Warranty Defect Response Request" form or a detailed report summarizing the results of the inspection was not provided.

C. 5.40 – Project Closeout

SOP 5.40 establishes a comprehensive process to verify and document that projects are properly closed out. These procedures are facilitated by detailed checklists that document the completion of process steps included in ancillary closeout SOPs (i.e., Final Acceptance and Completion, Project Financials, etc.). Through our testing, we noted the following:

- For four (4) of five (5) samples reviewed, a completed "Project Closeout Checklist" was not available in e-Builder, or upon further request from the PM/OR.
- For five (5) of five (5) samples reviewed, a completed "Final Acceptance and Completion Checklist" or a "Certificate of Occupancy Checklist" was not available in e-Builder, or upon further request from the PM/OR.

D. SOP 7.40 – Document Control Closeout and Record Turnover

SOP 7.40 details the procedure for turning over project closeout documentation to the District. It requires that the Owner's Representative Document Control ("OR-DC") and Program Controls Document Control ("PC-DC") issue certification letters confirming the transfer of all pertinent electronic and hard copy files to SBBC Document Control. Through our testing, we noted that for five (5) of five (5) sampled projects, certification letters attesting to the transmittal and receipt of key project documentation were not provided in e-Builder or provided upon further request from the PM/OR, as of the date of this report.



CURRENT PERIOD OBSERVATIONS (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT

OBSERVATION	1. Adherence to SOPs for Project Closeout (Continued)
DETAIL	<p>D. <u>SOP 7.40 – Document Control Closeout and Record Turnover (continued)</u></p> <p>Missing documentation includes:</p> <ul style="list-style-type: none"> • Certification letters from PC-DC confirming the completeness of project documents in e-Builder. • Certification letters from OR-DC confirming that all project documentation is stored on the SBBC server. • Certification letters from OR-DC confirming the transfer of all electronic and hard copy documents, along with user credentials for staff email and document control accounts. • Certification letters from PC-DC confirming the handover of all electronic project data maintained in e-Builder to SBBC Document Control. • Confirmation receipts from SBBC Document Control acknowledging the receipt of all required project documentation. <p>During discussions, the PM/OR noted that several SOPs related to project closeout are in the process of being updated (see Observation #3). In addition, certain personnel such as project managers and architects are no longer at the District, leading to difficulties in obtaining requested documentation for our sampled projects that was not previously uploaded to e-Builder. This illustrates the critical role of e-Builder as the District's central repository and system of record for the construction program. If project documentation is not uploaded and stored in e-Builder in a timely manner, critical information may be lost, or not available for future use if personnel turnover occurs. It is critical for the District to secure all pertinent project documentation, particularly as the SMART Program nears completion and an increasing number of projects reach closeout. This is further underscored by the potential turnover of the PM/OR after 2025.</p>
RECOMMENDATION	<p>We recommend the PM/OR review all projects completed to date and verify that required closeout documentation is uploaded to e-Builder.</p> <p>In addition, we recommend the District review and update its suite of standard operating procedures for project closeout to reflect current processes (see Observation #3).</p>
MANAGEMENT'S RESPONSE	<p>PM/OR Response: The PM/OR has started a reconciliation of the projects that have completed closeout to comply with the missing documentation noted above. We have assigned a team to collect all the missing data, update e-Builder and transmit the appropriate documentation to the District. Additionally, the SOPs are being reviewed and updated accordingly.</p>



CURRENT PERIOD OBSERVATIONS (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT

OBSERVATION

2. Architect/Engineer and Contractor Performance Evaluations

RECOMMENDATION

Through our detailed testing of the District's project closeout process, we noted instances of noncompliance with standard operating procedures related to performance evaluations for architects/engineers and contractors. Specifically, we noted the following:

A. SOP 5.50 – Architect/Engineer Performance Evaluations

SOP 5.50 requires periodic performance evaluations be conducted of architects/engineers at various project stages, including after the scope validation report, at 50% and 100% of the design phase, and at project completion, depending on the size and/or scope of each project. Through our testing, we noted the following:

- For three (3) of five (5) sampled projects, documentation of interim performance evaluations was not available in e-Builder, and no further documentation was provided upon request.
- For three (3) of five (5) sampled projects, documentation of final performance evaluations was not available in e-Builder, and no further documentation was provided upon request.

B. SOP 5.60 – Contractor Performance Evaluations

According to SOP 5.60, performance evaluations are required for all contractors or construction managers providing construction services to the District. The SOP requires that evaluations be conducted at various points throughout the project, including at the end of the design phase (for CMAR contracts), at 50% construction completion (by schedule), and at project completion. Through our testing, we noted the following:

- For three (3) of five (5) sampled projects, documentation of interim performance evaluations was not available in e-Builder, and no further documentation was provided upon request.
- For five (5) of five (5) sampled projects, documentation of final performance evaluations was not available in e-Builder, and no further documentation was provided upon request.

Conducting and documenting performance evaluations for both the architect/engineer and contractor are critical to maintaining quality control and accountability for construction projects. Without documented performance assessments, the Procurement and Warehousing Services ("PWS") Department may not have access to historical data to inform future procurement decisions, thereby increasing the risk of re-engaging underperforming vendors. Further, consistent performance evaluation practices provide an opportunity for real-time feedback and timely interventions to address deficiencies.

RECOMMENDATION

Architect/engineer and contractor performance evaluations should be conducted and documented for all projects. The District may consider incorporating a verification step within existing design and construction workflows to verify that evaluations are performed.



CURRENT PERIOD OBSERVATIONS (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT	
OBSERVATION	2. Architect/Engineer and Contractor Performance Evaluations (Continued)
MANAGEMENT’S RESPONSE	<p>PM/OR Response: The PM/OR had also identified this as an issue and has pushed the teams to prepare evaluations at all the required intervals. The PM/OR has incorporated a verification step within the existing design and construction Monthly Project Update (MPU) process to verify that evaluations are performed. Since implementation A/E Evaluations have increased from 433 to 575 and GC Evaluations have increased from 480 to 624. AECOM will continue to monitor this deliverable. Additionally, Atkins is in the process of building a new Evaluation process that will no longer be an upload/download process.</p>



CURRENT PERIOD OBSERVATIONS (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT

OBSERVATION 3. Outdated Standard Operating Procedures for Project Closeout

DETAIL

Through our review of the District's standard operating procedures for project closeout and discussions with the PM/OR, we noted that several SOPs appear to be outdated and may not align with current processes. During discussions, the PM/OR noted that while the core content of the SOPs is still applicable, specific components require updating to reflect current practices.

The following SOPs related to project closeout have not been revised in the last three (3) years:

SOP Number	SOP Name	Last Revision Date (per SOP)
SOP 5.10	Closeout / Warranty Phase Management	5/10/2018
SOP 5.20	Final Acceptance and Completion	5/10/2018
SOP 5.40	Project Closeout	4/10/2020
SOP 5.41	Project Financial Closeout	5/10/2018
SOP 5.50	Architect/Engineer Performance Evaluations	5/25/2018
SOP 5.60	Contractor Performance Evaluations	5/25/2018
SOP 7.40	Document Control Closeout and Record Turnover	6/9/2017
SOP 11.10	Professional Services Invoice Review	3/4/2019
SOP 11.20a	Contractor Pay Application Review Process – Hard Bid ITB and CSMP	3/31/2020
SOP 11.20b	Contractor Pay Application Review Process – CMAR and CC-CMAR	3/31/2020

Each of the SOPs listed above were originally developed and implemented by the prior PM/OR, CBRE Heery, Inc. Since the transition to the current PM/OR, AECOM, modifications have been made to several closeout-related processes, including, but not limited to, final acceptance and completion, financial closeout, and warranty phase management.

While many of the District's processes are documented and executed through e-Builder workflows, standard operating procedures should be updated periodically to align with current practices, particularly for manual processes. Discrepancies between documented procedures and current practice may lead to inconsistencies in the execution of closeout processes, overall project management, and documentation.

RECOMMENDATION

We recommend the District review its current suite of standard operating procedures related to project closeout and update to reflect current processes. Moving forward, the District should conduct periodic reviews of their SOPs to verify that documented procedures align with current processes and best practices.



CURRENT PERIOD OBSERVATIONS (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT

OBSERVATION

3. Outdated Standard Operating Procedures for Project Closeout (Continued)

MANAGEMENT'S RESPONSE

PM/OR Response: Below is the updated SOPs that are in e-Builder P.Admin filed in folder Admin/ 05 Procedures. SOPs are a living document, we are currently reviewing and updating all SOPs.

SOP Number	PM/OR Response	Last Revision Date (per SOP)
SOP 5.10	Closeout / Warranty Phase Management <i>Warranty Phase Management portion has been superseded by SOP 05.30 Warranty Management published 2023.10.27</i> <i>Closeout portion is included in Draft Update to 05.10 and why it is still showing in P.Admin</i> <i>Note: 05.10 Update is also including SOP 05.20, 05.40, and reference to 05.41</i>	5/10/2018
SOP 5.20	Final Acceptance and Completion <i>Is being included in update to 05.10</i>	5/10/2018
SOP 5.40	Project Closeout <i>Is being included in update to 05.10</i>	4/10/2020
SOP 5.41	Project Financial Closeout <i>In Draft Update title Closeout Purchase Order</i>	5/10/2018
SOP 5.50	Architect/Engineer Performance Evaluations <i>Correct. The verbiage has not been updated.</i>	5/25/2018
SOP 5.60	Contractor Performance Evaluations <i>Correct. The verbiage has not been updated.</i>	5/25/2018
SOP 7.40	Document Control Closeout and Record Turnover <i>SOP 7.40 Document Control is that it is in Draft Update – Combining 07.10 Contract Filing and SOP 7.40 Document Control Closeout and Record Turnover.</i>	6/9/2017
SOP 11.10	Professional Services Invoice Review <i>SOP 11.30 Contract Invoice 2022.06 Supersedes this SOP. 11.10 had not been moved to Archives.</i> <i>In addition, new SOP 11.50 – Commitment Approval 2022.06</i> <i>In addition, new SOP 11.55 – Schedule of Values 2022.06</i>	3/4/2019
SOP 11.20a	Contractor Pay Application Review Process – Hard Bid ITB and CSMP <i>SOP 11.30 Contract Invoice 2022.06 Supersedes this SOP. 11.20a had been moved to Archives.</i> <i>In addition, new SOP 11.50 – Commitment Approval 2022.06</i> <i>In addition, new SOP 11.55 – Schedule of Values 2022.06</i>	3/31/2020
SOP 11.20b	Contractor Pay Application Review Process – CMAR and CC-CMAR <i>SOP 11.30 Contract Invoice 2022.06 Supersedes this SOP. 11.20b had been moved to Archives.</i> <i>In addition, new SOP 11.50 – Commitment Approval 2022.06</i> <i>In addition, new SOP 11.55 – Schedule of Values 2022.06</i>	3/31/2020



PRIOR OBSERVATIONS FOLLOW-UP



PRIOR OBSERVATIONS FOLLOW-UP

INTERNAL AUDIT – PROGRAM MANAGEMENT		
1. Contract Time Modifications and Schedule Updates		Closed
PRIOR OBSERVATION 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 within 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 four (4) of our samples.</p> <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>	
CURRENT OBSERVATION STATUS	<p>RSM selected an additional sample of three (3) change orders with time modifications to verify inclusion of change order time extensions/reductions in the Contractor’s project schedule. No exceptions were noted during our follow-up testing. As such, we recommend closure of this observation.</p>	



PRIOR OBSERVATIONS FOLLOW-UP (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT

2. PM/OR Compliance with Reporting Requirements

June 2021

Partially Complete

PRIOR OBSERVATION DETAIL

RSM conducted detailed testing procedures related to the PM/OR's compliance with the monthly/quarterly deliverables as required by the RFQ. We noted that required monthly/quarterly reporting deliverables were not provided to OCP during our scope period (December 2020 – March 2021).

Monthly Reporting Requirements

The PM/OR's RFQ provides a summary of monthly deliverables that are required to be provided to the District by the PM/OR starting December 2020. Through discussions with OCP and the PM/OR, we noted that a completed monthly reporting package had not been submitted to OCP as of March 2021. The PM/OR submitted their first monthly reporting package for February 2021 in April 2021. Through our testing of the February and March 2021 reports, we noted certain monthly deliverables were not provided, including deliverables related to the following RFQ requirements:

- Variance Analysis (Schedule / Budget) Slippage
- Evaluation of Pay Requisition (Consultants & Contractor)
- Earned Value Project Management
- Monthly Executive Summary of Program Performance
- Monthly Executive Summary of Program Performance

Quarterly Reporting Requirements

The items listed in the table below were identified as the agreed-upon quarterly deliverables to be provided after the first three (3) months of the PM/OR's tenure. The table below summarizes the results of our testing:

AECOM Quarterly Reporting Requirements (section 6.7 of the Owners Representative RFQ)	Provided Q4 2020?	Provided Q1 2021?
Knowledge Management/Continuous Improvement at Program & Project Level (industry best practices & lessons learned)	Yes	No
Responsible, Accountable, Consulted, Informed (R. A. C. I.) Matrix	Yes	Yes

We recommend the PM/OR provide monthly and quarterly deliverables as required by their RFQ to allow the District to more effectively monitor project and program performance. As the Program Manager/Owner's Representative, AECOM should seek to provide timely information and actively collaborate with District staff and the CPCM in an effort to collectively move the Program forward.



PRIOR OBSERVATIONS FOLLOW-UP (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT

2. PM/OR Compliance with Reporting Requirements (Continued)

June 2021

Partially Complete

CURRENT OBSERVATION STATUS

As part of our follow-up testing procedures, RSM conducted detailed testing related to the PM/OR's compliance with the monthly/quarterly deliverables required by the RFQ. Through our testing, we noted that two (2) remaining monthly deliverables were not provided within the "SMART Program Monthly Reports" for the period of July 2023 through January 2024. The following deliverables were not included in the monthly reports:

- Stakeholder Satisfaction
- Economic Development and Diversity Compliance ("EDDC")

This observation will remain open, pending further testing of SMART Program Monthly Reports for compliance with reporting requirements.

MANAGEMENT'S RESPONSE

PM/OR Response:

Stakeholder Satisfaction Reporting

The AECOM team is collaborating with our communications liaison to refine the stakeholder input process and update previous PMOR questionnaires. The goal of the new surveys is to better reflect the current status of the program and will be inclusive of various key stakeholder groups. For efficiency, we will better define and segment the stakeholder groups to include the school community, school administration, relevant District department as well as business partners such as the architects, contractors, and other vendors. We have analyzed the questions and are adjusting the content and language for clarity. We are currently in the process of finalizing the content and optimizing distribution for maximum participation. Our aim is to begin collecting stakeholder feedback within the next quarter and establish a regular reporting schedule.

EDDC Reporting

AECOM has worked with EDDC, and our February 2024 Monthly Report now includes EDDC reporting.



PRIOR OBSERVATIONS FOLLOW-UP (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT

3. Monthly Schedule Reporting: Contractual Completion Dates

September 2022

Open

PRIOR OBSERVATION DETAIL

Through our review of the project schedules for ten (10) sampled projects, we noted that three (3) of six (6) projects in active construction have surpassed their contractual substantial completion date and change orders have not been executed to modify the construction duration.

The table below illustrates the number of days in which each project has surpassed the contractual substantial completion date, as of July 31, 2022.

School Name	Current Phase % Complete (May 2022 MPU)	Contractual Substantial Completion Date (per NTP)	Days Extended by Executed Change Orders	Revised Contractual Substantial Completion Date	Days Passed Contractual Substantial Completion Date
Deerfield Beach HS (P.002694)	39%	3/21/22	0	3/21/22	132
Ramblewood MS (P.001867)	92%	5/22/21	0	5/22/21	435
Maplewood ES (P.001639)	93%	2/5/21	72	4/18/21	469

According to Article 4 of the District's Construction Agreement ("Time for Contractor's Performance"), the Contractor is required to accomplish substantial completion on or before the date stipulated in the Notice to Proceed ("NTP"). The Agreement also includes a provision for "Liquidated Damages for Substantial Completion" which states that the Owner is entitled to \$500 in liquidated damages for each day the project extends past the contractual substantial completion date.

Monitoring the accuracy of project schedules is critical to the successful and timely completion of projects. While the PM/OR's baseline schedule may include sufficient time to complete the project, the Contractor is contractually obligated to complete the project within the specified construction duration outlined in the NTP and Agreement. By executing a formal change order, the District is establishing revised expectations with the Contractor. If the Contractor is aware they have missed their contractual completion date and will not be penalized for delays, they are more likely to operate with a lower sense of urgency.

We recommend the PM/OR develop procedures to monitor the contractual completion dates outlined in the Construction Agreement and Notice to Proceed ("NTP"). If projects are at risk of schedule delays, change orders should be executed to modify the contractual completion dates to reflect a more reasonable project timeline.



PRIOR OBSERVATIONS FOLLOW-UP (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT		
3. Monthly Schedule Reporting: Contractual Completion Dates (Continued)		September 2022
		Open
CURRENT OBSERVATION STATUS	<p>Through discussions with the PM/OR and review of the SMART Program Monthly Reports, we noted that the PM/OR is actively working through the backlog of Time Impact Analysis (TIA) reviews. As noted in prior reports, many District projects have exceeded their contractual substantial completion dates and are awaiting change orders for time modifications to adjust or extend their schedules.</p> <p>This observation will remain open, pending further review and PM/OR completion of the TIA backlog.</p>	
MANAGEMENT’S RESPONSE	<p>PM/OR Response: The previous PMOR and District Management had sent out direction to hold Change Orders (COs) for time until the end of the project. Once AECOM was made aware of the memo, we notified each contractor that they needed to follow the contract which requires COs to be submitted for time and money together. The contractor submitted hundreds of TIAs at the same time, that were for delays that were a couple of years old, this then required a forensic review of the entire project to evaluate entitlement. The TIA backlog has gone down considerably, there are 32 TIAs remaining from the backlog. Currently there are 56 Open TIAs, 30 of which have been returned multiple times to the contractor as a revise and resubmit for missing documentation, and 7 have been recently submitted. The Claims Analyst team are pushing to complete the remaining 32 TIAs from the backlog by the end of Year 4.</p>	



PRIOR OBSERVATIONS FOLLOW-UP (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT

4. PM/OR S/M/WBE Compliance

November 2023

Open

PRIOR OBSERVATION DETAIL

Through analysis of PM/OR invoices for professional services rendered between August 2020 and June 2023, we noted that the PM/OR is not in compliance with contractual S/M/WBE requirements. Further, we noted that the PM/OR's staffing plan is not structured in a way that allows for efficient tracking of future S/M/WBE compliance, and does not clearly present projected S/M/WBE participation.

Section 2.06 of the PM/OR Agreement states that the PM/OR *"shall provide for S/M/WBE participation during its performance of services under this Agreement by listing SBBC Certified S/M/WBE's participation commitment percentage set forth in the Vendor's proposal (Attachment B)"*. According to Attachment B of the Agreement, the PM/OR committed forty-five percent (45%) S/M/WBE participation through the use of three (3) SBBC certified S/M/WBE vendors as part of their proposal. Through June 2023, S/M/WBE vendors accounted for 40.36% of the total contract value invoiced by AECOM.

According to the PM/OR RFQ, the District established a minimum goal of twenty-nine percent (29%) S/M/WBE participation for submitting firms, and awarded additional evaluation points for S/M/WBE commitments above the 29% minimum. The PM/OR was awarded the maximum number of points (15) with a S/M/WBE participation commitment within the range of forty-five (45) and forty-nine percent (49%).

In July 2023, the first amendment to the PM/OR Agreement was approved by the Board which modified the S/M/WBE percentages to recover the negative variance for Contract Years 1-3. In total, the PM/OR's S/M/WBE participation commitment was increased by 8.47% to 53.47%.

RSM obtained the PM/OR's updated staffing plan for Contract Year 4 (August 2023 through July 2024) and performed an analysis to determine whether projected S/M/WBE participation aligned with the commitment percentages outlined in the amendment. Through our analysis, we noted that the staffing plan projects 52.39% S/M/WBE participation, compared to the 53.47% commitment specified in the amendment.

Without a clear methodology to track S/M/WBE utilization and update the staffing plan based on actual participation, the PM/OR may not have the ability to identify potential variances in S/M/WBE utilization and adjust staffing models accordingly. Insufficient monitoring and enforcement of contractual S/M/WBE requirements may increase the District's reputational risk, and negatively impact its relationships with S/M/WBE vendors.

We recommend the PM/OR modify its current staffing plan to provide a summary of projected contract totals by vendor and S/M/WBE utilization. Further, actual S/M/WBE utilization should be tracked and measured against the projected participation included within the staffing plan. Using this information, the PM/OR can anticipate and communicate potential variances in S/M/WBE utilization, as needed. The staffing plan should be provided on a quarterly basis and incorporated into the PM/OR's SMART Program Monthly Reports.



PRIOR OBSERVATIONS FOLLOW-UP (CONTINUED)

INTERNAL AUDIT – PROGRAM MANAGEMENT		
4. PM/OR S/M/WBE Compliance (Continued)		November 2023
		Open
CURRENT OBSERVATION STATUS	<p>Through our review of the "AECOM S/M/WBE Reporting" section within the January 2024 SMART Program Monthly Report, we noted that while S/M/WBE participation increased from 41.91% in November 2023 to 43.48% in January 2024, participation remains approximately 10% below the revised goal of 53.47%. Further, we noted that an updated staffing plan/matrix was not provided in the SMART Program Monthly Reports for the period of July 2023 through January 2024.</p> <p>As such, this observation will remain open pending further testing.</p>	
MANAGEMENT’S RESPONSE	<p>PM/OR Response: Some of the subconsultants have been challenged to meet the participation percentage as they have had employees’ circumstances requiring additional time off and/or turnover. Any open position will cause a deviation from the participation plan. Due to current market conditions open positions were hard to fill. AECOM has worked with the subconsultants on a Participation Recovery plan, this plan has been implemented and we anticipate all subconsultants to be close to their percentages by the end of the contract year.</p>	



PM/OR AND CPCM INVOICE TESTING RESULTS

Background

As part of our cycle audit procedures, RSM detail tests 100% of PM/OR and CPCM invoices for contractual compliance, proper supporting documentation, and mathematical accuracy. In prior reports, findings related to our testing were presented in the “Current Period Observations” and “Prior Observations Follow-Up” sections of the report. Considering the ongoing nature of our testing, RSM will continue to report exceptions as identified, in this separately titled “PM/OR and CPCM Invoice Testing Results” section. Findings will be communicated to and vetted with District staff, the CPCM, and PM/OR in real-time, and will be included within each internal audit report, as applicable.

Testing Results

AECOM:

RSM performed detailed testing of eleven (11) AECOM labor invoices and two (2) AECOM expense invoices as part of our cycle and follow-up testing procedures. Through our review of the PM/OR monthly invoices, we noted the following:

1. For one (1) of eleven (11) AECOM labor invoices, we noted that the amount invoiced by one (1) AECOM subconsultant did not agree to the amount invoiced by AECOM, resulting in a potential overbilling of \$12,370. Additional supporting documentation was provided by the PM/OR on May 8, 2024, which is currently under RSM review, as of the date of this report.
2. For three (3) of eleven (11) AECOM labor invoices, we noted that timesheets were not included within the invoice package for three (3) AECOM employees and four (4) employees from one (1) AECOM subconsultant. In total, 753 labor hours totaling \$81,918 were unsupported. Additional supporting documentation was provided by the PM/OR on May 8, 2024, which is currently under RSM review, as of the date of this report.
3. For one (1) of eleven (11) AECOM labor invoices, we noted two (2) instances where the invoiced labor rate exceeded the labor rate specified in the staffing matrix provided with the monthly invoice package, resulting in a potential overbilling of \$6,544. Additional supporting documentation was provided by the PM/OR on May 8, 2024, which is currently under RSM review, as of the date of this report.
4. For two (2) of two (2) AECOM expense invoices, we noted that supporting documentation was not provided to support reimbursable expenses (i.e., postage and shipping, supplies, etc.). In total, \$212 was unsupported by backup documentation. Additional supporting documentation was provided by the PM/OR on May 8, 2024, which is currently under RSM review, as of the date of this report.

Atkins:

RSM performed detailed testing of five (5) Atkins invoices as part of our cycle and follow-up testing procedures. We noted no exceptions during our testing.



OBJECTIVES AND APPROACH

Objectives

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

Approach

Our audit approach consisted of the following:

Cycle Audit Procedures

- Obtained and reviewed deliverables submitted in accordance with PM monthly reporting requirements derived from the CPCM RFP
- Reviewed CPCM monthly invoicing for contractual compliance, proper supporting documentation, and mathematical accuracy
- Obtained and reviewed deliverables submitted in accordance with PM monthly reporting requirements derived from PM/OR RFQ
- Reviewed PM/OR monthly invoicing for contractual compliance, proper supporting documentation, and mathematical accuracy
- Tested a sample projects for compliance with District Standard Operating Procedure and best practices for construction closeout.
- Followed up on prior findings, including the following prior observations:
 - Contract Time Modifications and Schedule Updates
 - PM/OR Compliance with Reporting Requirements
 - Monthly Schedule Reporting: Contractual Completion Dates
 - PM/OR S/M/WBE Compliance

Reporting

At the conclusion of our procedures, we summarized our findings into this report. We have reviewed the results of our testing with OCA, the CPCM and PM/OR teams, and incorporated management's response herein.



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