The School District of Volusia County, Florida Internal Audit Report: Design and Construction

October 7, 2020

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TRANSMITTAL LETTER

October 7, 2020

The School Board of Volusia County, Florida
200 N Clara Ave.
DeLand, FL 32720

Pursuant to our approved Statement of Work dated April 24, 2020, with The School Board of Volusia County, FL, we hereby present our report on the Internal Audit of the Design and Construction function. Our report is organized in the following sections:

Executive Summary	This provides a high-level overview and summary of the observations noted in our internal audit of the design and construction function within the Facilities Planning and Construction Department.
Background	This provides an overview of the Facilities Planning and Construction Department, as well as relevant background information.
Objectives and Approach	The internal audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach and the results of our audit procedures.
Observations Matrix	This section includes a description of the observations noted during our internal audit and recommended actions.

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

As of August 2020, The School District of Volusia County has 4 significant projects currently under construction, 2 significant projects in the planning stage, and multiple other major capital improvement projects. The construction of these significant projects, along with various renovation and capital improvement projects, are managed by the Facilities Planning and Construction Department (FPC). As part of the District's Operations Department, Facilities Planning and Construction is responsible for planning, coordinating, and executing capital projects in a timely and cost-effective manner. The Department is involved throughout the life cycle of a capital project, often working with Procurement Services to develop a scope of work, project budget, and vendor solicitation package at the beginning of the process. FPC oversees the daily operations and accounting of a project, coordinating with Construction Managers and vendors to facilitate the completion of projects according to scope, on schedule, and within budget.

Working to facilitate the construction of District facilities, The Facilities Planning and Construction Department reports to the Chief Operating Officer. Facilities Planning and Construction consists of the Design and Construction group, the Cost Measure and Accountability group, the Planning group, and the Building Code group. Facilities Planning and Construction is comprised of 31 positions that are split between the aforementioned departments. As of August 2020, the District has 80 active construction projects, six (6) of which are listed as significant. Significant projects include 3 Master Plans, 1 Replacement School, 1 Renovation and Addition, and 1 Campus-wide HVAC/Ceiling/Lighting/Flooring Replacement.

Objectives and Scope

The objective of this internal audit was to assess the design and effectiveness of the internal control structure as it relates to specific processes (procurement, invoicing, and change orders) within Design and Construction and whether the system of controls is adequate and appropriate for promoting and encouraging the achievement of management's objectives. Procedures included:

- Evaluated the design of key processes and controls identified during walkthroughs through industry benchmarking, best practices and comparable client experience.
- Reviewed and tested source documents (procurement packages, invoices, change orders) for a sample of ongoing and recently completed construction projects.
- Developed recommendations for process and control modification / addition / deletion for any design gaps or non-compliance issues identified during our analysis and testing.

The results of our procedures are summarized in the pages that follow, and have been shared with the Facilities Planning and Construction Department.

Overall Summary / Highlights

During our testing we noted observations related to the review of change orders and invoices, negotiation of fixed cost components, retainage calculations, proposal documents & scoring requirements, and the composition of the procurement selection committee. The objective of an internal audit function is to perform testing of controls, and provide reporting of exceptions noted. The observations detailed in the pages that follow represent only the instances where exceptions were noted, and do not detail the instances where testing resulted in no reportable observations.

Fieldwork was performed May 2020 through August 2020. Exit meetings were held with Management on September 14, 2020 and the Interim Superintendent on October 7, 2020.

Summary of Observations	
Observations	6

We would like to thank all District team members who assisted us throughout our procedures.

EXECUTIVE SUMMARY (CONTINUED)

Observations Summary

Below is a summary listing of the observations that were identified during this internal audit. Detailed observations are included in the observations matrix section of the report.

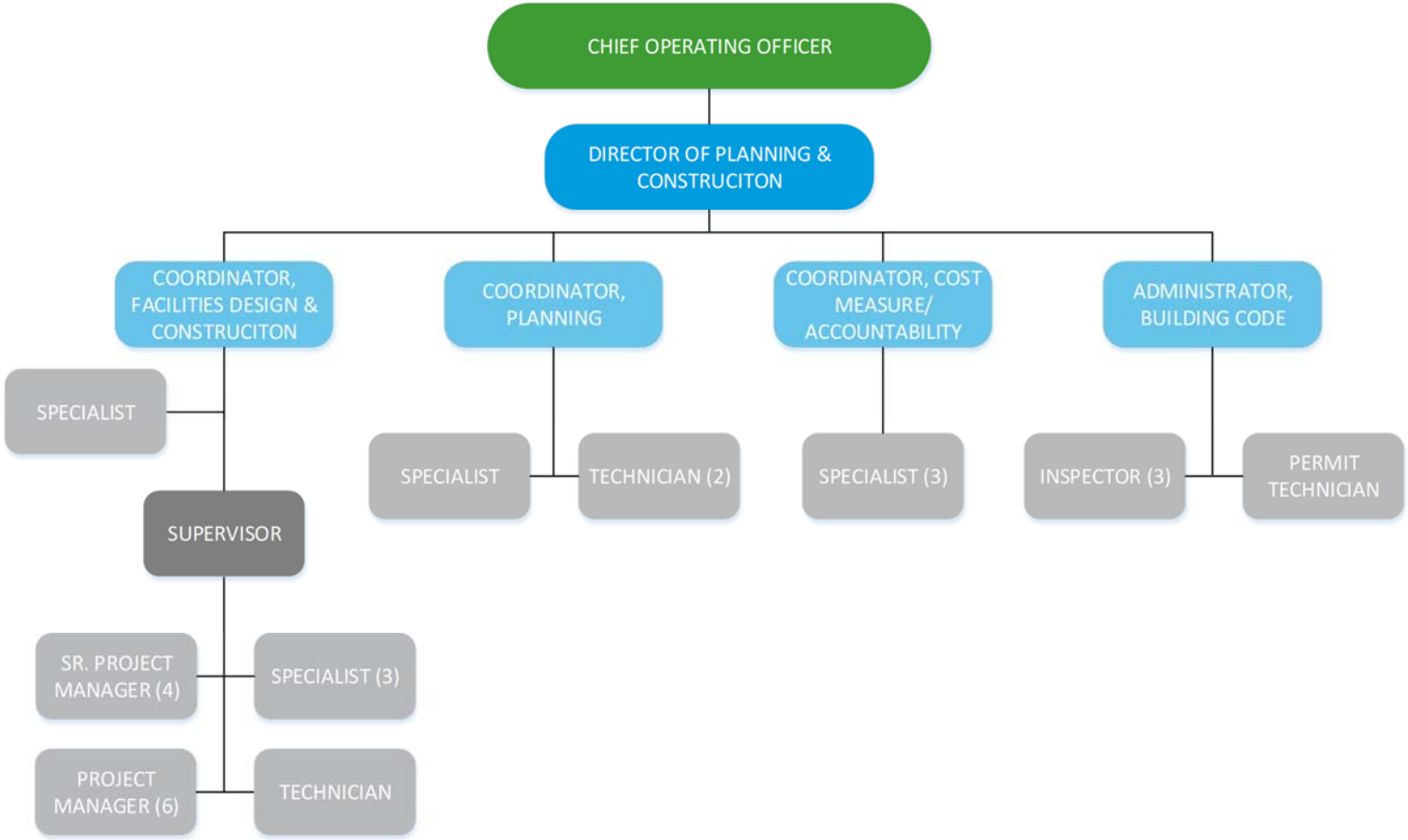
Summary of Observations	
Observations	**Risk Rating**
1. Thorough Review of Change Orders and Pay Applications Through our detailed testing of construction change orders and pay applications (invoices), we noted items that may have been identified by personnel through a more detailed review of supporting documentation prior to acceptance of the pay application or proposed change.	**High**
2. Composition of Procurement Selection Committees Through our testing of project procurements, we noted that the selection committee for two procurements was not formed in accordance with District Policy #605. Additionally, it was also noted that a Board Member was a participant on one of the selection committees.	**High**
3. Negotiation of Stipulated Rates During our detailed testing of construction invoices and in conversations with Management, we noted the District sometimes negotiates with contractors to establish rates within CMAR agreements.	**Moderate**
4. Decentralized Procurement Policies Through our walkthroughs we noted that procurement of construction contracts is currently decentralized and managed by FPC, rather than Purchasing.	**Moderate**
5. Proposal Documentation Requirements Through our review of sampled procurement documents, we noted that required submissions do not consistently align with evaluations and the scoring of responses.	**Moderate**
6. Improper Retainage Calculation Through our testing of pay applications we noted that retainage was not withheld in accordance with Florida Statute.	**Low**

BACKGROUND

Overview

As of August 2020, The School District of Volusia County has 80 active construction projects. Projects span from the upgrade of school switchgear to school master plans. Six (6) of the eighty (80) active construction projects are classified as significant on The School District of Volusia County's Capital Project Status Report. The construction of these six (6) projects, along with the other major capital improvement projects, are managed by the Facilities Planning & Construction Department (FPC). As part of the District's Operations Department, Facilities Planning and Construction is responsible for planning, coordinating, and executing capital projects in a timely and cost-effective manner. The Department is involved throughout the life cycle of a capital project, often working with the Budget Department to create a project budget. FPC oversees the daily operations and accounting of a project, coordinating with Construction Managers and vendors to facilitate the completion of projects according to scope, on schedule, and within budget.

Working to facilitate the construction of District facilities, The Facilities Planning and Construction Department reports to the Chief Operating Officer and consists of the following: 1 Director of Planning and Construction, 3 Coordinators, 1 Administrator, 1 Supervisor, 8 Specialists, 4 Technicians, 3 Inspectors, 4 Sr. Project Managers, and 6 Project Managers, for a total of 31 employees. It was noted that at end of March 2020, the District hired a new Director of Planning and Construction.



BACKGROUND (CONTINUED)

Overview (continued)

Significant Projects*

As of August 2020, The School District of Volusia County has six (6) significant projects currently under construction. Of the six (6) projects, there are three (3) Master Plans, one (1) Replacement School, one (1) Renovation and Addition, and one (1) is HVAC/Ceiling/Lighting/Floor Replacement. The total contract value of significant projects currently in progress is $145,446,613 (over multiple years).

School Name	Project Description	Contract Amount	Estimated Completion Date	Project Status
Deltona Middle School	Master Plan	$ 51,148,348	02/01/2022	In Progress
George Marks Elementary School	Master Plan	$ 22,294,139	12/31/2020	In Progress
Chisholm Elementary School	Replacement School	$ 21,635,184	07/31/2020	In Progress
Westside Elementary School	Renovations and Additions	$ 16,368,942	12/31/2020	In Progress
New Smyrna Beach Middle School	HVAC/Ceiling/Lighting/Floor	$ 10,000,000	TBD	In Progress
Osceola Elementary School	Master Plan	$ 24,000,000	TBD	In Progress

**information in this section is unaudited and was provided by Facilities Development & Programming*

BACKGROUND (CONTINUED)

Overview (continued)

Completed Projects*

As of our fieldwork, the Department had completed fourteen (14) projects in 2020, totaling $25,268,365 in final contract costs. In addition to the fourteen (14) projects, four (4) schools are still working on completion of additional Exhibits to the contract, including the George Marks Elementary School Master Plan, Holly Hill School Millwork Replacement, Westside Elementary School Renovations and Additions, and the Pine Ridge High School HVAC/Ceiling/Lighting Upgrades.

School Name	Project Description	Project Close Date	Final Contract Value
George Marks Elementary	Master Plan – Exhibit B	7/15/2020	$2,542,235
Enterprise Elementary School	Replace Upper Cafeteria Roof	6/15/2020	$184,237
DeLand Middle School	Campus Wide HVAC, Ceiling and Lighting	5/8/2020	$8,831,624
Seabreeze High School	Renovate Track	4/20/2020	$457,787
Atlantic High School	Athletic Field Lighting	3/27/2020	$985,300
Pine Trail Elementary	Electrical Switchgear Upgrade	3/27/2020	$141,700
DeLand Middle School	Replace Fire Alarm & Intercom	3/27/2020	$764,500
Atlantic High School	New Digital Marquee	2/25/2020	$177,838
Creekside Middle School	Upgrade HVAC Bldg. 1,3,10 and Chiller 3	2/25/2020	$1,731,326
DeLand High School	Media Center Retrofit	2/11/2020	$478,478
Holly Hill School	Replace Millwork Bldgs. 1-10 – Exhibit E	2/11/2020	$643,752
Westside Elementary School	Renovations and Additions – Exhibit A	2/11/2020	$6,749,445
Palm Terrace Elementary	Media Center Retrofit	1/27/2020	$258,490
Pine Ridge High School	Upgrade HVAC, Ceiling and Lighting Bldg. 8 – Exhibit D	1/27/2020	$1,321,653

**information in this section is unaudited and was provided by Facility Development & Programming*

Procurement

Currently, construction-related procurements are performed in-house by the Facilities Planning and Construction Department. Facilities Planning and Construction is responsible for ensuring competitive selection for construction services is advertised in accordance with the requirements of state law. Facilities Planning and Construction also oversees the appointment of a professional services selection committee for the purpose of selecting the firm to provide the construction services. In addition, the selection committee is responsible for reviewing vendor proposals, conducting vendor interviews, scoring proposals and ultimately presenting the Board with their final selections for approval.

BACKGROUND (CONTINUED)

Procurement (continued)

The following graphic represents the process followed for construction procurement:

Facilities Planning and Construction utilizes an RFQ template with standardized contract language for every solicitation, whether it's for a general contractor, architect, or engineer. The standardized contract language comprises the majority of the package; however, FPC provides the scope of work and any construction-specific details such as bonding and licensing requirements. When the procurement package has been assembled, the solicitation is advertised to the public. After all RFQ submissions have been received at the bid closing date, the "Selection Committee", including representatives from Facilities Planning and Construction, will convene to evaluate the submittals and assign each firm a score. Each Committee Member or "evaluator" completes a standard evaluation form that outlines the required qualifications and selection criteria.

Examples of selection criteria considered during the evaluation of proposing vendors include:

- Past Performance
- Timeline & Budget Adherence
- Experience & Ability
- Distance From Firm to Project Site

Using the calculated score from the evaluation sheet, each firm is ranked in order of preference for a "short list". The "short listed" applicants may be interviewed by the selection committee, as determined by the committee. If interviews are conducted, firms are again evaluated, scored, and ranked in order of highest to lowest. The final rankings of the applicants are then sent to the School Board for approval before a firm is awarded and the negotiation process begins. The Facilities Planning and Construction department serves as a subject matter expert during this process and works with top applicants / applicant to negotiate a contract. If the District cannot come to an agreement with the highest ranked vendor, that vendor is removed from the list and the negotiation process is repeated with the next highest ranked vendor. Following award of the contract, Facilities Planning and Construction submits a requisition for a purchase order to Procurement Services. Procurement will then validate the requisition and create a purchase order for the contract, and FPC will issue a Notice to Proceed ("NTP") to the vendor.

The RFQ Selection Committee

The composition of the Selection Committee varies depending on the scope of work of an RFQ; however, the Committee must be comprised of a minimum of five (5) members. Selection Committee members shall include representatives from Facilities with experience in planning, architecture, site acquisition, construction, building maintenance and operations, and others deemed appropriate. Participation may be extended to include a site administrator, finance representative or designee, and a citizen member; these representatives shall be included for specific projects with an estimated cost exceeding $2,000,000. The RFQ Selection Committee's composition requirements are the same for a Continuing Contract for Professional Services (CCNA), Construction Manager at Risk ("CMAR"), Architectural, MEP, and Roofing Consultant Services.

BACKGROUND (CONTINUED)

Procurement (continued)

Continuing Services Contracts (CCNA)

For projects that have a total project cost of less than $2 million, the District utilizes Continuing Services contracts to perform smaller capital projects. For continuing contracts, the District is able to issue an RFQ and award contracts to multiple firms under one solicitation. For example, ten (10) firms can be awarded and kept under contract for one (1) year; renew with Board approval. The District can then use these firms to perform small capital projects without going through the procurement process. According to District Policy #602, every effort is made to ensure that the assignment of projects to the consultants is done as equitably as possible. Projects are generally done on a rotation basis; however other factors may determine the selection of a specific consultant. These factors typically include, but are not limited to:

- Scope of project, which could require a Consultant that specializes in a particular field
- Consultant's current work load
- Total fees that have been paid to the Consultant for previously assigned projects; and
- If the Consultant previously designed projects for the facility at which the current project is located

Payment Applications & Invoice Review Process

A payment application or "pay application" is a detailed invoice submitted by a contractor to the owner (the District) for the purposes of receiving payment for completed work during a particular time period. Due to the complexity and cost of larger construction projects, a traditional single-page invoice does not provide a sufficient amount of detail to support the project costs claimed by the contractor. A payment application serves as the contractor's request for payment and also the architect's certification of the work completed by the contractor. The District utilizes the standard AIA (The American Institute of Architects) certified payment application, which includes a cover page (the Application and Certificate for Payment) as well as a continuation sheet (the Schedule of Values) which provides a detailed accounting of the work completed on a given project.

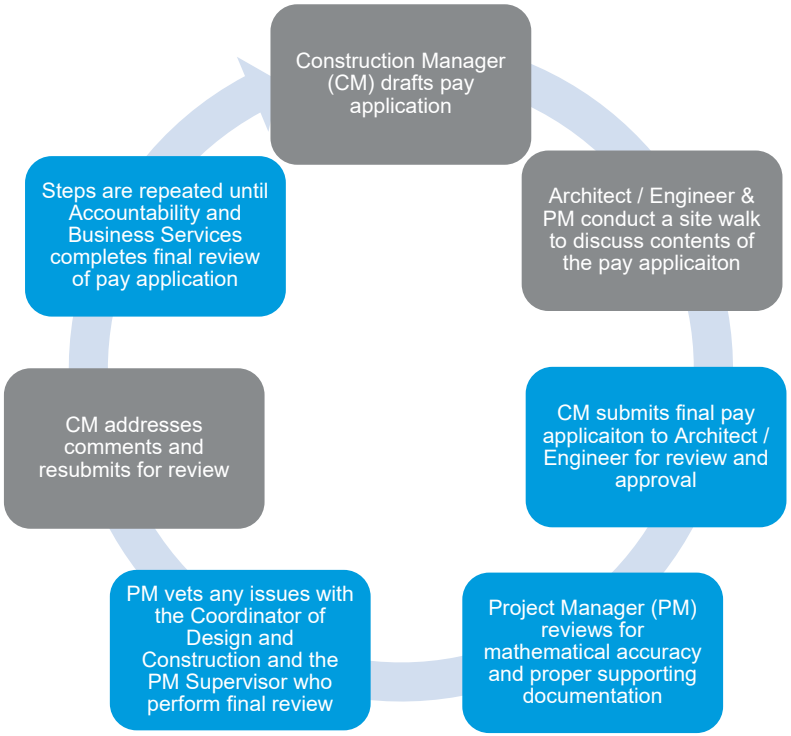
In order for a payment application to be approved by the owner, the contractor is required to provide documentation to support invoiced costs; however, the documentation required depends on the type of contract (i.e. Lump Sum vs GMP). Examples of supporting documentation include:

- Labor reports and timesheets for supervision or labor costs
- Invoices or receipts for general conditions costs (i.e. jobsite trailers, small tools, dumpsters, construction management software, etc.)
- Subcontractor payment applications or invoices for work completed by subcontractors
- Lien waivers

Together, the AIA payment application and supporting documentation provided by the contractor form a payment application package. Each month, Facilities Planning and Construction reviews each of these packages as they are received from contractors. Before a pay application is approved and paid, FPC is responsible for reviewing the contractor's payment application package for completion, accuracy, and proper supporting documentation. The payment application process begins when the contractor creates a draft of a pay application, often referred to as a "pencil draw", which FPC expects to receive by the end of each month. Prior to the finalization of a payment application, the Facility Engineer and/or Architect and Project Manager (PM) will often conduct a "site walk" or meeting to discuss the contents of the application. The purpose of this meeting is to walkthrough the progress made on the project and determine the percentage of completion for various line items included in the schedule of values. After the site walk has been completed the contractor will prepare the final official pay application, it is reviewed and approved by the Architect, who is a District agent independent of the contractor. After the Architect conducts their review, the pay application is then forwarded to the Project Manager for signature. Errors or omissions that are identified during the review process are communicated and vetted with the Coordinator of Design and Construction and PM Supervisor, who perform the final review. Once the pay application discrepancies have been corrected, it is sent to Accountability and Business Services for final review and processing. If the pay application does not pass the review process, FPC provides comments to the contractor and returns the payment application. The process is repeated until the payment application is approved by Facilities Planning and Construction.

BACKGROUND (CONTINUED)

Payment Applications & Invoice Review Process (continued)



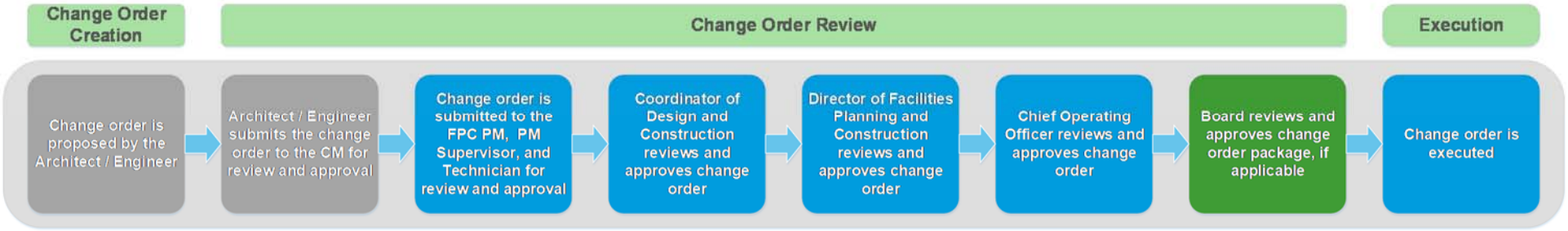
Change Order Process

Change management is a critical component in keeping capital projects in scope, on schedule, and within budget. Owners and contractors must have systems in place to adapt and deal with the various issues that arise during the construction process. Proper planning and change management controls can mitigate the risk of having to alter a contract or scope of work mid-way through a large capital construction project. In the event that a change must be made, both the contractor and owner must come to an agreement on those changes, and a formal document must be provided that details the proposed changes. A “change order” is used to document this agreement, as an official addition to the contract documents. A change order should include a description or justification for the proposed change, and supporting documentation such as vendor invoices and labor and materials breakdowns. Examples of change orders include additive and deductive changes to the original contract amount, time extensions or reductions to the project schedule, and the addition or deletion of certain scope items.

BACKGROUND (CONTINUED)

Change Order Process (continued)

The following graphic depicts the change order process utilized by FPC:



Change Order Process

The change order process often begins with a meeting between Facilities Planning and Construction PM, the contractor, and architect. As the need for a change order is identified, the contents of the change order will be discussed by the relevant parties prior to the creation of the change order document. Once the potential change has been vetted with the necessary parties and the PCO submitted, the change order is created. Before the change order is generated and submitted to Facilities Planning and Construction, the architect, PM, PM Supervisor, and contractor must review the proposed changes and associated cost. The change order is then provided to the FPC Project Manager, who performs a first level review. The second layer of review is an in-depth examination of the contents of the change order, conducted by the Coordinator of Design and Construction, PM Supervisor and Facilities Construction Technician. The change order is reviewed for the following:

- Completion (the change order is sequentially numbered and includes all necessary line items and descriptions)
- Proper approvals or signatures
- Mathematical accuracy (contract amounts, labor and materials, overhead and profit, and sales tax)
- Proper supporting documentation (vendor invoices, purchase orders, etc.)

If errors or omissions are identified at any point in the review process, findings will be vetted with the Coordinator of Design and Construction and the change order will be returned to the architect / engineer for revision. Once the Project Manager and Coordinator of Design and Construction perform their reviews, the Director of Facilities Planning and Construction performs a third review. Final approval of the change order is performed by the Chief Operating Officer and the School Board, if the change order is for an amount in excess of $35,000. After a change order has been approved by FPC, it is included on the contractor's next application for payment, and paid through the monthly review process.

Direct Materials Purchases & Project Savings

Change orders can be used as a tool to save the District money as potential savings are identified. Change orders can be issued to deduct tax savings made possible by Owner Direct Purchases ("ODP"). As a government entity, the District can take advantage of tax-exempt status by purchasing goods and services directly from a supplier. An owner direct purchasing program allows the District to coordinate with a contractor to issue a change order to reduce the contract amount for materials purchased by the District, plus associated taxes. As part of the planning process, FPC calculates the anticipated tax savings at the beginning of each project. During construction, the Project Manager (PM) assigned to the project will review invoices and identify opportunities for potential tax savings. During our review of change orders, we noted that Facilities Planning and Construction is actively using direct materials purchases to reduce project costs. In addition to deductive change orders for direct materials purchases and schedule reductions, a change order can be issued at the end of a project if it is completed under budget and project savings are credited back to the District.

OBJECTIVES AND APPROACH

Objectives

The objective of this internal audit was to assess the design and effectiveness of the internal control structure as it relates to specific processes (procurement, invoicing, and change orders) within Design and Construction and whether the system of controls is adequate and appropriate for promoting and encouraging the achievement of management's objectives.

Approach

Our approach to the audit execution consisted of the following phases:

Understanding and Documentation of the Process

To gain an understanding of the key personnel, processes, risks, and controls, we performed the following:

- Conducted an entrance conference with senior and executive management from Facilities Planning and Construction to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements;
- Conducted interviews with representatives from Facilities Planning and Construction to obtain an understanding of the District's operating policies and procedures, monitoring functions, contractual arrangements, and key documents; and
- Performed walkthroughs of the processes to validate our understanding.

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to evaluate the design of the key process and controls and test compliance and internal controls for operating effectiveness based on our understanding of the processes obtained during the first phase. We utilized sampling and other auditing techniques to meet our audit objectives outlined above. We conducted the following testing, and other procedures as deemed necessary.

- Evaluated the design of key processes and controls related to procurement, invoicing and change orders, which were identified during walkthroughs through industry benchmarking, best practices and comparable client experience;
- Reviewed and tested source documents (procurement packages, invoices, change orders) for a sample of ongoing and recently completed construction projects; and
- Developed recommendations for process and control modification / addition / deletion for any design gaps or non-compliance issues identified during our analysis and testing.

Reporting

We summarized and reviewed the results of this audit with appropriate members of Management, the Superintendent and will present to The Volusia County School Board.

OBJECTIVES AND APPROACH (CONTINUED)

Observation Risk Rating Definitions	
Rating	**Explanation**
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately.

OBSERVATIONS MATRIX

Observation	1. Review Process for Change Orders and Pay Applications
High	During our walkthroughs, we identified that although several groups are involved in the review process of pay applications and change orders, the roles/responsibilities of each group are not clearly defined. Through our detailed testing of construction change orders and pay applications (invoices), we noted inaccuracies that may have been identified by personnel through a more detailed review of supporting documentation prior to acceptance of the pay application or proposed change. Specifically, we identified inaccuracies in two (2) of six (6) change orders tested and two (2) of six (6) pay applications tested, as detailed by the following: *Change Orders* • We noted that one change order was approved for $64,500 based on a lump sum quote from a subcontractor that did not include an appropriate breakdown of proposed cost. Although a breakdown was subsequently provided, it did not reconcile to the approved change order, and was dated after the change order was approved. • We noted that for one change order, an item for cost of materials totaling $88 was calculated as a percentage of total labor cost. Per discussion with management, it was noted that this is not a standard practice of Volusia County Schools, and that additional procedures should have been performed to verify the appropriateness of the cost of materials. • We noted that a change order prepared by the prime contractor included a line item that did not agree to the corresponding quote/invoice provided by the subcontractor as support of the proposed cost. Specifically, the overhead fee for the subcontractor services was incorrectly applied, and as a result the District was overbilled $450 for the change order. *Payment Applications* • We noted that one pay application included billing of $275 for work not yet performed by a subcontractor. A detailed breakdown of the construction cost was provided; however, included in the breakdown was a charge for services of $275 that were not yet performed. Per the contract agreement, services that have not been completed should not be pre-billed on a pay application and paid by the District. • We noted that one pay application included a charge for a $35 late fee incurred by the contractor that was paid by the District. In further discussions with management and per the contract language, it was noted the District should not be responsible for late fees incurred by the contractor. • We also noted that retainage was not calculated in accordance with FL statute for 2 projects. Refer to Observation #3 below. Our understanding is that the project architect/engineer, PM, and Accountability and Business Services perform a review of pay applications. Additionally, the PM Supervisor and Coordinator of Design and Construction may also be asked to conduct a review as needed for pay applications. Change orders are reviewed in detail by the Coordinator of Design and Construction, PM Supervisor and the Facilities Construction Technician. As stated above, although several groups are involved in the review process, the roles/responsibilities of each group are not clearly defined. By not clearly defining the review process, and specifically what each group's procedures should include, there is increased risk that procedures assumed to be performed by other groups were not actually performed. In addition, the pay application and change order review process does not utilize a checklist as a means of verifying that all critical aspects of a review have been performed. Checklists assist reviewers by detailing each step of the review which must be performed, verifying that no part of the review is overlooked or forgotten.

OBSERVATIONS MATRIX (CONTINUED)

Observation	1. Review Process for Change Orders and Pay Applications (Continued)
Recommendation	We recommend that the District more clearly define the review process for pay applications and change orders, to include specific procedures to be performed, and/or expectations of the type of review performed by each group. For example, project managers (since they are on-site) should be responsible for validating quantities of general conditions items (labor hours, dumpsters, toilets, etc.), and assessing reasonableness of billings vs. project progress. Administrative personnel should be responsible for validating mathematical accuracy and that each item in a billing includes a corresponding support document. Documentation of a review may be facilitated by a checklist, as further described below. We also recommend the District implement a checklist(s) to facilitate the review process. The checklist should be attached to each pay application and change order, and follow the document through the entire review process. Checklists should include a signature/initial block for each procedure, so the reviewing party can indicate performance of each step. We have included a leading practice checklist as an appendix to this report.
Management's Action Plan	**Response:** Checklist have been created as part of the review of change orders as well as pay applications. The checklist for pay applications clearly defines party responsibility and task to review. **Responsible Party:** Facilities Constructions and Business Services Divisions **Estimated Completion Date:** September 21, 2020

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Composition of Selection Committees
High	Through our testing of project procurements, we noted that the selection committee for two procurements was not formed in accordance with District Policy #605. Additionally, it was also noted that a Board Member was a participant on one of the selection committees. Policy #605 requires representation from certain departments, as well as a citizen, for Construction Manager at Risk Procurements in excess of $2M: *Policy #605 Procedures 2(d), page 2* *Selection committee shall have a minimum of 5 members including representatives from the Facilities Division with experience in planning, architecture, site acquisition, construction, building and maintenance and operations, finance representative or designee and others as deemed appropriate. Participation may be extended to include site administrator, finance representative or designee, and a citizen member. When the project exceeds $2,000,000 these representatives shall be included.* We noted the following regarding the formation of District selection committees: • The committee formed to select the contractor for the Deltona Middle School Master Plan ($55M) was comprised of six (6) members, with four (4) of the six (6) members from within the Facilities Planning and Construction Department. The committee was comprised of: two (2) members from Design and Construction, one (1) member from Planning and Business Services, one (1) Building and Inspection Administrator, one (1) member from Finance, and one (1) member from Maintenance and Operations. • The committee formed to select the contractor for the George Marks Elementary School Master Plan ($21.5M) was comprised of seven (7) members, with one (1) member from Planning and Business Services, one (1) member from Design and Construction, one (1) Building and Inspection Administrator, one (1) member from Maintenance and Operations, one (1) member from Finance, one (1) School Principal, and one (1) Board Member. For this committee, three (3) members of the seven (7) member committee on the selection committee are in the Facilities Planning and Construction Department. Additionally, we noted that a Board member was present on the selection committee. As both procurements were in excess of $2M, a citizen member should have been included in the selection committee to comply with the policy procedure quoted above. We also identified that the selection committee formed for the Deltona MS Master Plan included a majority of members from FPC. We recognize that the involvement of Facilities Planning and Construction is critical to assessing qualifications of prospective bidders, and that FPC should have strong committee representation considering their working relationship with an awarded vendor. However, a committee with majority FPC composition increases the risk of conflicts of interest (whether real or perceived) during the selection process, as FPC personnel are likely to have prior established relations with proposing construction vendors. Additionally, the presence of a Board Member on the George Marks ES Master Plan selection committee increases risk, as the Board Member may be perceived to influence the decisions of the other selection committee members. This is because employees who comprise the selection committee ultimately report to the Board, either directly or indirectly, and thus selection committee members may be hesitant to disagree with a Board Member's vendor selection. A Board Member on a selection committee may also present improper segregation of duties and/or a conflict of interest, as the purpose of the committee is to present the scoring results and recommended award to the Board for approval, and further, since the Board may be asked to decide in the case of an appeal.

OBSERVATIONS MATRIX (CONTINUED)

Observation	2. Composition of Procurement Selection Committees (Continued)
Recommendation	We recommend the District include a citizen member in future selection committees for projects in excess of $2M to comply with the stated Policy. We further recommend the District consider modification of procedures for the RFQ Selection Committee to require a greater level of diversity. Input from various Departments should be considered when modifying the procedure, and may include the following options: • Simple modification of the committee composition to include a requirement that the committee contain members from a minimum of four (4) Departments. • Alternatively, the District may specifically define the committee, requiring each relevant Department to assign a member. In addition, we recommend that the District consider removing Board Members from future selection committees, as to not exert any unwanted influence over other selection committee members, improper segregation of duties, or conflicts of interest. We also recommend the District shift responsibilities of facilitating construction procurement to the Purchasing Department, as noted in Observation #4 below.
Management's Action Plan	**Response:** The CCNA Selection Procedure is being revised. Attached is the recent RFQ for Ortona-Osceola Elementary Master Plan implementing these suggestions. The Procedure for Policy 605 has been amended. Procedure for Policy 605 (ref. page 15, above) as drafted August 2020: *Selection Committee shall have a minimum of 5 members including representatives from Facilities with experience in planning, architecture, site acquisition, construction, building maintenance and operations; a finance representative or designee and others as deemed appropriate. Participation may be extended to include site administrator, and a citizen member, when the project estimated cost exceeds $4,000,000 these representatives shall be included.* Departments: 1. Planning & Construction (Director and Coordinator) 2. Building Department (Admin.) 3. Maintenance (Director) 4. Finance (Capital Projects Analyst). Designated department representative may assign a designee. Projects exceeding $4,000,000 (CCNA): add citizen and site administrator. Board member no longer included in the committee. **Responsible Party:** Planning & Construction **Estimated Completion Date:** November 20, 2020

OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Negotiation of Stipulated Rates
Moderate	During our detailed testing of construction invoices and in conversations with Management, we noted the District sometimes negotiates with contractors to establish rates within CMAR agreements. Although rates may be agreed with contractors, the District does not consistently maintain documentation supporting the reasonableness and methodology for determining the rates, and did not modify contract language to reflect acceptable billing support for these items. Specifically, we noted instances where the District agreed to: • Labor hourly rates o In 2 of 6 projects, we noted the standard contract language established labor as a reimbursable "at costs necessarily incurred" item with an established 40% labor burden. Although this was defined in the contracts, during GMP negotiations the District agreed to stipulated labor rates by position. In some cases, the labor rates were shown in calculations to establish GMP line items, and in other cases the rates were not specifically defined, but inferred or verbally discussed. • Vehicle weekly/monthly rates o In 1 of 6 projects, we noted the standard contract language established general conditions as a reimbursable "at cost necessarily incurred" item. Although this was defined in the contracts, during GMP negotiations the District agreed to stipulated monthly vehicle rates, which varied by position. Although totals were shown for vehicle costs as GMP line items, the rates were not specifically defined, but inferred or verbally discussed. By design, CMAR agreements provide transparency of costs versus construction manager profits, by establishing a guaranteed maximum price (GMP) that includes actual costs, plus a percentage fee (profit). The contract templates utilized by the District contain provisions that require detailed support of actual costs for all items within the GMP. Although establishing rates can reduce administrative burden related to invoice review, this practice removes transparency of costs from the negotiated components. While negotiations to establish rates for certain components are commonplace, best practices include documenting the agreement in writing with the contractor, and documenting methodologies employed by the District for determining the reasonableness of rates agreed. Contract disputes may arise if the contract requires certain supporting documents, but alternative arrangements were agreed verbally. This can be especially problematic in the event of turnover, on either the District or contractor team, as new parties to the project may not have a record of prior verbal agreements.
Recommendation	When Management agrees to stipulated rates for certain components of a CMAR agreement, we recommend the District document the following: - Insertion of language, or a formal amendment to the contract, specifying which portions are stipulated rather than cost reimbursable, amounts/rates, and acceptable billing support. - Pre-audits to support the reasonableness of fixed components, including documents reviewed to validate actual costs, historical cost comparisons, independent estimates, etc.

OBSERVATIONS MATRIX (CONTINUED)

Observation	3. Negotiation of Stipulated Rates
Management's Action Plan	**Response:** Insert language into the construction contract requiring daily timesheets and proof of CM payroll for each employee to be submitted with each application for payment. **Responsible Party:** Facilities Planning & Construction **Estimated Completion Date:** February, 2021

OBSERVATIONS MATRIX (CONTINUED)

Observation	4. Decentralized Procurement Practices
Moderate	Through our walkthroughs we noted that procurement of construction contracts is currently decentralized and managed by FPC, rather than Purchasing. This practice of decentralized procurement is inconsistent with leading practices we observe at similar entities. Further, in our testing, we noted noncompliance with Purchasing policy, as detailed in Observation #2 above. Purchasing is an inherently high risk process, especially in the public sector. Many state statutes define appropriate procurement methodologies, thresholds, and provide overall guidance for the purchase of services with public funds. District policies, while consistent with statute, generally apply more stringent requirements. Verifying compliance with various statutes and policies is complicated, and Purchasing departments are specifically equipped to independently facilitate the process, with personnel fully dedicated to performing purchasing duties. Decentralized procurement increases several risks including noncompliance with statute and policy, inappropriate segregation of duties, and independence and conflicts of interest, which all contribute to the risk of negative public perception.
Recommendation	We recommend the District shift responsibilities of facilitating construction procurement to the Purchasing Department. Considering that construction procurements are unique, and often require specialized knowledge, this recommendation is not intended to remove FPC from the procurement process. Rather, we recommend that FPC personnel work in conjunction with Purchasing to provide technical assistance in scope development, qualifications review, contract negotiations, and other areas as needed. This, combined with the Purchasing Department's assumption of responsibility for solicitation advertisement, collection of bids/proposals, organization of committees, and scoring/ranking will provide the District with an independent procurement process, while allowing FPC to continue providing construction expertise in critical areas.
Management's Action Plan	**Response:** Facilities Planning & Construction and the VCS Purchasing Department will hold a series of workshops to determine the proper division of responsibilities for the procurement of professional design and construction services. **Responsible Party:** Facilities Planning & Construction and Purchasing Department **Estimated Completion Date:** February 28, 2020

OBSERVATIONS MATRIX (CONTINUED)

Observation	5. Proposal Documentation Requirements
Moderate	Through our review of sampled procurement documents, we noted that required submissions do not consistently align with the evaluation and scoring of responses. The District evaluates proposals for construction management services based on the following criteria: • Past Performance • Experience • Timeline • Budget Adherence • Ability to Perform Each metric listed above is assigned a score of 1 - 5 by each selection committee member during the proposal review process. After the evaluation process has been completed, scores assigned to each criterion are totaled for each proposal. A short-list ranking is then created, listing firms from highest to lowest based on total score. Although the criteria listed above provide a foundation for objective scoring, we noted that proposers are required to provide substantial information that is relevant to the comparison of qualifications among respondents, but in some cases may not be clearly linked to one of the categories above. As an example, in the RFQs reviewed, we noted the following were included as requirements: • Location of the proposer's offices • Indication of other Volusia area projects proposer may have • Description of equipment and technology resources available to the contractor • Description of office technologies and web based services the contractor currently uses • Indication of the firm's experience in community engagement The scoring matrix used by the District identifies a firm's volume of work done with VCS (over the last 5 years) and the distance from the firm to the project site. However, weights are not assigned to these two measurements, so they are not used as part of the quantitative analysis. By not adequately defining what information is relevant to the Committee's decision making process, and by not linking documentation required by the RFQ to a specific scoring criteria/category, the scoring process contains risks of overlooking key elements of a proposal. This is especially relevant when overlooked elements otherwise may have influence on the Committee's decision regarding the most qualified firm for award. More clearly defining how RFQ requirements are linked to scoring metrics will increase transparency and objectivity of the scoring and selection process. Further, through our testing of proposal documentation, we noted the District equally weights all proposal scoring criteria, and limits scoring to a scale of 1-5. This practice varies from what we have observed as a leading practice from other similar organizations. By placing an equal amount of importance on all characteristics of the evaluation, the District is not differentiating key aspects of a proposer's response. Additionally, the District is not identifying which criteria are most relevant and/or important to the current proposal. By not defining which scoring requirements are most significant to the District, there is a risk that proposals may be selected for reasons not particularly relevant to the current project.

OBSERVATIONS MATRIX (CONTINUED)

Observation	5. Proposal Documentation Requirements
	In addition, a scoring scale of 1-5 limits an evaluator's ability to precisely assess a respondent's proposal. For example, two responses may contain similar qualifications with one slightly "better" than the other; however, the evaluator is limited to either assigning the same score to both, or to differentiating a score by 20% with the 1-5 scale. .
Recommendation	We recommend the District more clearly define how the documents required by RFQ respondents are factored into the scoring categories used by the selection committee. This may require an assessment of the scoring criteria currently used by the District, to determine if the existing categories remain relevant. Additionally, we recommend the District consider restructuring the scoring of RFQs to more precisely differentiate scoring criteria and weighting. The District may also consider expanding the scoring range to allow for a wider range of possible scores, further enhancing the scoring of a proposal's strengths and weaknesses. We have included a leading practice example of RFQ scoring as an appendix to this report.
Management's Action Plan	**Response:** Revised the RFQ and scoring sheet (ref: Ortona-Osceola CM RFQ and shortlist rating template). Scoring criteria is specified within the RFQ and directly correlates to the scoring sheet. Score using Adjectival Rating times a weighted value as determined by specific criterial related to the Project. **Responsible Party:** Planning & Construction **Estimated Completion Date:** November 20, 2020

OBSERVATIONS MATRIX (CONTINUED)

Observation	6. Improper Retainage Calculation
Low	Through our testing of pay applications we noted that retainage was not released in accordance with Florida Statute for two (2) of ten (10) projects tested. Retainage is defined as a portion of payment withheld, until work is substantially complete. Retainage is common in construction and used to assure that the contractor and subcontractors will satisfy obligations to fully complete a construction project. Specifically, Florida Statute allows 10% retainage to be withheld, until the project reaches 50% completion, at which time retainage should be reduced to 5%. For two (2) of ten (10) projects tested, we noted that retainage remained at 10% and was not reduced to 5% after 50% completion of the construction services, as required by Florida Statute. *Florida State Statute 255.078* *(1) With regard to any contract for construction services, a public entity may withhold from each progress payment made to the contractor an amount not exceeding 10 percent of the payment as retainage until 50-percent completion of such services.* *(2) After 50-percent completion of the construction services purchased pursuant to the contract, the public entity must reduce to 5 percent the amount of retainage withheld from each subsequent progress payment made to the contractor. For purposes of this section, the term "50-percent completion" has the meaning set forth in the contract between the public entity and the contractor or, if not defined in the contract, the point at which the public entity has expended 50 percent of the total cost of the construction services purchased as identified in the contract together with all costs associated with existing change orders and other additions or modifications to the construction services provided for in the contract.* *(4) After 50-percent completion of the construction services purchased pursuant to the contract, the contractor may present to the public entity a payment request for up to one-half of the retainage held by the public entity. The public entity shall promptly make payment to the contractor, unless the public entity has grounds, pursuant to subsection (6), for withholding the payment of retainage. If the public entity makes payment of retainage to the contractor under this subsection which is attributable to the labor, services, or materials supplied by one or more subcontractors or suppliers, the contractor shall timely remit payment of such retainage to those subcontractors and suppliers.* We recognize that the language stated in Florida State Statute *255.078* may cause some confusion regarding which party is responsible for initiating a retainage reduction. Contractors are required to submit pay applications to the District over the course of the construction process, and it is the responsibility of the District to review and promptly pay the contractor. Although the contractor submits a pay application to the District, subsection 2 of the statute quoted above states that the public entity must reduce retainage. By not following state statute, the District faces the risk of negative public perception from the general public, and from currently contracted and potential future construction contractors.
Recommendation	We recommend the District review all current projects, to assess whether retainage is withheld in accordance with statute, and to reduce retainage where appropriate. We further recommend the District implement additional steps as part of the pay application review process to validate that retainage is appropriately calculated. Refer to the recommendation in Observation #1 above regarding usage of a pay application review checklist.

OBSERVATIONS MATRIX (CONTINUED)

Observation	6. Improper Retainage Calculation
Management's Action Plan	**Response:** Checklist created as part of the pay application review which includes ensuring retainage is correct and substantial completion has been met. **Responsible Party:** Facilities Business Services Division **Estimated Completion Date:** November 20, 2020

APPENDIX A

Leading Practice RFQ Scoring Example

The Project Manager will convene the Selection Committee and brief all members on the scope of the project and the services required. The Selection Committee will review each submission in depth and rate the applicants in each of the following categories with a **Maximum of 100 Points Awarded as follows:**

Location: The proximity of the applicant (applicants with multiple offices shall list the office where the work will be performed) in relation to construction site. The Location Rating is objective and awards **a maximum of 10,** based on the indicated distance as follows:

Distance in Miles								
From	**To**	**Score**	**From**	**To**	**Score**	**From**	**To**	**Score**
0	20	10	51	60	6	91	100	2
21	30	9	61	70	5	101	110	1
31	40	8	71	80	4	111	+	0
41	50	7	81	90	3			

Past Performance: The past performance of each applicant will be subjectively evaluated and a relative rating assigned. Past performance data on file will be considered only for the past three years as of July 1, except in cases where no performance data is on file for the applicant's firm in which case the references of the applicant will be evaluated. Members of the Selection Committee may take into consideration their own personal knowledge of a firm's past performance, but this must be documented in the selection file, which will be subjectively evaluated utilizing a **grading range of 0-10.**

Related Experience and Ability: Major consideration will be given to the successful completion of previous projects comparable in design, scope, and complexity. The relative experience of all professionals proposed for use on the team in the planning, design and administration of the project, the abilities and qualifications of the applicant and proposed staff as related to the project's specific requirements, their ability to accomplish the project, and their experience having worked together as a team on prior projects. The relative experience and qualification of each applicant's proposed team, with respect to the project scope, will be subjectively evaluated utilizing a **grading range of 0-25.**

List the projects that best illustrate the experience of the firm and current staff that are being assigned to this project. *(List no more than 10 projects, and do not list projects completed more than 5 years ago.)*

1. Name and location of the project
2. The nature of the firm's responsibility on this project
3. Project owner's representative name, address and phone number
4. Project user agency's representative's name, address, and phone number
5. Date project was completed or is anticipated to be completed
6. Size of project (gross sq. ft. of construction)
7. Cost of project (construction cost)
8. Work for which the staff is responsible
9. Present status of this project
10. Project Manager and other key professionals involved with listed project, and who of that staff that would be assigned to this project

APPENDIX A (CONTINUED)

Leading Practice RFQ Scoring Example (Continued)

Current Workload (Architect): The current workload of the architectural firm or department will be objectively rated utilizing one-hundred percent (100%) of the fees for current work in design and in construction (excluding fees to proposed outside consultants). Total fees are then divided by the number of professional and technical personnel on staff (when considering firms with more than one office, only staff from the office where the work is to be performed will be considered). A **maximum rating of 5** will be awarded based on the following:

RATING	CURRENT WORKLOAD CALCULATION (dollars)
5	0-50,000
4	50,001-100,000
3	100,001-150,000
2	150,001-200,000
1	200,001-250,000
0	250,001+

Volume of Agency Work (Architect): The Volume of Agency Work performed by the architectural firm or department will be objectively rated by determining the total fees and dividing by the number of professional and technical personnel on staff (when considering firms with more than one office, only staff from the office where the work is to be performed will be considered). The total fee to be used in the calculation will be the sum of:

(1) 100% of the fee for work completed From July 1 to current date;
(2) 80% of the fee for work completed for the first year preceding July 1 of the current year;
(3) 60% of the fee for work completed for the second year preceding July 1 of the current year;
(4) 40% of the fee for work completed for the third year preceding July 1 of the current year;
(5) 20% of the fee for work completed for the fourth year preceding July 1 of the current year.

The total fee is divided by the number of registered employees employed by the applicant firm and a **maximum rating of 5** will be awarded based on the following:

RATING	TOTAL FEES (dollars)
5	0-100,000
4	100,001-200,000
3	200,001-300,000
2	300,001-400,000
1	400,001-500,000
0	500,001+

APPENDIX A (CONTINUED)

Leading Practice RFQ Scoring Example (Continued)

Financial Capability: The Construction Entity of the Design-Build Team must submit financial statements indicating the organizations financial capability and must demonstrate that adequate fixed and liquid assets and equipment are available to properly perform the contract and to assure financial stability through to the completion of the project. The financial capability should also include the bonding capacity of the firm (The firm will be required to bond on the GMP amount). Financial Capability will be subjectively evaluated utilizing a **grading range of 0-15.**

Scheduling/ Cost Control: The scheduling system and cost-control system of the Construction Entity of the Design/Build Team should be described. Methods for assuring sub-contractors adherence to schedule should be highlighted. A comparison of the firm's project profile should indicate their ability to hold to original schedules and budgets. Will be subjectively evaluated utilizing a **grading range of 0-10.**

1. Do you use or provide computer-generated schedules for the management of construction?
2. To what level of detail should a construction schedule be defined? How do you schedule the processing of shop drawings?
3. How do you coordinate the development of schedule information from subcontractors?
4. What is your experience in handling crew loading and coordinated construction scheduling?
5. What is your experience in cost loading of schedules?
6. Attach a sample schedule which best illustrates your overall scheduling capabilities.

On Site & Office Staff: This parameter expresses the general and specific project-related capability of the in-house staff and on-site staff of Construction Entity and indicates the adequate depth and abilities of the organization that it can draw upon, as needed. This includes management, technical, and support staff in the office, and field staff on the construction site. Give a brief resume of key persons to be assigned to the project. Will be subjectively evaluated utilizing a **grading range of 0-15.**

Office Staff: This parameter expresses the general and specific project-related capability of the in- house staff and indicates the adequate depth and abilities of the organization that it can draw upon, as needed. This includes management, technical, and support staff. Give a brief resume of key persons to be assigned to the project, including but not limited to:

1. Name and title
2. Job assignment for other projects
3. Percentage of time to be assigned full time to this project
4. State number of years with this firm
5. State number of years with other firms
6. Experience
    a. Types of projects
    b. Size of projects (dollar value and SF of project)

APPENDIX A (CONTINUED)

Leading Practice RFQ Scoring Example (Continued)

   c. What were the specific project involvements
7. Education
8. Active Registration
9. Other experience and qualifications relevant to this project
10. Note which projects were fast tracked.

Describe the capabilities of your staff to provide the technical services required for:

1. Options Analysis
2. Design Review
3. Budget Estimating
4. Value Engineering
5. Life Cycle Cost Analysis
6. Construction Scheduling
7. Quality Control (Design and Construction)
8. Constructability Analysis
9. Cost Control
10. Change Order Negotiation
11. Claims Management
12. Project Closeout
13. Transition Planning
14. Security Systems

On-Site Staff: Similarly, the ability and experience of the field staff will be evaluated with specific attention to project related experience. Give brief resume of the on-site staff to be assigned to the project, including but not limited to:

1. Name and title
2. Job assignment for other projects
3. Percentage of time to be assigned full time to this project
4. Number of years with this firm
5. Number of years with other firms
6. Experience
   a. Types of projects
   b. Size of projects (dollar value and SF of project)
   c. Specific project involvement

APPENDIX A (CONTINUED)

Leading Practice RFQ Scoring Example (Continued)

7. Education
8. Active registration (P.E., G.C., etc.)
9. Other experience and qualifications relevant to this project
10. Note which projects were fast-tracked. For Office Staff and On-Site Staff): Show the organization chart as it relates to the project indicating key personnel and their relationship. It should be understood that it is the intent to insist that those indicated as the project team in this RFQ response actually execute the project.

Develop a chart of individual staff members to be assigned responsibilities and appropriate number of days to be provided for each staff member.

If a joint venture or prime/subcontractor arrangement of two firms, indicate how the work will be distributed between the partners.

Describe how the organizational structure will ensure orderly communications, distribution of information, effective coordination of activities, and accountability.

Information Systems: Describe the functions and capability of your computer-based project management and information system, which will be subjectively evaluated utilizing a **grading range of 0-5.**

APPENDIX B

Payment Application Review Checklist Example

1	Application and Certificate for Payment	1. Review for mathematical accuracy 2. Agree to contract and change orders 3. Review for proper approvals
2	Subcontractor / Vendor Listing This listing should include all subcontract values and amounts billed for the current pay app. List: total subcontract value, current period billings, related SOV line item.	1. Agree to source docs 2. Agree to CM pay app 3. Related party testing
3	Executed Subcontracts New documents executed within the pay app period.	1. Review for approvals 2. Reconcile subcontract value to item #2
4	Change Order Log Updated as of the end of the pay app period. May also reflect pending change orders.	1. Review for completeness 2. Reconcile to CM/Sub pay apps SOV
5	Executed Change Orders New documents executed within the pay app period.	1. Review for approvals 2. Review for mathematical accuracy 3. Review for appropriate schedules, breakdowns 4. Review for contractual compliance with fee provisions 5. Reconcile to CO Log
6	Allowance Log Includes current period uses and applicable SOV line items being billed	1. Reconcile supporting documents to current period billings
7	Contingency Log	1. Review for completeness 2. Reconcile to CM/Sub pay apps SOV
8	Contingency Adjustment Request Form	1. Review for approvals 2. Review for mathematical accuracy 3. Review for appropriate schedules, breakdowns 4. Review for contractual compliance 5. Reconcile to Contingency Log
9	Owner Direct Purchase Log Should include vendor name, calculated tax savings	1. Verify mathematical accuracy of ODP log 2. Agree to ODP change orders 3. Reconcile to District purchase orders

APPENDIX B (CONTINUED)

Payment Application Review Checklist Example (Continued)

10	Stored Materials Log Should include: Description; Sub or supplier; storage location; in storage from previous period (dollar value); assed to storage this period (dollar value); removed from storage and shipped to site this period (dollar value); total stored this period (dollar value). Supporting documents include: invoice and date-stamped photos	1. Verify mathematical accuracy of stored material log 2. Reconcile to CM/Sub pay apps SOV 3. Perform detailed testing for stored material a. Agree to source documents b. Evidence invoice is project-related c. Cost incurred within timeline d. Reasonableness 4. Compare photos against billed stored material for reasonableness
11	Stored Materials transfer of title to Owner, Insurance	1. Verify the amounts on the title and insurance records agree to the stored material log 2. Review for completeness and accuracy (documents name Owner)
12	Current Project Schedule	1. Review for contractual benchmarks
13	Itemization of costs incurred and proof of payment	*1.* Select samples for testing: GC/GR and labor/burden *2.* Perform detailed testing for GC/GR *a.* Agree to source documents *b.* Evidence invoice is project-related *c.* Cost incurred within timeline *d.* Reasonableness *3.* Perform detailed testing for labor/burden *a.* Agree to time sheet *b.* Agree to contracted labor/burden rate *c.* Evidence labor is project-related *d.* Reasonableness

APPENDIX B (CONTINUED)

Payment Application Review Checklist Example (Continued)

14	Subcontractor Application and Certificate for Payment	1. Agree to subcontractor/vendor log/ SOV 2. Agree to subcontract and change orders 3. Review for mathematical accuracy

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