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June 11, 2019

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Board of Trustees  
Cypress-Fairbanks Independent School District

Mark Henry, Ed.D.  
Superintendent of Schools

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Associate Superintendent, Chief Operations Officer

**Subject: Construction Audit Follow-up  
For the 12 months ended August 31, 2018**

In November 2014, an RFQ was issued requesting proposals for an audit of internal controls in the Facilities, Planning and Construction Department (FP&CD). The firm of Weaver and Tidwell, LLP (Weaver) was selected to identify internal controls that need to be strengthened and improvements that could increase the effectiveness and efficiency of the construction department. Weaver conducted the work and their report ("Report") was issued April 13, 2015, which included nine (9) findings.

The objective of this audit is to follow-up on management's responses to Weaver's Report to determine whether the stated improvements to procedures have been implemented and if they are functioning efficiently and effectively to provide management with reasonable assurance that expenditures are proper, accurate and timely; that State laws and District policies and procedures are followed; and the related assets of the District are safeguarded adequately in accordance with management's authorization.

**Background**

The Report noted findings in the following internal control areas:

- Budget to Actual Reviews
- Compliance with Construction Payment of Invoices
- Contract Standardization
- Contract Execution
- Documentation of Controls
- Documentation of Authorizations
- Substantial Completion
- Warranty Work Monitoring
- Warranty Inspections

Based on management's responses to each of these areas in the Report, we made selections and tested for implementation of the corrective actions proposed by management, as more fully discussed below. **Additional management responses were requested for areas where expanded recommendations were provided.**

## **Testing Details**

### **Budget to Actual Reviews**

**Original External Auditor's Finding 1 - (Moderate)** - *The Facilities Planning & Construction Department does not have a formal process to monitor and track the total budget to actual expenditures for construction projects. Construction costs are monitored against the budget through the applications for payment; however, the soft project costs such as architect fees, inspection fees, or other third-party fees are not included in the applications for payment and, therefore, not monitored against the total budget.*

**External Auditor's Recommendation** - *The Facilities Planning and Construction Department should implement budget to actual monitoring that includes all construction costs for the project. The budget to actual expenditures should be reviewed on a regular basis by the project Manager and District management to ensure the project is on time and on budget.*

**Original Management Response** - *There are forms and processes developed within the Facilities Department's Project Manager Manual that tracks the original budget, committed to date, and contract values/expenditures. With the transition and addition of staff in recent months, forms and processes will be revised and training of the team will be completed. Facilities Department and Finance Department are updating the tracking document/spreadsheet to include original budget, projected cost, committed/encumbered to date, expenditures to date, and uncommitted/available balance. This analysis will include the soft project costs. Facilities Department and Finance Department will continue coordination efforts to ensure reconciliation.*

### **Follow Up Conclusion and Recommendations**

*Corrective Actions Status – Implementation in progress; close to completion*

In reviewing the Bond Status Report, Expenditure Status Report, Budget Sheets, and Colbi reports, it was noted that the FP&CD does not currently have a complete process to monitor and track the total budget to actual expenditures that includes all construction costs; therefore, no report can be generated for Project Managers and District management to review on a regular basis to ensure that each project is on time and on budget.

FP&CD purchased the Colbi Account-Ability software that is designed to track and report school construction costs but has not completed implementation. Once implementation is complete, the software has the capability to track, monitor, and report the funding source, initial budget, approved changes, current budget, proposed changes, revised budget, site cost, soft cost, hard cost, contingency, committed to date, expended to date, remaining balance, and budget variance.

To increase the effectiveness of the program, FP&CD management must ensure that all staff that will have access to Colbi be properly trained and that the proper controls are in place. Proper internal controls can be accomplished by allowing only authorized staff to have access to add data to the program. Monthly reconciliations and applicable reports should be printed and provided to project managers and district

management for review and approval. Documentation of monthly report review and approvals should be kept on file for each project.

It is also recommended that the Assistant Director of Business Services and FP&CD have a strong line of communication to ensure that purchase orders and invoices are coded to the proper sub object accounts which is necessary to complete the budget to actual review process.

### **Compliance with Construction Payment of Invoices**

**Original External Auditor's Finding 9 - (High)** – *We identified that eight (8) of 50 invoices tested were paid later than the 45 days required by the Texas Prompt Payment Act. Three (3) of those eight (8) were paid later than 90 days after the 45-day deadline. Because of the discrepancies we identified between the invoice date and the received date, we also compared the payment dates to the invoice date. Sixteen (16) of 50 were paid later than the 45 days after the invoice date. Six (6) of those 16 were paid more than 90 days from the invoice date. Additionally, the District has no record of accruing and/or paying an interest payment based on these late payments in compliance with the provisions of the Texas Prompt Payment Act.*

**External Auditor's Recommendation** - *Invoices should be entered into the accounting system when received, and before being routed for approval. This will allow all outstanding invoices to be identified for payment before their deadlines. If entering invoices into the system upon receipt is not feasible, Management should implement a tracking procedure that tracks invoice date, date of receipt and the payment date to ensure that any invoices approaching the maximum 45 days will be investigated and paid to stay in compliance with the prompt payment act and terms of the contract. This can be accomplished by establishing a workflow between accounting and construction, which can be manual or systematic, that routes the invoice for approval. Additionally, the workflow would aid in identifying and documenting that the Finance Department has been notified that the invoice has been rejected or placed on hold within 21 days of receipt in order to ensure proper compliance with the Texas Prompt Payment Act.*

**Original Management Response** - *The Facilities Department has restructured to separate the facilities/project management and finance responsibilities to assist in the management and monitoring of vendors being paid in a timely manner. This restructure allows for additional checks and balances to ensure that all requirements have been met prior to payment including the Texas Prompt Payment Act.*

*Since some late payments may have been due to a contractor or vendor failing to provide the required documents, procedures will be implemented to document legitimate delays in payment such as an error on the pay application and/or insufficient supporting documents.*

*As invoices and pay applications are received by the Facilities Department, they will be date stamped and tracked until payment is made by using an Excel spreadsheet or Project Management software in the future, if purchased.*

*If an invoice is submitted to the Finance Department by the end of the day on Tuesday, payment will be made that same week.*

**Construction Audit Follow-up  
For the 12 months ended August 31, 2018**

June 11, 2019

Follow Up Conclusion and Recommendations

*Corrective Actions Status – Implementation in progress*

FP&CD has purchased the Colbi Account-Ability software that is designed to track and report school construction costs. The invoice module includes fields for the invoice #, invoice date, invoice amount, PO#, RG (routing group), SI (special instructions), description, withhold amount, and amount to pay.

According to the FP&CD budget sheets, twelve invoices were not coded to the proper general ledger account. FP&CD budgets construction contracts to sub object codes 2A – Building Construction (New Construction) or 2F – Building Improvements (Renovations) depending on the contract type; however, the Finance department has been coding all construction contracts to 2A – Building Construction (New Construction). We recommend that Finance review the budget information in Colbi before entering a purchase order in eFinance to ensure the purchase order is coded to the proper general ledger account. If at any time the Finance department is not in agreement with the sub object code being used, then communication with the FP&CD should be initiated to determine the proper account. Since the FP&CD will be implementing Colbi to track all invoices, Finance must ensure that coding matches management's budget sheets so that at time of reconciliation Colbi and eFinance match.

Seven (7) of 30 invoices tested were paid late; however, no documentation exists to show the reason the invoices were not paid timely and if the vendor was notified that the invoice was rejected or placed on hold within 21 days of receipt. In the future, the FP&CD should utilize the transmittal sheet in Colbi to route invoices for approval. When an invoice is rejected, the reason the invoice was rejected, the date the vendor was notified the invoice was rejected, and the name and date of the person that rejected the invoice should be noted on the Colbi transmittal sheet in the Description section.

Once an invoice is revised by a vendor, it is recommended that the vendor update the invoice date. Once the revised invoice is received by FP&CD it should be date stamped. Also, FP&CD should ensure information in Colbi is updated to match the revised invoice.

During our audit it was also noted that some invoices are sometimes not date stamped, stamped in a location where it makes it difficult to read the date, or the date used was incorrect. We recommend that the FP&CD ensure that all invoices received are always date stamped, are date stamped in a location where the date would be legible, and ensure the date is correct before stamping the invoice.

We recommend FP&CD contact Colbi to request a software customization to include an aging report.

We recommend that an aging report or similar tracking sheet be printed on a monthly basis and be provided to management and project managers for review. Any invoices approaching the payment terms should be followed up as soon as possible to ensure timely payment.

Additional FP&CD Management Response:

We agree with the audit team findings. In the future, the FP&CD shall utilize the transmittal sheet in Colbi to route invoices for approval. When an invoice is rejected, the reason the invoice was rejected, the date the vendor was notified the invoice was rejected, and the name and date of the person that rejected the invoice shall be noted on the Colbi transmittal sheet in the Description section. Revised invoices submitted by the vendor shall be dated appropriately. FP&CD will ensure that all invoices received are date stamped in a location where the date would be legible, and ensure the date is correct before stamping the invoice. FP&CD will contact Colbi

to request a software customization to include an aging report. Management will review the aging report on a monthly basis to ensure prompt payment.

**Additional Financial & Business Services Response:**

We agree with the auditor's comments. The following actions will be taken to ensure proper coding of transactions in the general ledger moving forward. Finance is reviewing the budget information in Colbi prior to entering a purchase order in eFinance to ensure the purchase order is coded to the proper general ledger account. Finance has begun coding new construction to 2A and current building renovations to 2F. In addition, communications are currently taking place to ensure that FP&CD and Finance are in alignment with the appropriate coding of POs. This communication also ensures any discrepancies are discussed before the PO is created.

**Contract Standardization**

**Original External Auditor's Finding 2 - (Moderate)** - *The District does not have standard contracts established for their Architect-Owner and Contractor-Owner agreements. Contracts are modified and revised on a project-to-project basis; starting with the standard 2007 AIA (American Institute of Architects) contract provisions and reverting back to include many of the 1997 AIA contract provisions that the District feels are beneficial. Changes to the contracts are not consistent.*

**External Auditor's Recommendation** - *The Facilities Planning and Construction Department, in coordination with legal counsel, should develop a standard set of contracts to use on all future projects. The contracts should include the language and terms that are desired by the District and should only be modified on an exception basis. Legal counsel should approve the standard contract and authorize any modifications to those terms on future contracts.*

**Original Management Response** - *Previously, the District developed standard contracts for the contractor and architects. We agree that the team has not used this standard agreement consistently, resulting in alternative language and formats being found in our agreements. The standard architect/engineer and professional service contracts will be reviewed and approved by the General Counsel. In addition, the General Counsel will review and approve contract modifications. Modifications should only be on rare occurrences.*

**Follow Up Conclusion and Recommendations**

*Corrective Actions Status – Completed*

Internal Audit confirmed with the District's General Counsel that a review and approval was provided in FP&CD's development of standardized contracts; however, no documentation of the review and approval process was retained. Internal Audit recommends that FP&CD keep written documentation that shows that General Counsel reviewed and approved standard agreements and any changes to the standard agreements. The documentation could be an email from General Counsel or a signature on the reviewed and approved standard agreement. The approval from General Counsel and approved Standard Agreements must be kept on record permanently.

No major deviations from the Standard Agreements were noted; however, for the Berry Center Renovations, Exhibit D was missing the reference to Article 1.1.2.5 and Exhibit C – Article 2.1.6.1. Therefore, it is recommended that when changes are made to agreements, the agreements be carefully reviewed to ensure the required information is not removed.

### **Contract Execution**

**Original External Auditor's Finding 4 - (High)** - *Purchase orders to encumber the Architect fees for projects are entered into the accounting system before the Architect-Owner contracts were executed. We identified two (2) contracts that were executed after the purchase orders were established in the system:*

- 1. High School #11 contract was finally executed on February 2, 2015, but the purchase order was entered into the accounting system on May 7, 2014.*
- 2. Bradley Police Station contract was finally executed on November 28, 2014, but the purchase order was entered into the accounting system on November 12, 2014.*

*This occurred because personnel in the Facilities Planning and Construction Department had the ability to enter purchase orders into the accounting system. However, the personnel with this access have transferred out of the Department.*

*In addition, for Pidgeon Stadium, we identified that architect/engineering work was being performed by the consultant without a signed contract or a purchase order in place.*

**External Auditor's Recommendation** - *Management should require evidence of executed contract prior to entering and establishing a purchase order in the accounting system. The ability to create purchase orders should be segregated from the Facilities Planning and Construction Department. Management should review the access rights of the users who have permissions to enter purchase orders and remove any inappropriate access.*

**Original Management Response** - *We are in agreement with the audit team findings. Purchase orders were entered into the system in order to facilitate payment of invoices being submitted while final terms and conditions were negotiated and agreed upon. However, since the purchase order process is now under the Finance Department, a purchase order will not be entered into the system by the Finance Department unless there is an executed contract as backup. Then a formal 'notice to proceed' will be issued prior to any work product being initiated.*

### **Follow Up Conclusion and Recommendations**

*Corrective Actions Status – Implementation in progress; close to completion*

Purchase orders for architect fees are appropriately being entered in the accounting system after there is an executed Exhibit D – To the Master AIA Document B102/B201 Standard Form of Agreement.

The responsibility of entering purchase orders in the accounting system for the FP&CD bond projects has been designated to the Assistant Director of Business Services; however, the Secretary to the Assistant Superintendent for Facilities and Construction has access to enter purchase orders for portable building projects that are coded to the General Fund. This responsibility and access should be removed from the Secretary. Only

the Assistant Director of Business Services, or Finance Department designee, should enter purchase orders for construction projects, whether it is coded to Bond Funds or General Funds.

For Anthony MS, ELC I and II, and the Spillane MS Renovation projects, the billing period shown on the invoices is for services provided before Exhibit D was executed and a purchase order was entered. Architect firms should not provide services to the district until Exhibit D is fully executed and a purchase order is entered in the accounting system.

Notice to Proceed letters are being issued after the project is awarded by the Board to the general contractor. The FP&CD needs to ensure that documentation that shows when the NTP letters are provided to the general contractor are kept on file.

Additional FP&CD Management Response:

We agree with the audit team findings. Moving forward a new process will be implemented whereby a Design related Exhibit D will be issued simultaneously with the Architect's project award notice. This will ensure approvals and purchase orders are established by appropriate District personnel prior to commencement of any professional consultant services. FP&CD agrees that the Secretary to the Assistant Superintendents for Facilities and Construction access to enter purchase orders for portable building projects should be removed. Project Managers will ensure that supporting documentation showing the date a Notice to Proceed letter is provided to the general contractor will be kept as part of the project files.

**Documentation of Controls**

**Original External Auditor's Finding 5(a) – (Moderate)** - *We were unable to identify or obtain documentation to support the performance of certain controls:*

1. *For the Bradley Police Station, Watkins and Thornton Middle Schools and the Anthony Middle School projects, we could not obtain detailed meeting minutes for all design reviews for the 50-75-95% construction document review meetings. In addition, the construction document review meetings require attendance by the key construction project stakeholders including the Architect, Project Management team, design team, and third-party agents. We could not obtain sign-in sheets for two (2) of the Watkins and Thornton Middle Schools meetings and thus was not able to validate the presence of all required personnel.*
2. *The review of the Watkins and Thornton Middle School's request for proposal packet and advertising materials, by the Facilities Department, as required by District policy, could not be evidenced. The packets are drafted by the architect and require approval by the District prior to release to the public.*

**Original External Auditor's Finding 5(b) – (Moderate)** - *We were unable to identify or obtain documentation to support that site visits were completed as designed. Documentation to demonstrate that site visits were conducted for four (4) of the 29 weekly site inspections for the Watkins and Thornton Middle Schools, Anthony Middle School, and High School #11 projects could not be provided. Additionally, for two site inspections (one Bradley Police Station and one Anthony Middle School), we could not verify that District personnel participated in the site visit due to lack of documentation.*

**External Auditor's Recommendation** - *The Facilities Planning and Construction Department should formally document the performance of key project monitoring controls. Documentation of meeting minutes, those participating in meetings and the execution of inspections provides records of control performance and construction project status. The documentation should be retained in the project files.*

**Original Management Response** - *The Facilities Department is currently drafting a Request for Proposals (RFP) to purchase Project Management Software that will more easily allow for project teams to create, store and access project documents.*

*The meeting minutes for Anthony Middle School 50-75-95% construction document reviews have since been located; however, they were not filed previously in the appropriate area. These documents have since been filed properly.*

#### Follow Up Conclusion and Recommendations

*Corrective Actions Status – Implementation in progress*

#### 50-75-95% Construction Document Review Meetings and Advertisement Material

According to the FP&CD, project management software has not been purchased; therefore, all project documentation is being saved to the electronic project files.

Many of the meeting minutes and some of the advertisement materials required for testing could not be located on the FP&CD shared drive. We requested the FP&CD to save the required information to the corresponding electronic project files for our review. The FP&CD needs to ensure all project files are saved to the electronic project files.

According to the Facilities & Construction Team Guide, “the architect is to provide meeting minutes to CFISD within 2 business days of the 50-75-95% review meeting, sign in sheet attached, drawing markups attached, CFISD turnaround within 2 days. The architect is also required to generate the sign-in sheet to document attendees at the meeting and then document the attendees on the meeting minutes.”

If the FP&CD has not received the original and final meeting minutes, sign in sheet, and drawing markups within the required timeframe, the project manager should follow up with the architect as soon as possible.

For Anthony MS and ELC I and II, the 75% CD review meetings did not occur and for Spillane MS, a sign in sheet was not attached to the meeting minutes.

For Anthony MS and ELC I and II, the FP&CD did not review the 95% CD review meeting minutes. A sign-in sheet was also not attached to the meeting minutes.

For Spillane MS, the FP&CD did not receive the 95% CD review meeting minutes after the meeting. Due to the audit, the FP&CD requested the minutes from the architect.

Best practice is to always hold the 50-75-95% review meetings for each project as it would better protect the district from potential risks.

The Architect should always provide a sign-in sheet at all review meetings. If the sign-in sheet is not attached to the meeting minutes when received by the FP&CD, the project manager should request it from the architect.

During our testing, it was also noted that more attendees are listed on the meeting minutes than there was on the sign-in sheet. The architect and FP&CD need to ensure that everyone in attendance signs in and that the list of attendees on the meeting minutes matches the sign-in sheet.

According to the Facilities & Construction Team Guide, “the architect shall prepare an advertisement for review and approval by the district’s project manager. The project manager shall obtain a certified copy of the advertisement and a signed and notarized affidavit as backup which shall be placed into the project files.” For one project, we could not find documentation that shows that FP&CD reviewed the advertisement material. Project Managers need to ensure they are reviewing the advertisement material and documenting the review in the project files.

Additional FP&CD Management Response:

Upper management directed the Anthony Middle School project be fast tracked and accelerated for construction to occur during the Summer 2018. Original schedule called for construction to occur Summer 2019. To achieve this directive a shortened design review schedule was required. Due to the small amount of scope it was collectively agreed that 50 and 95% reviews would be implemented for the project to adequately review Bond scope. In the future, should the campus Bond scope be extensive enough and time permit, all the 50-75-95% design level construction documentation reviews will occur on all projects. Architect’s will be required to provide a sign-in sheet at all review meetings. If the FP&CD does not receive the meeting minutes, sign-in sheet and drawing markups within the required timeframe, the project manager will contact the architect.

Project Managers shall review/approve all advertisements for construction RFP’s. A digital copy of the approval shall be filed on the server and a hard copy will be filed in the project files. Project Managers shall be responsible for receiving a certified copy of the advertisement from the Architect.

Weekly Site Visits

According to the Facilities and Construction Team Guide, Section 1, “the Architect and Project Manager are to visit the site at frequencies required to remain generally familiar of all installations, no less than a minimum of one (1) site visit a week. Include all Consultants when appropriate. The Architect shall provide a copy of the field report prepared for each job site visit to the Owner. Issue a weekly written status report, describing progress made, problems, potential problems and general communications concerning the project.”

For all five projects tested, we could not locate a weekly field report prepared by the Architect for the weeks tested. The project managers requested the reports from the Architect and provided most field reports to Internal Audit. Internal Audit did not receive any field reports for the DW Vestibules project. For one project, the Architect issued a 11/29/18 field report on 1/17/19. For the weeks that there was no work conducted, a report was not provided. One Architect firm had the consultant issue the field report. Project Managers need to ensure they are following up with the Architect when the District does not receive a copy of the field report within three days of the site visit. When construction work is ongoing, the Architect should also issue a field report when no work is being conducted. Due to contract terms, the Architect should be issuing field reports to the district and not consultants. The field reports should also state who was present on-site.

For Anthony MS and Berry Center, we located the Raken field reports prepared by the FP&CD. Three out of four Raken reports were for dates not provided by the Architect.

We could also not locate weekly Project Status Reports for all five projects tested. According to the Assistant Superintendent, the project manager weekly Project Status Report requirement was removed by the previous Assistant Superintendent. It was also noted that monthly Project Status Reports are being conducted with District staff and each architect firm. If management has removed the requirement of weekly Project Status Reports, we recommend that the procedure in the Facilities and Construction Team Guide be updated.

Additional FP&CD Management Response:

Project Managers will ensure Architects are completing and submitting weekly field reports, as per their Master Service Agreement with CFISD. Weekly PSR's from FP&CD are no longer required and will be removed from the Team Guide.

**Documentation of Authorizations**

**Original External Auditor's Finding 6(a) - (High)** – *We were unable to identify where required approvals were obtained and/or documented for the approval of a pay application. One (1) of eight (8) pay applications (for the Bradley Police Station) tested did not have the required Project Manager review and signature on the certified pay application.*

**Original External Auditor's Finding 6(b) – (High)** – *We were unable to identify where required approvals were obtained and/or documented for the following transactions:*

- 1. The close-out form for the Watkins and Thornton Middle Schools project tested did not have the required approval by the Assistant Superintendent, Director, or Project Manager.*
- 2. One (1) of the three (3) projects with punch lists did not have evidence of the required approvals. The completed Watkins and Thornton Middle Schools project in close-out did not have evidence of the approvals by the general contractor, Project Manager or architect.*

**Original External Auditor's Finding 6(c) – (High)** – *We were unable to identify where required approvals were obtained and/or documented for the approval of CPRs. Three (3) of 29 CPRs for the Watkins and Thornton Middle Schools and Anthony Middle School projects tested did not have documentation of the required approvals by the Associate Superintendent, Assistant Superintendent, or Director of Project Management.*

**External Auditor's Recommendation** - *The District should establish an overall delegation of authority matrix that includes operational and financial authorities for key members of management. The delegation of authority matrix should be distributed to all construction, purchasing and accounting personnel to use in processing transactions. Additionally, the District should require the formal documentation and approval of construction related documentation. A project close-out checklist should include the verification of all documents have been formally reviewed and signed-off. Purchase orders and payments should not be entered into the system without documented approval from appropriate personnel, as designated in the District's authority matrices.*

**Original Management Response** – *The Facilities Department and Finance Department will refine the formal workflow for each of the following items to ensure that all persons understand the approval process:*

*Signature Authority for:*

- a. Contracts*
- b. Purchase Orders*
- c. CPRs / Change Orders*
- d. Close-out Documents*

*Since the purchase order process is now under the Finance Department, a signature document for every authorized signer has been implemented to further monitor appropriate approvals/alternate approvals.*

*A close-out checklist (Form AO) has been in place and is being used. Additionally, a “Certificate of Final Completion” form has been created and has been implemented for all ongoing and future projects to be executed prior to final payment.*

Follow Up Conclusion and Recommendations

*Corrective Actions Status – Implementation in progress; close to completion*

- One (1) out of 32 payment applications tested was missing the Director’s approval.
- Two (2) of the 11 CPRs tested that were over \$25,000 were not approved by the Assistant Superintendent of Facilities & Construction.
- For Hoover ES, the Certificate of Final Completion was not signed by the Director of Field Services. The Assistant Superintendent of Facilities and Construction needs to ensure that all signatures are on the Certificate of Final Completion before executing the document.
- The punch list with approvals from the general contractor, architect, and District could not be located for Hoover ES. For the punch list for Pridgeon Stadium & New Natatorium it was noted that at times not all three approvals were received. Management needs to ensure that a punch list with sign off is received from the architect for all projects. If feasible, it is recommended that a standard template be created for all architect firms to utilize. When reviewing the punch list, project managers need to ensure that all signatures are received for all applicable items. If a signature is not required for an item, then N/A should be shown for that specific item.
- The final payment applications for Hoover and Pridgeon Stadium & New Natatorium were approved before the Associate Superintendent approved the Final Completion Document Check List and the Certificate of Final Completion; therefore, for Pridgeon Stadium & New Natatorium, the final payment was made prior to receiving the Associate Superintendent’s approval on the close-out documents. To avoid paying the final payment application before all close-out documents are complete, the Assistant Superintendent of Facilities and Construction should wait to sign off on the final payment application until the Associate has signed off on all close-out documents.

- We recommend a workflow be created to show who is authorized to approve each type of construction document, listed by job title and not names. The back-ups should also be listed. To ensure the information is provided to all employees, the workflow should be included in the FP&CD Team Guide.

### **Substantial Completion**

**Original External Auditor's Finding 8 - (Moderate)** – *The Substantial Completion Certificate could not be issued by the Architect and signed by the Contractor and the Owner in a timely manner for the Bradley Police Station project. The inability to complete the renovation project was caused by the inability to move District personnel occupying the workspace to another location due to space limitations. This resulted in the delay of the issuance of the Substantial Completion and caused the 6 and 11 months warranty walks that should be performed after the date of Substantial Completion, to be performed prior to its issuance.*

**External Auditor's Recommendation** - *To ensure that the construction process complies with pre-determined milestones and timeframes, the Facilities Planning and Construction Department should provide adequate planning strategies between the design and construction stages of the project to account for operational business continuity and possible warranty overruns with the construction schedule.*

**Original Management Response** – *As with any construction project there are unforeseen conditions that cause delays and require additional coordination. The delay in moving was caused by the new onsite emergency radio tower not communicating properly, thus requiring the District's 24-hour emergency dispatch to remain in the portable building beyond the original plan.*

*The Facilities Department will implement a detailed procedure for all future phased projects to assist in forecasting known issues and moves.*

### **Follow Up Conclusion and Recommendations**

#### *Corrective Actions Status – Implementation in progress*

For (3) three out of four (4) projects that had reached substantial completion, a Certificate of Substantial Completion could not be located. The Certificate of Substantial Completion for ELC I and II was provided to Internal Audit on 12/14/18; however, the date of substantial completion was for 8/15/18 and was executed by the District on 11/27/18.

According to the project managers, the Certificates had not been executed because of additional work requested by the District. AIA Document A201 states that Contract Time shall be extended by Change Order for such reasonable time as the Architect and Owner may determine. We could not locate change orders for the three projects that required additional work. The delay of the issuance of the Certificates of Substantial Completion may cause the 6- and 11-months warranty walks, that should be performed after the date of Substantial Completion, to be performed prior to its issuance.

Management needs to ensure that when additional days are required to complete a project, a change order for an extension in contract time be executed and the proposed substantial completion date be changed based on the approved time extension.

For one project, it appears that the FP&CD took over one month to execute the Certificate of Substantial Completion. The architect and general contractor signed the Certificate using the date of substantial completion. The Certificate was also not date stamped when received by the FP&CD. According to the project manager, the delay in executing the Certificate was due to the punch list walkthrough being conducted; however, the punch list walkthrough should be planned and conducted prior to issuing the Certificate.

The architect should date the Certificate using the date the Certificate was created. The general contractor should sign the Certificate using the date they sign the Certificate and not the date of substantial completion. The FP&CD should date stamp the Certificates of Substantial Completion when received.

The FP&CD implemented an improvement plan for all future phased projects to assist in forecasting known issues and moves; however, it was implemented on 10/24/18 and is not yet part of the Facilities & Construction Team Guide.

Additional FP&CD Management Response:

FP&CD will ensure that a punch list with sign off by all parties is received from the architect for all projects. Project managers will review the punch list to ensure all required signatures are present and all items have been completed. FP&CD will review the feasibility of creating a standard template for all architecture firms to utilize.

FP&CD will ensure all required signatures in the chain of approval are provided. Payment of final retainage will not be routed for approval/payment until the Certificate of Final Completion is executed by the Associate Superintendent/COO and returned to the Project Manager. A flow chart of all approvals required will be included in the Team Guide. Signature back-ups by job title will be included in the Team Guide.

Project Managers will ensure the Substantial Completion document is executed in a timely manner with the appropriate dates. All requirements for substantial completion listed in the AIA A201 document will be completed prior to granting substantial completion, unless a specific exception is granted. All exceptions will be documented and agreed upon by the Project Manager, Director of Project Management and the Assistant Superintendent of Facilities and Construction.

If the contractual Substantial Completion date is modified, this change will be documented by a Change Order to the contract.

The improvement plan submitted on 10/24/2018 was the initial response to administrations concerns regarding issues observed with 2018 summer projects. FP&CD has implemented the plan and will monitor progress and improvements on 2019 summer projects. If needed, revisions will be made, and the revised plan will be added to the Facilities & Construction Team Guide.

**Warranty Work Monitoring**

**Original External Auditor's Finding 3 - (Moderate)** - *Warranty repairs are supervised and reviewed by the District's contracted architect. However, after repairs are complete, District personnel do not inspect the work to verify that the repairs performed are acceptable and complete. The Warranty Manager is in the process of developing a new oversight process to inspect warranty repairs.*

**External Auditor's Recommendation** - *The Warranty Manager should continue to develop and implement the oversight process over warranty repairs that are currently in progress. Going forward the process should require and establish formal documentation to evidence the monitoring of all warranty repairs by the Warranty Manager or his designee. This will ensure that the completed work as declared by the contractor and the architect is completed within the standards of the District.*

**Original Management Response** - *The District does have a warranty process in place, but with the high volume of work, the Project Management team had not been able to effectively follow the process and relied on our architect/engineer to follow through and verify completion status. The District created the Warranty Manager position last year to provide better oversight of the warranty items and process on our projects and to help provide support to the Project Management staff. The Facilities Department is currently finalizing a work flow chart that includes the District's verification of compliance of warranty work.*

Follow Up Conclusion and Recommendations

*Corrective Actions Status – Implemented process not effective; needs revising*

The Warranty Manager developed a new oversight process to inspect warranty repairs, the Warranty Request Process flow chart; however, due to the large amount of warranty work requests from district campuses, he has not been able to keep track of warranty repairs following the process the FP&CD implemented.

From the six (6) Warranty Request forms tested, none of the forms included the architect and owner date of sign off; therefore, it seems as if neither party is verifying that work completed meets district standards and that the repairs were complete. The Master Warranty Log does include some owner sign off dates but no documentation exists to support the dates used. Other dates on the Log were also not consistent with dates on the Warranty Work Request form.

Internal Audit recommends that the current process be reviewed by upper management and the Warranty Manager to create a simplified process that will be manageable and effective. We also recommend that all requests for warranty repairs be initiated by a School Dude Work Order request. The Warranty Work Request form should always be signed by the contractor, architect, and the District. The Master Warranty Log sign off dates should match the sign off dates on the Warranty Work Request form. The School Dude Work Order form, the Warranty Work Request form, and any documentation provided for each repair should be filed together in each project folder.

Additional FP&CD Management Response:

The Warranty Manager shall generate a flow chart detailing the warranty process. This standardized warranty process shall be implemented/managed by the Warranty Manager. The Contractor, Architect and a FP&CD representative will sign off on completed warranty work. Warranty work documentation shall be filed electronically in each project folder.

### **Warranty Inspections**

**Original External Auditor's Finding 7 – (Moderate) – Warranty Inspections** - *We identified that the Warranty Manager did not perform the required six (6) month warranty inspection for the Wilson Elementary project. The six (6) month inspection was overlooked due to the volume of other final warranty inspections that were due in the same time period and was not identified through the review of project status reports by management.*

**External Auditor's Recommendation** - *It is recommended for the District to continue to refine their Project Management Checklist to include the six (6) and 11 months warranty inspections. These checklists should be included in the weekly and monthly status reports to Facilities Planning and Construction management to ensure that warranty inspections are performed according to the District's timeline.*

**Original Management Response** - *The District does have a warranty process in place, but with the high volume of work, the Project Management team had not been able to effectively follow the process and relied on our Architect-Engineer to follow through and verify completion status. The District created the Warranty Manager position last year to provide better oversight of the warranty items and process on our projects and to help provide support to the Project Management staff. Facilities Department is currently finalizing a work flow chart that includes the District's verification of compliance of warranty work.*

### **Follow Up Conclusion and Recommendations**

#### *Corrective Actions Status – Implementation in progress*

We could not locate the 6- and 11-month warranty inspection reports for the projects selected for testing. The former Warranty Manager informed us that a procedure for a 6- and 11-month inspection report does not currently exist.

According to the documentation for projects selected for testing, the 11-month warranty inspections possibly occurred 12 months after the established date of substantial completion. The Warranty Manager and management need to ensure that the 6- and 11-month warranty inspections are being conducted timely.

The Facilities & Construction Team Guide for the 6<sup>th</sup> and 11<sup>th</sup> Month Inspections section should include a requirement for a 6- and 11- month warranty walk inspection report to be completed for each warranty walk. A standard report template for the 6- and 11-month inspections should be produced by management or the Warranty Manager to be utilized for each warranty walk. The report should document the date of the walk, the name of the people in attendance and the company and / or trade they represent. A list of warranty items noted may be included in the report or attached separately as provided by each trade or vendor.

Management should refine the PM Project Checklist to include the 6- and 11-month warranty inspections and ensure the Checklist is being included in the weekly and / or monthly status reports to Facilities Planning and Construction management to ensure that warranty inspections are performed according to the District's timeline.

The Warranty Request Process flowchart should include steps for the 6- and 11-month warranty inspections.

**Construction Audit Follow-up  
For the 12 months ended August 31, 2018**

June 11, 2019

Additional FP&CD Management Response:

The Warranty Manager, in coordination with the Project Manager, shall be responsible for ensuring the 6 and 11-month warranty walks occur in a timely manner. The Warranty Manager shall utilize a standard report template for all warranty walks. The 6-and-11-month warranty inspections will be included in the Project Manager Checklist and the process will be added to the Warranty Request Process flowchart.

The assistance and cooperation of pertinent personnel in the Facilities, Planning and Construction department and Business and Financial Services department during the course of the audit is appreciated.

  
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Blake Legler, CPA, RTSBA  
Chief Internal Auditor

cc: Board of Trustees  
Matthew Morgan  
Teresa Hull  
Stuart Snow  
Karen Smith