

INTERNAL AUDIT REPORT

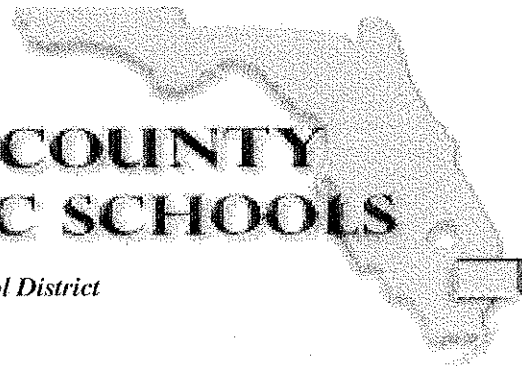
**Current Status Update of the McGladrey, LLP Operational
Review of the Office of Facilities and Construction**

February 2014



**BROWARD COUNTY
PUBLIC SCHOOLS**

The Nation's Sixth Largest School District



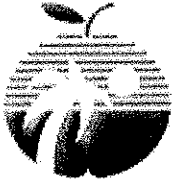
To be presented to the:

**Audit Committee on
March 13, 2014**

**The School Board of Broward County, Florida on
April 1, 2014**

By

The Office of the Chief Auditor



Broward County Public Schools

The School Board of Broward County, Florida

Patricia Good, *Chair*
Donna P. Korn, *Vice Chair*

Robin Bartleman
Abby M. Freedman
Laurie Rich Levinson
Ann Murray
Dr. Rosalind Osgood
Nora Rupert

Robert W. Runcie
Superintendent of Schools

"The School Board of Broward County, Florida prohibits any policy or procedure which results in discrimination on the basis of age, color, disability, gender, national origin, marital status, race, religion or sexual orientation."

Individuals with disabilities requesting accommodations under the Americans with Disabilities Act (ADA) may call the Equal Educational Opportunities Department at (754) 321-2150 or TDD# (754) 321-2158.

www.browardschools.com



THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

600 SE 3rd AVENUE • FORT LAUDERDALE, FLORIDA 33301 • TEL 754-321-2400 • FAX 754-321-2719

Office of the Chief Auditor
Patrick Reilly, Chief Auditor
www.browardschools.com

SCHOOL BOARD

Chair PATRICIA GOOD
Vice Chair DONNA P. KORN

Board Members ROBIN BARTLEMAN
ABBY M. FREEDMAN
LAURIE RICH LEVINSON
ANN MURRAY
DR. ROSALIND OSGOOD
NORA RUPERT

ROBERT W. RUNCIE
Superintendent of Schools

March 6, 2014

Members of the School Board of Broward County, Florida
Members of the School Board Audit Committee
Robert W. Runcie, Superintendent of Schools

Ladies and Gentlemen:

In accordance with the 2013-2014 Audit Plan, the Office of the Chief Auditor has performed a Current Status Update of McGladrey LLP's Operational Review of the Office of Facilities and Construction (OFC). In February 2013, McGladrey LLP also performed a Follow-up to their Operational Review of the Office of Facilities and Construction. Our report consists of a review of the Current Status responses from management and an analysis of the supporting documentation associated with their reported actions to date. The objective of this audit was to review Current Status responses from the OFC and report the results and actions to the Audit Committee and the School Board; review and analyze actions taken to address the observations/recommendations in the original audit and follow-up report; review and report on procedural internal control weaknesses identified in the original audit report; document organizational or procedural changes associated with the previously identified items; report recommendations to the administration, if needed.

The Office of the Chief Auditor (OCA) has identified that of the original forty three observations/recommendations, twenty have been implemented, five are implemented, but not in use, and eighteen are ongoing.

The Current Status Update provides detailed analysis of management's responses to the observations and OCA's conclusions regarding the status of the implementation of each recommendation.

We would like to thank the OFC and all District personnel who aided in the completion of this report.

This report will be presented to the Audit Committee at its March 13, 2014 meeting and to the School Board at its April 1, 2014 Regular School Board meeting.

Sincerely,

Patrick Reilly, CPA
Chief Auditor
Office of the Chief Auditor

TABLE OF CONTENTS

EXECUTIVE SUMMARY

Scope and Methodology	1
Opinion and Summary of Results	2

SECTION I: CURRENT STATUS MATRIX

Current Status Matrix.....	3-58
----------------------------	------

SECTION II: FULL TEXT OF ADMINISTRATIVE RESPONSES AND EXHIBITS

Office of Facilities and Construction Responses	59-64
Exhibit A - Design & Construction Bulletin No. 70	65-128
Exhibit B - Design & Construction Bulletin No. 65	129
Exhibit C - Document 00520, Form of Agreement between Owner & Contractor.	130-151
Exhibit D - General Conditions and Labor Negotiations Procedure	152-167
Exhibit E-1 - Design & Construction Bulletin.....	168-171
Exhibit F-1 - Design & Construction Bulletin.....	172-173
Exhibit G - Design & Construction Bulletin	174
Exhibit H-1 - Design & Construction Bulletin	175-177
Exhibit I - Design & Construction Bulletin	178-179
Exhibit J - Design & Construction Bulletin	180
Exhibit K - Design & Construction Bulletin.....	181-182

SECTION III: OFFICE OF THE CHIEF AUDITOR EXHIBITS

Exhibit E-2 - Design & Construction Bulletin No. 69	183-184
Exhibit F-2 - Design & Construction Bulletin No. 40	185
Exhibit H-2 - Design & Construction Bulletin No. 54, 35, and 43	186-188
Exhibit L - Agenda Request Form Item J-2 from June 11, 2013 RSBM.....	189
Exhibit M - Agenda Request Form Item J-5 from June 11, 2013 RSBM.....	190
Exhibit N - Page 15 from URS Agreement	191-192

SECTION IV: APPENDIX

Definitions and Abbreviations	193
-------------------------------------	-----

EXECUTIVE SUMMARY

Scope and Methodology

This Current Status Update of the McGladrey, LLP's Operational Review of the Office of Facilities and Construction (OFC) was performed in accordance with the 2013-2014 Audit Plan. In February 2013, McGladrey, LLP also performed a Follow-up to their Operational Review of the Office of Facilities and Construction. The Office of the Chief Auditor (OCA) has performed a Current Status to follow-up on all recommendations requiring additional review. The report consisted of a review of the Current Status responses from management and analysis of the supporting documentation associated with their reported actions to date. The objectives of this audit were to:

- Review Current Status responses from the OFC and report the results and actions to the Audit Committee and the School Board;
- Review and analyze actions taken to address the observations/recommendations in the original audit and follow-up report;
- Review and report on procedural internal control weaknesses identified in the original audit report;
- Document organizational or procedural changes associated with the previously identified items;
- Report recommendations to the administration, if needed.

Our audit was conducted in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. The aforementioned standards require that we plan and perform the audit to ensure a reasonable basis for our judgments and conclusions regarding the function under audit. An audit includes assessments of applicable controls and compliance with the requirements of laws, rules and regulations when necessary to satisfy the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

It is our responsibility to perform the review under generally accepted auditing standards and Government Auditing Standards, as well as provide recommendations to improve operations, strengthen internal controls and ensure compliance with the requirements of laws, rules and regulations in matters selected for review. It is the administration's responsibility to implement recommendations, to maintain an internal control environment conducive to the safeguarding of District assets and to preserve the District's resources, and to comply with applicable laws, regulations and School Board policies.

The procedures used to satisfy our objectives in this audit included the following:

- Request and review Current Status Update responses from management;
- Review correspondence and contract documents used to administer the contracts associated with construction projects noted in the original report and follow-up report;
- Review construction contracts and contract bulletins to determine that they were updated as recommended by McGladrey LLP;
- Review Application for Payment to determine that internal control procedures have been implemented as recommended by McGladrey LLP
- Interview staff, correspond electronically to request specific documentation required to verify actions and document rationale for the same;
- Perform other auditing procedures as deemed necessary.

Opinion and Summary of Results

The Office of the Chief Auditor (OCA) has identified that of the original forty three observations/recommendations, twenty have been implemented, five are implemented, but not in use, and eighteen are ongoing.

The Current Status Update provides detailed analysis of management's responses to the observations and OCA's conclusions regarding the status of the implementation of each recommendation.

The Current Status Update is divided into the following sections:

Section I – Current Status Matrix

Section II – Full Text of Administrative Responses and Exhibits

Section III – Office of the Chief Auditor Exhibits

Section IV – Appendix and Abbreviations

We would like to thank the OFC and all District personnel who aided in the completion of this report.

Submitted by:



Patrick Reilly, CPA

Chief Auditor

Office of the Chief Auditor

Audit performed by:

Robert Goode

Gerardo Usallan

Joe Wright

**SECTION I
CURRENT STATUS MATRIX**

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #1 – Right to Audit Provision			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Professional Services Agreement between the School Board of Broward County, FL and Project Consultant for Professional Services, Article 10.3 Project Consultant's Accounting Records and Right to Audit Provisions, we noted that the contract does not clearly define auditable records, parties bound and there is not an audit threshold included. The lack of a stronger Right to Audit clause can result in:</p> <ul style="list-style-type: none"> • CM refusal to provide certain documents • Limitations in the breadth and scope of what is auditable • Incurrence of unnecessary and excessive expenses. 	<p>We recommend OFC amend the contract to include language that more clearly defines what is an auditable record, who is bound by the right to audit clause, and include a clause that requires the Architect to pay for audit fees should the audit reveal findings over a threshold amount. Please refer to our redlined contract templates to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation.</p> <p>ECD: January 2013</p> <p>Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status – Implemented Per our review, the contract was approved by the Board on June 11, 2013. See Exhibit L</p> <p>February 2014 OF&C Management Response The new Professional Services Agreements have not been used, as the specific contracts are pending Board approval.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use, and submitted to and deemed acceptable by General Counsel.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #2 – Direct Personnel Expense

Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Professional Services Agreement between the School Board of Broward County, FL and Project Consultant for Professional Services, Article 5.3 Direct Personnel Expense and Article 5.7 Fees for Supplemental Services, we identified areas for improvement in the language regarding negotiated labor rates and related markup for work performed outside of the scope of Basic Services.</p>	<p>We recommend OFC amend the contract to include language that requires a breakout between salary and each fringe category, defines fee markup as a percentage of raw labor, and removes the clause allowing overtime charges. These changes would make the negotiated hourly rates more auditable, thereby allowing the Owner to more effectively determine if the rates are fair and appropriate. Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation. ECD: January 2013 Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status – Implemented Per our review, the contract was approved by the Board on June 11, 2013. See Exhibit L</p> <p>February 2014 OF&C Management Response The new Professional Services Agreements have not been used, as the specific contracts are pending Board approval.</p> <p>February 2013 McGladrey Follow-up Response Status - Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use, and submitted to and deemed acceptable by General Counsel.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #3 – Reimbursable Expenses			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Professional Services Agreement between the School Board of Broward County, FL and Project Consultant for Professional Services, Article 5.6 Fees for Reimbursables, we identified areas for improvement in the language regarding allowable reimbursable expenses.</p> <p>The lack of a well-defined reimbursable expense clause can result in the Owner reimbursing for:</p> <ul style="list-style-type: none"> • Costs that are disallowable • Inadequately supported charges • Excessive fees 	<p>We recommend OFC amend the contract to include language that caps reimbursable travel mileage and disallows long distance and cell phone charges, overtime charges, discretionary employee benefits and fee markup on reimbursable expenses. Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation.</p> <p>ECD: January 2013</p> <p>Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status – Implemented Per our review, the contract was approved by the Board on June 11, 2013. See Exhibit L</p> <p>February 2014 OF&C Management Response The new Professional Services Agreements have not been used, as the specific contracts are pending Board approval.</p> <p>February 2013 McGladrey Follow-up Response Status - Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #4 – Payment for Supplemental Services/Reimbursables

Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Professional Services Agreement between the School Board of Broward County, FL and Project Consultant for Professional Services, Article 6.2 Payment for Supplemental Services / Reimbursables, we identified areas for improvement in the language regarding required supporting documentation.</p>	<p>We recommend OFC amend the contract to include language that more explicitly defines what supporting documentation the Architect is required to submit to the Owner with their billings. This will ensure that the Project Consultant understands what the Owner needs to have in order to process the billing, and will prevent delays in payment. Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation. ECD: January 2013 Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status – Implemented Per our review, the contract was approved by the Board on June 11, 2013. See Exhibit L</p> <p>February 2014 OF&C Management Response The new Professional Services Agreements have not been used, as the specific contracts are pending Board approval.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #5 - Documented "Lessons Learned"			
Observation	Recommendation	Original Management Response	Current Status
<p>During interviews with various Facilities employees, we noted that recommendations for improvements and "lessons learned" specifically related to the reuse of designs were not documented and shared with other design team members, project managers or staff for future projects. During our procedures related to the development of this observation, we also identified a significant time delay between substantial completion (October 1999) on the Westwood Heights ES prototype and the certificate of final inspection (August 2011). This has been documented in association with Observation 42 below.</p> <p>Failure to document previously identified errors and omissions, design and construction rework, budget overruns and schedule delays on a design reuse may result in the same mistakes on future projects.</p>	<p>Projects which encompass the reuse of plans provide an even greater opportunity to take advantage of the lessons obtained from prior experience. We recommend that OFC develop a "Lessons Learned" process including the following steps:</p> <ul style="list-style-type: none"> • Have staff document project issues, challenges and solutions throughout the phases of each project • Schedule meetings at key project milestone dates during the design and construction phases with the Project Team to discuss what design and construction challenges they have experienced on their projects • Conduct the meetings using a standard meeting agenda with the Project Team and document all findings • Gather feedback from Administrators, Architects, Project staff and end users after the school project opening for considerations and use in future projects. For our recommendation related to the time delay between substantial completion and final inspection on the Westwood Heights ES project, refer to Observation 42 below. 	<p>June 2012 F&CM has implemented a Post-Occupancy Evaluation process to provide feedback as to how the facility is functioning, its maintainability and space efficiency.</p> <p>This activity occurs at the end of the first year or early into the second year of the operation of a new facility. The process has two stages: Online Post Occupancy Pre Visitation Survey and a walk-through conducted by a visiting team of District and area staff, and the Parent Teacher Association (PTA).</p> <p>During the course of a project, the Project Team meets to review progress on the project at milestone dates throughout the design and construction phases. F&CM will review the recommendations and examine the current practices for improvements where necessary.</p> <p>F&CM agrees with the recommendation, as defined in Observation 42. Although not as timely as desired, F&CM currently has procedures in place to close out projects. Improvements are being made to compress the current timeframe between Substantial Completion and Final Completion. Working more closely with the Building Department and Capital Budget have resulted in the close-out process being executed more efficiently.</p> <p>ECD: Completed and an Ongoing Process Responsible Party: Director, Portfolio Management</p>	<p>February 2014 OCA Follow-up Response Status – Implemented, but not in use Our review of the Supply Management & Logistics website found that Contract Bulletin #70 provided by OF&C is listed, but not accessible. See Exhibit A</p> <p>February 2014 OF&C Management Response The process has not been used, as the Office of Facilities & Construction has not executed any new design reuse projects. Corresponding Design and Construction Bulletin is attached. See Exhibit A.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented, but not in use. Facilities Management has developed a Design and Construction Bulletin noting the following 3 steps being / to be performed in regards to the implementation of this recommendation: 1. Design Review Committee (DRC) 2. Post Occupancy Evaluation Survey 3. Team Building Meetings</p> <p>McGladrey has reviewed the referenced bulletin, process flowchart and sample post occupancy survey as a part of our follow up procedures. We also interviewed relevant process owners. No design reuse projects have been executed subsequent to our previous report; therefore, we did not observe or inspect actual application of these procedures.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #6 – CM Involvement in the Design Phase			
Observation	Recommendation	Original Management Response	Current Status
<p>Through our procedures, we identified that for the Walker Elementary School Cafeteria reuse, the Construction Manager was not involved in the Design phases of the project.</p> <p>Late or lack of involvement of the CM during the Design Phase may result in missed opportunities for cost savings and avoidance through constructability reviews, cost estimate reconciliations and value engineering (for further discussions see the Contract Delivery Method Analysis section of this report).</p>	<p>We recommend that F&CM award GMP Contracts with Pre-construction services to the CM as early in the Design Phase as Phase I, schematic design.</p>	<p>June 2012 F&CM agrees with the recommendation. ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts.</p>	<p>February 2014 OCA Follow-up Response Status – Implemented, but not in use.</p> <p>February 2014 OF&C Management Response The Contract Delivery Method Selection Committee has not held any meetings, as no new contacts have been executed.</p> <p>February 2013 McGladrey Follow-up Response Status - Implemented, but not in use. Facilities Management has developed a Contract Delivery Method selection committee in response to this recommendation. Upon the adoption of the District Educational Facilities Plan, the Executive Director, Senior Project Manager and Project Manager III will meet to determine the appropriate contract delivery method for each project. Should the committee determine Construction Manager at Risk is the appropriate method, the committee will endeavor to initiate the timely selection of the CM to facilitate its insertion into the pre-construction and design phase of the project. McGladrey performed a review of the documented procedures and interviewed relevant process owners related to the contract delivery method selection process. No new GMP contracts have been executed subsequent to our previous report; therefore, we did not observe or inspect the actual application of these procedures.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation	Recommendation	Original Management Response	Current Status
<p>During our review, Facilities and Construction Management was able to provide total Architectural costs, but unable to provide the disaggregation between site adaptation, code modifications, and reuse fees.</p> <p>Analysis of the data that was provided revealed that 29% (4 of the 14 reuse projects) had higher Architectural fees than the original prototype design. We also identified that the average cost of the reuse projects was approximately 77% of the original prototype cost.</p>	<p>Industry standards indicate the average reuse of a design results in Architectural Fee cost savings of approximately 40%. Without the proper disaggregation of fees (as was requested), a proper analysis cannot be conducted to determine why the expected Architectural Fee cost savings was not achieved.</p> <p>We recommend F&CM implement procedures to obtain and analyze the referenced data to determine why the expected cost savings were not obtained. Further, going forward, this will enable Management to perform a cost benefit analysis as to the effectiveness of reusing designs based on the original prototype for similar projects.</p>	<p>June 2012 Westwood Heights ES is the prototype and Broward Estates ES was the first reuse of the prototype. The reuse fee for Broward Estates ES and all subsequent reuses of the prototype is \$123,984. The total fees paid to the project consultant for each reuse exceeds the reuse fee. The excess fees were necessary to compensate the project consultant for Site Adaptation, Code Compliance, revised District Design and Material Standards, Supplemental Services, Reimbursable Services, and Additional Basic Services provided at the request of the Owner. The Additional Basic Services were usually related to work necessitated to provide for continued facilities such as parking areas and playgrounds displaced by the location of the new building. In some case Additional Basic Services resulted from Owner requested scope unrelated to the new building such as re-roofing, IAQ renovation, ADA compliance, life safety systems, and other funded projects assigned to the project consultant out of convenience. This practice, commonly referred to as "scope creep" was discontinued January 29, 2007 by the Deputy Superintendent. Prior to the issuance of the procedural change project managers were able to add scope without the Deputy Superintendent's approval. The revised procedure requires the Deputy Superintendent's approval to add scope to an existing contract.</p> <p>ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts.</p>	<p>February 2014 OCA Follow-up Response Status – Implemented, but not in use.</p> <p>February 2014 OF&C Management Response The new process has not been used, as the Office of Facilities & Construction has not executed any new design reuse projects. Corresponding Design and Construction Bulletin is attached. See Exhibit B.</p> <p>February 2013 McGladrey Follow-up Response Status - Implemented, but not in use. Facilities Management has developed a Design and Construction Bulletin noting that the Executive Director will enforce the existing procedures for contemplating the reuse of design and the prohibition of "scope creep" on reuse projects, which was identified by Management as the cause of this observation. McGladrey performed a review of the documented procedure and interviewed relevant process owners related to the reuse of design. No new design reuses have been executed subsequent to our previous report; therefore, we did not inspect or observe the actual application of these procedures.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #8 – Disclosure of Related Party Relationships			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Agreement between Owner and Construction Manager, Article 3.4 Bidding and Awarding Phase, we noted that the contract did not require the Construction Manager to disclose any related party relationships with bidding subcontractors.</p>	<p>We recommend OFC amend the contract to include language requiring the Construction Manager to disclose any related party relationships to the Owner prior to awarding the subcontract.</p> <p>Related party relationships between the Construction Manager and the subcontractor heighten the risk for collusion and overcharges to the Owner. By requiring the Construction Manager to disclose these relationships, the Owner can monitor them more effectively.</p> <p>Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation.</p> <p>ECD: January 2013</p> <p>Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status – Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved.</p> <p>February 2014 OF&C Management Response The amended CM @ Risk contract has not been used, as the Office of Facilities & Construction has not awarded any new projects.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented. McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #9 – Buyout Savings Reconciliation			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Agreement between Owner and Construction Manager, Article 3.4 Bidding and Awarding Phase, we noted that the contract did not require the Construction Manager to submit to the Owner a buyout reconciliation of all subcontracts commitments.</p>	<p>We recommend OFC amend the contract to include language requiring the Construction Manager to submit to the Owner a buyout reconciliation of all subcontract commitments. Furthermore, this result should be presented in the schedule of values so that the net buyout adjustment is shown in the Owner Savings / Buyout line of the schedule. Requiring a buyout reconciliation and reviewing it against supporting documentation will enable the Owner to monitor project savings more effectively. Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation. ECD: January 2013 Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status – Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved. February 2014 OF&C Management Response The buyout reconciliation process has not been used, as the Office of Facilities & Construction has not awarded any new projects. February 2013 McGladrey Follow-up Response Status – Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #10 – Buyout Savings Reconciliation – Monthly Reconciliation			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Agreement between Owner and Construction Manager, Article 6.1 Guaranteed Maximum Price for Construction, we noted that the contract did not require the Construction Manager to submit to the Owner a buyout reconciliation monthly (as applicable).</p>	<p>The buyout savings account on the Schedule of Values should be adjusted monthly as subcontracts are awarded during the construction period through use of a Change Order. The Construction Manager should submit documentation to the Owner to support the original buyout reconciliation, as well as support for each change to the buyout reconciliation thereafter. This documentation should be reviewed by the Owner as part of the pay application review process. Requiring a buyout reconciliation and reviewing it against supporting documentation will enable the Owner to monitor project savings more effectively. Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation. ECD: January 2013 Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status – Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved. February 2014 OF&C Management Response The buyout reconciliation process has not been used, as the Office of Facilities & Construction has not awarded any new projects. February 2013 McGladrey Follow-up Response Status – Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #11 – General Conditions as a Reimbursable Not-to-Exceed Cost			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Agreement between Owner and Construction Manager, Article 7.1.04 General Conditions for Construction Phase, we noted that General Conditions is a negotiated sum paid to the Construction Manager rather than a Not-to-Exceed, reimbursable cost.</p>	<p>We recommend OFC amend the contract to include industry standard language (in line with the Standard AIA Contract) that sets General Conditions as a reimbursable not-to-exceed cost. By reimbursing the Construction Manager for General Conditions based on actual costs incurred and paid, rather than negotiating a Lump Sum, the Owner can ensure that they do not over pay the Construction Manager for costs that were never actually incurred. Please refer to Observation #22 for additional information, our redlined contract template to see our suggested wording changes, and Cost Avoidance observation #3 for both the Parkway and Walker projects, which outlines how the OFC can avoid potential cost of approximately \$590,000 on future comparable projects.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation. ECD: January 2013 Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved. February 2014 OF&C Management Response The revised CM Agreement has not been used, as the Office of Facilities & Construction has not awarded any new projects. February 2013 McGladrey Follow-up Response Status – Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #12 – Applications for Payment to the Construction Manager			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Agreement between Owner and Construction Manager, Article 8 Payments to the Construction Manager, we identified areas for improvement to the requirements of the payment application process.</p>	<p>We recommend OFC amend the contract to include language that requires proper support for each pay application including a reconciled job cost report, rights of Owner to withhold, requirement of the Construction Manager to pay the Subcontractors within 7 days of receipt of payment from Owner, and certain conditions to be met before final payment is released. Incorporating these best practices into the contract will ensure that the expectations of the Owner are clearly communicated to the Construction Manager, and will allow the Owner to contractually require desired processes.</p> <p>Please refer to Observations #29 & 30 for additional information, and our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation.</p> <p>ECD: January 2013</p> <p>Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved.</p> <p>February 2014 OF&C Management Response The revised CM Agreement has not been used, as the Office of Facilities & Construction has not awarded any new projects.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #13 – Construction Manager's Fees			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the General Conditions of the CM Agreement, Article 25 Construction Manager's Fees, we identified areas for improvement to the language that describes the Construction Manager's Fees (Overhead and Profit Fees).</p>	<p>We recommend OFC amend the contract to calculate CM Fees based on a percentage of Cost of Work, rather than negotiating a lump sum in the GMP and allowing for adjustments under certain circumstances. These fees should be negotiated at the time of the GMP, not at the execution of the Construction Contract.</p> <p>By making the CM fees a product of a well-defined cost of work, the Owner can avoid possible contention in negotiation of fees during the construction phase of a project.</p> <p>Please refer to our redlined contract template to see our suggested wording changes, and Cost Avoidance Observation #1 (Parkway and Walker) which outlines how the OFC can avoid potential costs of \$810,000 on future comparable projects.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation.</p> <p>ECD: January 2013</p> <p>Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved.</p> <p>February 2014 OF&C Management Response The revised CM Agreement has not been used, as the Office of Facilities & Construction has not awarded any new projects.</p> <p>February 2013 McGladrey Follow-up Response Status - Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #14 – Cost of the Project			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the General Conditions of the CM Agreement, Article 26 Cost of the Project, we identified areas for improvement to the language that describes the Cost of the Project.</p>	<p>We recommend OFC amend the contract to expand the definition of the Cost of the Project by including language defining how to price CM-owned equipment, defining how to account for scrap and cash discounts and third party equipment rentals, requiring rent-to-own analyses, limiting cell phone and travel expenses, and defining what types of labor-related expenses are reimbursable. OFC should also amend the contract to exclude certain items from the Cost of the Project such as discretionary fringe benefits, overtime charges not previously approved by Owner, costs outside of industry benchmarks and expenses due to negligence or misconduct. Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation. ECD: January 2013 Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved. February 2014 OF&C Management Response The revised CM Agreement has not been used, as the Office of Facilities & Construction has not awarded any new projects. February 2013 McGladrey Follow-up Response Status - Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #15 – Change Orders, Extra Work and Claims			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the following contract templates used by F&CM:</p> <ul style="list-style-type: none"> ▪ General Conditions of the CM Agreement, Article 27 Change Orders and Construction Change Directives ▪ Design Build, Document 00700, General Conditions of the Contract, Article 35 Change Orders <p>We identified areas for improvement in the language defining and pricing changes in the work.</p>	<p>We recommend F&CM amend the contract to expand the language defining the cost of a change. These amendments should outline the specifics regarding each available method for computing a change order, address how to calculate markup for each available method and include specific markup limitations for all contractor tiers.</p> <p>Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation.</p> <p>ECD: January 2013</p> <p>Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved.</p> <p>February 2014 OF&C Management Response The revised CM Agreement has not been used, as the Office of Facilities & Construction has not awarded any new projects.</p> <p>February 2013 McGladrey Follow-up Response Status - Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #16 – Right to Audit Provisions

Observation	Recommendation	Original Management Response	Current Status
<p>We reviewed the following construction contract templates used by OFC:</p> <ul style="list-style-type: none"> • General Conditions of the CM Agreement, Article 44 Right to Audit Provisions • Design Build, Document 00700, General Conditions of the Contract, Article 46 Right to Audit Provisions • Agreement for Open End Services, Article 9.3.1 Project Consultant's Accounting Records and Right to Audit Provisions <p>We identified areas for improvement in the language addressing the details of the Owner's Right to Audit. The lack of a strong Right to Audit clause can result in:</p> <ul style="list-style-type: none"> • Refusal to provide certain documents • Limitations in the breadth and scope of what is auditable • Incurrence of unnecessary and excessive expenses 	<p>We recommend OFC amend the contract to include language that more clearly defines what is an auditable record, who is bound by the right to audit clause, and include a clause that requires the Construction Manager to pay for audit fees should the audit reveal findings over a threshold amount. Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation.</p> <p>ECD: January 2013</p> <p>Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved.</p> <p>February 2014 OF&C Management Response The new process of separating the salary and fringe category has not been used, as the specific contracts are pending Board approval.</p> <p>February 2013 McGladrey Follow-up Response Status - Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use and submitted to and deemed acceptable by General Counsel.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #17 – Lump Sum Contract Pricing – RSMMeans			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review, we observed that for Continuing Service Lump Sum agreements, F&CM is utilizing RSMMeans for pricing the projects. The RSM pricing for each project is then multiplied by an adjustment factor that was negotiated at the origination of the CS agreement.</p> <p>Based on industry practice and our experience, RSMMeans is an effective tool for evaluating the reasonableness and completeness of cost proposals, rather than as a means for pricing the projects. However, as noted F&CM instructs the continuing service contractors to use RSMMeans as the sole method to price their lump sum proposals.</p>	<p>We recommend that F&CM direct continuing service contractors to present Lump Sum proposals without utilizing RSMMeans as the pricing source of their estimate.</p> <p>By utilizing RSMMeans as the pricing model for Lump Sum projects, F&CM may incur costs that could be avoided or reduced by specific contractors. For example, RSMMeans does not take into consideration potential cost savings related to lower prices due to existing contractor inventory, an individual contractor's compensation structure and any contractor owned depreciated equipment.</p> <p>Upon receipt of the contractor's proposal, F&CM should continue to utilize RSMMeans as an effective tool to evaluate the reasonableness and completeness of the cost proposals.</p> <p>See our attached Lump Sum contract redline, Exhibit D, for proposed contract language related to this recommendation.</p>	<p>June 2012 The District solicits competitive pricing utilizing the RS Means guideline by evaluating factors in the solicitation of bids. Award of contracts is based upon the lowest factor of 1.00 or less. It also includes the location factor in today's market the lowest factor is 0.57. In other words, the District is enjoying a 43% discount on the allowable costs in RS Means. There are certain criteria determined in the selection of the Construction Services Minor Projects delivery system. The criteria include cost parameters and consideration of the urgency of the work. Additionally, the Cost Estimator reviews quantities, market availability and costs, as well as any other pertinent information to optimize savings.</p> <p>F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation.</p> <p>ECD: January 2013</p> <p>Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status – Implemented, but not in use We verified that this contract was withdrawn from the March 18, 2013 Board agenda; however it was approved by the Board on June 11, 2013. See Exhibit M</p> <p>February 2014 OF&C Management Response The revised boilerplate Continuing Services Lump Sum contract was approved by the Board on March 18, 2013; however there are no current specific contracts yet Board approved.</p> <p>February 2013 McGladrey Follow-up Response Status – Not Implemented Facilities Management developed a Continuing Service Lump Sum contract in response to this recommendation. Management has noted their intent is to continue to bid RSMMeans "factors" as a part of the Continuing Service award; however, RSMMeans will no longer be the contractual basis for pricing the lump sum engagement. Contractors awarded under this new template will be allowed to price each project by the most cost effective means available to them, while Facilities Management will utilize RSMMeans as an internally produced, not-to-exceed threshold for negotiations. McGladrey obtained and reviewed the narrative explanation of the new negotiation parameters, as well as the newly redlined agreement. Upon acceptance of the contract by General Counsel and approval by the School Board, Management intends to utilize</p>

this contract for all Lump Sum contract awards in the future.

February 2013

OF&C Management Response

All comments have been incorporated into the final document. Staff will present the contracts for School Board approval on March 18, 2013. The results of implementation of the contract revisions shall be determined and monitored continually by staff. Reviews may occur periodically and may result with further improvements to the process.

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #18 – Lump Sum Contract Pricing – Cost Estimator Override			
Observation	Recommendation	Original Management Response	Current Status
<p>Through interviews with Facilities and Construction Management personnel, we noted that during Lump Sum Contract negotiations, significant disagreements in cost between the Cost Estimation department and the final proposal accepted by Project Management from the Contractor are not communicated to the School Board.</p> <p>Subsequent to the preparation of an internal cost estimate, project management may complete a "How to Proceed" memorandum should they feel the proposing contractor's estimate is more appropriate. Based on our interviews, current F&CM policy allows for this memorandum to be filed. This policy is currently being followed. It requires the "How to Proceed" memorandum to be signed by only the project manager. It is also our understanding based on our interviews and inspection of Board items that the memo is not presented to the School Board when a proposal is submitted for approval.</p>	<p>We recommend that if the project manager accepts the contractor's proposal and there is a quantified disagreement between the internal cost estimation department and the contractor's proposal greater than \$50,000, a formal report should be prepared indicating the reasons for disagreement. This report should be submitted to the School Board for review in association with the request for approval of the proposal.</p>	<p>June 2012 F&CM agrees with the recommendation. ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction</p>	<p>February 2014 OCA Follow-up Response Status – Implemented, but not in use We verified that this contract was withdrawn from the March 18, 2013 Board agenda; however it was approved by the Board on June 11, 2013. See Exhibit M</p> <p>February 2014 OF&C Management Response The new negotiation parameters have not been used, as there are no current specific contracts yet Board approved. The revised boilerplate Continuing Services Lump Sum contract was approved by the Board on March 18, 2013. Corresponding documentation is attached. See Exhibit C</p> <p>February 2013 McGladrey Follow-up Response Status – Not Implemented Facilities Management developed new negotiation parameters for Lump Sum projects as discussed in the McGladrey Follow Up for observation 17. Due to these new parameters, the potential for Cost Estimator Override has been effectively mitigated. The new process will set a not-to-exceed cap based on the Cost Estimators RSM means computation. McGladrey obtained and reviewed the narrative explanation of the new negotiation parameters, as well as the newly redlined agreement. Upon acceptance of the contract by General Counsel and approval by the School Board, Management intends to utilize this contract for all Lump Sum contract awards in the future.</p>

February 2013

OF&C Follow-up Response

All comments have been incorporated into the final document. Staff will present the contracts for School Board approval on March 18, 2013. The results of implementation of the contract revisions shall be determined and monitored continually by staff. Reviews may occur periodically and may result with further improvements to the process.

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #19 -- Direct Personnel Expense			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Agreement for Open End Services Article 5.3 Direct Salary Expense, we identified areas for improvement in the language regarding negotiated labor rates and related markup.</p>	<p>We recommend OFC amend the contract to include language that requires a breakout between salary and each fringe category, defines fee markup as a percentage of raw labor, and removes the clause allowing overtime charges. These changes would make the negotiated hourly rates more auditable, thereby allowing the Owner to more effectively determine if the rates are fair and appropriate. Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility. ECD: January 2013 Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status -- Implemented Per our review, the contract was approved by the Board on June 11, 2013. See Exhibit L We observed the separation of salary and fringe benefits in the URS contract awarded by the Board on January 22, 2014. See Exhibit N February 2014 OF&C Management Response The new process of separating the salary and fringe category has not been used, as the specific contracts are pending Board approval. February 2013 McGladrey Follow-up Response Status -- Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use, and submitted to and deemed acceptable by General Counsel.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #20 – Reimbursable Expenses			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Agreement for Open End Services Article 5.5 Fees for Reimbursables, we identified areas for improvement in the language regarding allowable reimbursable expenses. The lack of a well defined reimbursable expense clause can result in the Owner reimbursing for:</p> <ul style="list-style-type: none"> • Costs that are disallowable • Inadequately supported charges • Excessive fees 	<p>We recommend OFC amend the contract to include language that caps reimbursable travel mileage and disallows long distance and cell phone charges, overtime charges, discretionary employee benefits and fee markup on reimbursable expenses. Please refer to our redlined contract template to see our suggested wording changes.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility. ECD: January 2013 Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Implemented Per our review, the contract was approved by the Board on June 11, 2013. See Exhibit L</p> <p>February 2014 OF&C Management Response The new process has been incorporated into the contract, however the process has not been used as the specific contracts are pending Board approval.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented McGladrey performed a detailed review of the proposed redline contract including any modifications made by Facilities Management. The recommended redline language proposed by McGladrey as a part of this observation has been appropriately incorporated into the applicable contract template for future use, and submitted to and deemed acceptable by General Counsel.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #21 – General Conditions and Labor Negotiations			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review we noted that for both Parkway Middle School and Walker Elementary School, the development of the GMP process included a lump sum negotiation of General Conditions and Labor (Construction Phase Fee). Based on our discussions with Contracts and Cost Estimation no supporting schedules outlining what made up these sums are obtained or reviewed for reasonableness or accuracy by F&CM. In addition, by negotiating general conditions as a lump sum, the owner does not share in any savings. One of the significant benefits of a cost plus fee contract, as was used for these projects, is that the Owner can and should require the CM to provide a detailed breakdown of the actual cost estimate for General Conditions and Labor. These estimates can be reviewed by the Owner and then approved as a not-to-exceed amount in the GMP, rather than a lump sum. This process is consistent with Industry practice and our own experience in reviewing numerous CM at risk contracts, with a GMP.</p>	<p>In association with Observation #12 above, we recommend F&CM obtain from the CM, a detailed breakdown of General Conditions, Labor, and Labor Burden. This information should be reviewed in detail by F&CM to assess for reasonableness, contractual compliance and accuracy. Once an appropriate evaluation has been performed, this breakdown should be negotiated as a not-to-exceed balance, subject to reimbursement at actual cost during the course of the project. Potential cost avoidance has been computed in the Cost Avoidance section of this report for the Parkway and Walker projects in an effort to quantify the future potential benefit obtained by F&CM on comparable projects if this recommendation is implemented. Due to the significant potential for overpayments as a result of this form of negotiation (as evidenced by Cost Avoidance Observations #3 for Parkway and Walker below, which note approximately \$590,000 of potential cost avoidance), we recommend F&CM review the</p>	<p>June 2012 F&CM agrees with the recommendation. ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved. February 2014 OF&C Management Response Corresponding Design and Construction Bulletin is attached. The procedure has not been used as the Office of Facilities & Construction has not awarded any new projects. See Exhibit D. February 2013 McGladrey Follow-up Response Status – Implemented In association with Observation #12 above, McGladrey performed a review of the applicable contract redline, noting management has appropriately incorporated this recommendation into their contract template for future use and submitted to and deemed acceptable by General Counsel. In addition, modifications to the current Parameters Negotiation forms were made by Facilities Management to further facilitate the new negotiation criteria. McGladrey inspected the referenced documentation and interviewed relevant process owners. No new GMP contracts have been executed subsequent to our previous report; therefore, we did not observe or inspect the actual application of these procedures.</p>

<p>Lack of proper review of this data can result in the following:</p> <ul style="list-style-type: none"> • Payment for General Conditions not incurred by the CM • Payment for Labor at rates greater than actual cost • Excessive Labor Burden rates • Payment for contractually disallowable items 	<p>contract in consultation with its legal counsel to consider if it should exercise the contractual Right to Audit provision. It is our observation that due to the reimbursable nature of a CM at Risk Agreement, and the fact that the contract does not explicitly state the negotiated sums are "fixed", exercising the Right to Audit provision is appropriate and General Conditions / Labor would be auditable under this Article for both the Parkway and Walker projects.</p>	
---	---	--

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #22 – Subcontracts – Related Party Identification			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review, we noted that there is no formal policy addressing the identification of subcontractors or materials vendors that are affiliates of, or are a related party to the Construction Manager.</p> <p>The failure to identify a related party relationship between the Construction Manager and a subcontractor or materials supplier can result in:</p> <ul style="list-style-type: none"> • Duplication of fees paid by the Owner • Competitive bidding deficiencies • Negative public reputation as a result of bidding deficiencies 	<p>In association with Observation #8 above, we recommend F&CM implement a policy to formally check all subcontractors and material vendors for common ownership or an equity relationship with the Construction Manager.</p> <p>This recommendation can be accomplished by subjecting the subcontractor bid tabulation list and the direct owner purchase vendor listing to a simple search procedure through an online resource (such as corporationwiki©).</p>	<p>June 2012 F&CM agrees that a formal policy addressing the identification of subcontractors or materials vendors that are affiliates of, or are a related party to the Construction Manager should be implemented.</p> <p>ECD: Immediately</p> <p>Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved. OCA Verified that the contract has been amended pertaining to related party relationships.</p> <p>February 2014 OF&C Management Response The policy has not been used as the Office of Facilities & Construction has not awarded any new projects.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented In association with Observation #8 above, McGladrey performed a review of the applicable contract redline, noting management has appropriately incorporated this recommendation into their contract template for future use and submitted to and approved by General Counsel. No new GMP contracts have been executed subsequent to our previous report; therefore, we did not observe or inspect the actual application of these procedures.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #23 – Subcontracts – Bid Tabulation Review & Buyout Reconciliation			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the selected projects, we noted that there was no written documentation to indicate that the subcontractor bid packages and / or subcontractor bid tabulations were reviewed by F&CM. Project Management stated that their presence at the bid openings were sufficient to preclude any errors or deficiencies in the process. Lack of proper review procedures and documentation around the CM's selection of subcontractors may result in the following:</p> <ul style="list-style-type: none"> • Selection of subcontractors that F&CM has had problems within previous dealings (financial viability, work performance etc.) • Potential Bid-rigging – CM controls the specifications and scouting information, preventing equal opportunity bidding • Inability to accurately, independently track buyout savings • Competitive Bid P & P / FS Statutes • Negative public reputation as a result of bidding 	<p>In association with Observations #9 & 10 above, we recommend F&CM implement a policy which includes the following:</p> <ul style="list-style-type: none"> • Written approval of subcontractor bid tabulation sheets • Formal, independent reconciliation of bid tabulation sheets with the GMP • Formal, independent reconciliation of bid tabulation sheets with awarded subcontracts • Contractual requirements as outlined in Observations #9 & 10 	<p>June 2012 F&CM agrees that best practices should be implemented to avoid excess costs by reviewing, tabulating, and confirming award to the low bidder. Implementation of this process will necessitate either additional staff or outsourcing.</p> <p>ECD: Immediately</p> <p>Responsible Party: Executive Director, Facilities Design and Construction, and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved.</p> <p>February 2014 OF&C Management Response The revised CM Agreement has not been used as the Office of Facilities & Construction has not awarded any new projects.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented In association with Observations #9 & 10 above, McGladrey performed a review of the applicable contract redline, noting management has appropriately incorporated this recommendation into their contract template for future use and submitted to and deemed acceptable by General Counsel. No new GMP's have been executed subsequent the implementation of this recommendation; therefore, we did not observe or inspect actual application of these procedures.</p>

<p>deficiencies Violation of District Policy and the Florida Statutes regarding the competitive bid process – lowest responsive bidder is not chosen.</p>			
---	--	--	--

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #24 – Project Procurement Schedules			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review, we noted that project materials procurement schedules are not developed to establish the timeline for the procurement required to ensure on time project delivery. Project Managers currently address materials procurement (according to F&CM policy) through project meetings but do not require the referenced schedules from the Construction Manager. Lack of written procurement schedules can lead to critical schedule delays and increased project costs.</p>	<p>We recommend that project management request from the contractor, a material procurement schedule in addition to the critical path as another means of ensuring timely delivery of services. This schedule will provide the project manager with another tool for evaluating lead times and the resulting effect on the critical path of the project should a materials purchase be delayed.</p>	<p>June 2012 F&CM agrees with the recommendation. ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved. February 2014 OF&C Management Response The new process has not been used as the Office of Facilities & Construction has not awarded any CM projects. February 2013 McGladrey Follow-up Response Status – Implemented Facilities Management has modified their construction contract to require materials procurement issues and scheduling be addressed by the Construction Manager through the monthly narrative report. McGladrey performed a review of the applicable contract redline, noting management has appropriately incorporated this recommendation into their contract template for future use and submitted to and deemed acceptable by General Counsel. No new GMP contracts have been executed subsequent to our previous report; therefore, we did not observe or inspect the actual application of these procedures.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #25 – Dollar Value Time Graphs			
Observation	Recommendation	Original Management Response	Current Status
As a product of payment application review procedures, we noted that the Dollar Value Time Graphs required by Article 8.12 of the Construction Management Agreement for both Parkway Middle School and Walker Elementary School were not delivered with each application for payment. Not obtaining the contractual Dollar Value Time Graphs can prevent F&CM from adequately monitoring scheduling / percentage of completion and could result in advanced billing on applications for payment.	We recommend that F&CM enforce this Article of the Agreement going forward as a beneficial means of schedule monitoring. The required graph consecutively tracks the percentage of completion of both the Application for Payment's dollar value attained and the contract time based on calendar days, all coinciding with the date of the application for payment.	<p>June 2012 F&CM agrees with the recommendation ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction</p>	<p>February 2014 OCA Follow-up Response Status – Implemented We have verified that Dollar Value Time Graphs are being provided by the contractors with their Application for Payment. For example, they are being included in the Fort Lauderdale Phased Replacement project.</p> <p>February 2014 OF&C Management Response The contract requirement is being enforced and the Dollar Value Time Graphs are submitted with the Application for Payment.</p> <p>February 2013 McGladrey Follow-up Response Status – Not Implemented No modification to the department's contracts or policy manuals were required as a result of this recommendation due to the fact that the requirement for these graphs already exists, but was not being fully enforced. A Design and Construction Bulletin was developed noting that Project Management shall enforce the existing requirements. McGladrey performed a review of this bulletin and interviewed relevant process owners, however, at the time of our review this recommendation had not been implemented on current projects.</p> <p>February 2013 OF&C management Response Staff has taken the steps necessary to correct this noncompliance issue through implementation of the invoice checklist and review prior to processing invoices. Management is monitoring Staff compliance</p>

				with this contractual requirement and shall hold those responsible for enforcing this requirement accountable through progressive discipline, if necessary.
--	--	--	--	---

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #26 – Records Management			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of applications for payment, we noted instances of incomplete or noncurrent records in the Records Management department. We noted on 5 out of 27 applications for payment that the Records Management department was maintaining an application that had been revised prior to payment.</p> <p>Walker: We noted on 5 out of 21 applications for payment that the Records Management department was maintaining an application that had subsequently been revised prior to payment. We also noted 2 of 22 contingency use directives could not be found in the Records Management department. These documents ended up being obtained from the 3rd party consultant used on the project because they could not be located at F&CM.</p> <p>Upon further review, we identified that modifications have been made to the applications for payment by the Capital Payments Group, and the revised versions had not been submitted. The contingency use directives had not been submitted to Records</p>	<p>We recommend that F&CM implement procedures to ensure that all final documents, as revised, are submitted to Records Management upon their completion from both the Capital Budget Department (Capital Payments Group) and the Project Management team.</p>	<p>June 2012 F&CM agrees with the recommendation. The Capital Budget Department (Capital Payments Group) agrees with this recommendation and will implement a practice to electronically transmit all processed invoices to the Records Retention group starting July 1, 2012. ECD: May 2013</p> <p>Responsible Party: Manager, Design and Construction Contracts and Capital Budget Department (Capital Payments)</p>	<p>February 2014 OCA Follow-up Response Status – Implemented Our review of the Supply Management & Logistics website found that Contract Bulletin #69 differs from the one provided by OF&C in their Management Response as follows. We noted that Management's Exhibit E-1 includes an Application for Payment Checklist and does not include a Bulletin Number on the front page. The nine step procedures differ on the two documents. The Supply Management & Logistics website should contain the most recently revised contract bulletins. We verified that the Application for Payment Checklist is being used by OF&C in the Fort Lauderdale Phased Replacement Project. See Exhibit E-2</p> <p>February 2014 OF&C Management Response The nine step process is being used. Corresponding Design and Construction Contract Bulletin is attached. See Exhibit E-1</p> <p>February 2013 McGladrey Follow-up Response Status – Not Implemented Facilities Management has developed a new nine-step procedure for processing applications for payment. These procedures include the Capital Payments Department forwarding the final edited Application for Payment to the Supervisor of Records Management for retention (Steps 7 - 9). McGladrey performed a review of the documented procedures, noting that this</p>

Management and had to be obtained from the Project Manager.
Failure to retain final executed copies of documentation in Records Management can result in discrepancies at project closeout, potential findings if the project is subject to State audit, and unnecessary confusion during or after the project when the documents are pulled for managerial decision making.

recommendation had not been properly implemented on current projects.

February 2013

OF&C Management Response

During the audit review it was discovered that Facilities Management staff had not completed the final steps in the process in two of four invoices sampled.

Management shall conduct further training and monitor Staff compliance with this practice and shall hold those responsible for enforcing this requirement accountable through progressive discipline, if necessary.

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #27 – Lack of Supporting Documentation for General Conditions and Labor

Observation	Recommendation	Original Management Response	Current Status
<p>Through interviews with Facilities and Construction Management personnel and review of the monthly pay applications for both the Walker and Parkway projects, we noted F&CM does not require the CM to provide support for general conditions and CM labor. Instead, F&CM negotiates these amounts as a lump sum and allows them to be billed in monthly applications for payment based on the project's current percentage of completion. Lack of proper supporting documentation can result in the following:</p> <ul style="list-style-type: none"> • Payment for General Conditions not incurred by the CM • Payment for Labor at rates greater than actual cost • Excessive Labor Burden rates • Payment for contractually disallowable items 	<p>In association with Observations #11 & 12, we recommend F&CM require the CM to provide appropriate documentation to support costs billed as actual costs incurred. The Capital Payments Group should agree all billed amounts to appropriate supporting documentation. Project Managers should verify that costs billed are allowable and appropriate per the Contract. All parties involved in the pay application review process should have a working knowledge of the contract, allowable and disallowable costs.</p> <p>F&CM should not approve a pay application until Capital Payments reviews and approves all charges and supporting documentation. This review process will significantly mitigate the risk of overcharges to F&CM.</p> <p>Examples of appropriate supporting documentation for major categories of costs include, but are not limited to the following:</p> <ul style="list-style-type: none"> • Third party invoices • Subcontractor applications for payment for General Conditions items (as 	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation. The Capital Budget Department (Capital Payments) agrees with this recommendation and will review supporting cost documentation for accuracy once these changes are incorporated into the District's contracts. The revised process that is established should meet the time constraints of the prompt payment act established in Statute.</p> <p>ECD: Immediately</p> <p>Responsible Party: Executive Director, Facilities Design and Construction and Capital Budget Department (Capital Payments)</p>	<p>February 2014 OCA Follow-up Response Status - Implemented Our review of the Supply Management & Logistics website found that Contract Bulletin #69 differs from the one provided by OF&C in their Management Response as follows. We noted that Management's Exhibit E-1 includes an Application for Payment Checklist and does not include a Bulletin Number on the front page. The nine step procedures differ on the two documents. The Supply Management & Logistics website should contain the most recently revised contract bulletins. We verified that the Application for Payment Checklist is being used by OF&C in the Fort Lauderdale Phased Replacement Project. See Exhibit E-2</p> <p>February 2014 OF&C Management Response Corresponding Design and Construction Contract Bulletin is attached. The Office of Facilities and Construction has not awarded any new GMP contracts. However, the process is being utilized on various ongoing projects. (Cooper City HS, Fort Lauderdale HS, Nob Hill ES, Ramblewood ES etc.) See Exhibit E-1.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented In association with Observation #11 & 12, McGladrey performed a review of the applicable contract redline, noting management has appropriately incorporated this recommendation into their contract</p>

	<p>applicable)</p> <ul style="list-style-type: none"> • Certified payroll or equivalent for Construction Manager labor <p>Furthermore, we recommend that F&CM require the CM to submit bridging documents. Bridging documents enable F&CM to easily identify which costs in the Schedule of Values are supported properly. A Pay Application Checklist (Exhibit A) has been attached to this report to assist F&CM in their implementation of this recommendation.</p>		<p>template for future use and submitted to and deemed acceptable by General Counsel. Management has also developed new pay application review procedures as noted above. These procedures include a use of the pay application review checklist provided by McGladrey in accordance with our previously issued report. The checklist procedures include proper review of General Conditions supporting documentation. McGladrey performed a review of the documented procedure, checklist and interviewed relevant process owners.</p> <p>No new GMP contracts have been executed subsequent to our previous report; therefore, we did not observe or inspect the actual application of these procedures.</p>
--	--	--	--

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #28 – Lack of Supporting Documentation for Subcontractor Costs			
Observation	Recommendation	Original Management Response	Current Status
<p>Through interviews with Facilities and Construction Management personnel and review of the Parkway and Walker projects, we noted 7 instances of inadequate or incomplete support for subcontracted costs out of the 48 applications for payment we reviewed. This inadequate / incomplete support consisted of supporting documentation that did not agree to the schedule of values, or a schedule of value line item was billed but no third party support was included in the application.</p> <p>Failure to perform a complete review of pay applications before issuing payment may result in over / early payment to the CM.</p>	<p>We recommend F&CM require the CM to provide appropriate documentation to support costs billed as actual costs incurred. The Capital Payments Group should agree all billed amounts to appropriate supporting documentation as a part of their review. Project Managers should verify that costs billed are allowable and appropriate per the Contract. All parties involved in the pay application review process should have a working knowledge of the contract, allowable and disallowable costs.</p> <p>F&CM should not approve a pay application until Capital Payments reviews and approves all charges and supporting documentation for subcontracted (and GC / Labor as noted above) costs.</p> <p>This review process will significantly mitigate the risk of overcharges to F&CM.</p> <p>Furthermore, we recommend that F&CM require the CM to submit bridging documents. Bridging documents enable F&CM to easily identify which costs in the Schedule of Values are supported properly.</p>	<p>June 2012 F&CM will evaluate the recommended contractual modifications in consultation with legal counsel to determine feasibility of implementation. The Capital Budget Department (Capital Payments) agrees with this recommendation and will review supporting cost documentation for accuracy. The process that is established should meet the time constraints of the prompt payment act as established in Statute. ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction and Capital Budget Department (Capital Payments)</p>	<p>February 2014 OCA Follow-up Response Status - Implemented</p> <p>February 2014 OF&C Management Response No response was requested by OCA.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented In association with Observation #12 McGladrey performed a review of the applicable contract redline, noting management has appropriately incorporated this recommendation into their contract template for future use. Management has also developed new pay application review procedures as noted above. These procedures include a use of the pay application review checklist provided by McGladrey in accordance with our previously issued report. The checklist procedures include proper review of Subcontract Costs supporting documentation.</p> <p>McGladrey performed a review of the documented procedure, checklist and interviewed relevant process owners. In addition, McGladrey inspected and reconciled all subcontractor supporting documentation on the Palmview Elementary School Project for the August 2012 pay application #34, noting no instances of improper or incomplete support.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #29 – Pay Application Review Responsibility			
Observation	Recommendation	Original Management Response	Current Status
<p>In association with Observations #27 & 28, we noted a general misunderstanding or significant "gaps" in departmental responsibilities in the pay application review process. As noted in Observation #29, this led to the failure to perform necessary reconciliations and reviews on 7 out of 48 applications that are specifically designed to mitigate the risk of overpayment.</p>	<p>We recommend F&CM utilize a checklist to document reviews and reconciliations performed throughout the pay application review process. This checklist will serve both as documentation of work performed and as a reference to employees, helping ensure proper review and support of all payments. A Pay Application Checklist (Exhibit A) has been attached to this report to assist F&CM in implementing this recommendation.</p>	<p>June 2012 F&CM agrees with the recommendation, however, further review is necessary to identify areas where "gaps" may have occurred. ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction and Director, Capital Budget</p>	<p>February 2014 OCA Follow-up Response Status - Implemented Our review of the Supply Management & Logistics website found that Contract Bulletin #69 differs from the one provided by OF&C in their Management Response as follows. We noted that Management's Exhibit E-1 includes an Application for Payment Checklist and does not include a Bulletin Number on the front page. The nine step procedures differ on the two documents. The Supply Management & Logistics website should contain the most recently revised contract bulletins. We verified that the Application for Payment Checklist is being used by OF&C in the Fort Lauderdale Phased Replacement Project. See Exhibit E-2</p> <p>February 2014 OF&C Management Response The nine step procedure is being used on various ongoing projects. See Exhibit E-1.</p> <p>February 2013 McGladrey Follow-up Response Status – Not Implemented Facilities Management has developed a new nine-step procedure for processing applications for payment which includes the assignment of specific tasks by department as well as the use of the pay application review checklist provided by McGladrey in accordance with our previously issued report. Management has also developed new pay application review procedures as noted above. These procedures include a use of the pay</p>

application review checklist provided by McGladrey in accordance with our previously issued report.

McGladrey performed a review of the documented procedures, noting that this recommendation had not been properly implemented on current projects.

Update - During the reporting phase of our engagement, Facilities Management provided McGladrey with documentation reflecting that the pay application checklist had been circulated and utilized by project management. The implementation of this recommendation was performed subsequent to the completion of the follow up phase of this engagement and therefore could not be considered implemented for the purposes of this report.

February 2013

OF&C Management Response

Staff has taken the steps necessary to correct this noncompliance issue through implementation of the invoice checklist and review prior to processing invoices. Management is monitoring Staff compliance with this contractual requirement and shall hold those responsible for enforcing this requirement accountable through progressive discipline, if necessary.

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #30 -- Schedule of Value Modification Tracking			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review procedures, we identified monthly line item shifting within the schedule of values on the payment application. Through our interviews and procedures, it was determined Project Managers (and other pay application reviewers) are not approving or reviewing support for the transfer of amounts among line item categories in the GMP / Schedule of Values. Article 8.1 of the CM at Risk Agreement states that the CM may only modify the schedule of values for subcontracts (related to buyout), approved change orders and change directives.</p> <p>Allowing the Construction Manager to freely reclassify line items in the schedule of values can result in an increased complexity to the buyout reconciliation process, as well as the unauthorized use of Owner savings by the CM.</p>	<p>In association with Observations #12, 28, and 29, we recommend that F&CM institute a policy requiring Project Management to obtain from the CM a monthly reconciliation of all movement within the schedule of values and that this document be approved by F&CM in writing. As a part of this reconciliation, we recommend the Construction Manager be required to provide any and all supporting documentation reasonably required by the Owner as evidence of any buyout savings identified as a part of the requested schedule of values reclassification.</p> <p>Exhibit G: Schedule of Values Template has been provided to assist the F&CM in the implementation of this recommendation.</p>	<p>June 2012 F&CM agrees with the recommendation. ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction and Director, Capital Budget</p>	<p>February 2014 OCA Follow-up Response Status - Implemented Our review of the Supply Management & Logistics website found that Contract Bulletin #69 differs from the one provided by OF&C in their Management Response as follows. We noted that Management's Exhibit E-1 includes an Application for Payment Checklist and does not include a Bulletin Number on the front page. The nine step procedures differ on the two documents. The Supply Management & Logistics website should contain the most recently revised contract bulletins. We verified that the Application for Payment Checklist is being used by OF&C in the Fort Lauderdale Phased Replacement Project. See Exhibit E-2</p> <p>February 2014 OF&C Management Response The Office of Facilities & Construction has implemented the new nine step procedure for processing Application for Payment. The process is being used on various ongoing projects currently in construction. However, as it pertains to Audit Finding 30, the Office of Facilities and Construction has not executed any new GMP contracts. Corresponding Design and Construction Bulletin is attached. See Exhibit E-1</p> <p>February 2013 McGladrey Follow-up Response Status -- Implemented, but not in use Facilities Management has developed a new nine-step procedure for processing applications for payment, which includes the</p>

			<p>use of the pay application review checklist provided by McGladrey in accordance with our previously issued report. This checklist encompasses proper monitoring and tracking of the schedule of values.</p> <p>McGladrey performed a review of the documented procedures, checklist and interviewed relevant process owners.</p> <p>No new GMP contracts have been executed subsequent to our previous report; therefore, we did not observe or inspect the actual application of these procedures.</p>
--	--	--	--

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #31 – Direct Owner Purchases – Shipping Documentation

Observation	Recommendation	Original Management Response	Current Status
<p>Through interviews with Capital Payments personnel and inspection of direct owner purchases supporting documentation, we noted that current policy is being followed and requires a matching between the direct owner purchase order and the resulting invoices. However it does not require matching the invoices with the shipping documentation obtained from the delivery of the materials at the construction site. Lack of proper matching of these documents can result in F&CM paying for incorrect quantities or nonconforming materials.</p>	<p>We recommend F&CM implement procedures requiring the matching of shipping documents obtained at the time of delivery, to the invoices submitted to Capital Payments.</p>	<p>June 2012 F&CM agrees with the recommendation. ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction and Director, Capital Budget</p>	<p>February 2014 OCA Follow-up Response Status - Implemented Our review of the Supply Management & Logistics website found that Contract Bulletin #40 differs from the one provided by OF&C in their Management Response as follows. We noted that Management's Exhibit F-1 includes an Application for Payment Checklist and does not include a Bulletin Number on the front page. The new twelve step procedures are not listed on the website. The Supply Management & Logistics website should contain the most recently revised contract bulletins. We verified that the Application for Payment Checklist is being used by OF&C in the Fort Lauderdale Phased Replacement Project. We reviewed several Applications for Payment and verified that shipping documents were reconciled with invoices and purchase orders. See Exhibit F-2</p>
			<p>February 2014 OF&C Management Response Corresponding Design and Construction Bulletin is attached. The process is being used on Fort Lauderdale HS, Cooper City HS, Hallandale HS, and South Broward HS. See Exhibit F-1</p>
			<p>February 2013 McGladrey Follow-up Response Status – Implemented Facilities and Capital Payments Management have collaborated to develop and circulate a new twelve-step procedure for inspecting, reconciling and processing Direct Owner Purchases (DOP). These new procedures</p>

				involve Project Management obtaining, reconciling and submitting delivery tickets to the Capital Payments Department. McGladrey performed a review of the documented procedures and interviewed relevant process owners noting limited DOP activity on CM at Risk projects since the issuance of our previous report. McGladrey inspected the delivery ticket for ACF Environmental invoice #508632 on Parkway Middle School as evidence of the proper matching procedures being performed.
--	--	--	--	---

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #32 – Direct Owner Purchases - Reconciliation			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review, we noted that the Capital Payments personnel responsible for reviewing monthly applications for payment are not required to attach the internal Direct Owner Purchase Order log to the application as a part of their review.</p> <p>By not attaching this log to the pay application, the subsequent reviewer has no means of identifying that the task was performed, or if the balance is accurate.</p> <p>Improper reconciliation or nonperformance of this reconciliation could result in the payment of both invoices and subcontractors (duplication).</p>	<p>We recommend that F&CM implement a policy requiring the Capital Payments personnel responsible for the primary review of the pay application to print and attach the internal DOP log as evidence of their review. This log should be circulated as a part of the pay application for the required additional review procedures and to Records Management for monthly filing.</p>	<p>June 2012</p> <p>There is a "sign-off" by Capital Payments that is currently in place; however, F&CM will review the recommendation to strengthen the practice.</p> <p>All contractors will be required to submit a monthly reconciliation of purchases made under the DOP. This will be included in the payment application and reconciled with Capital Payment's internal log by Capital Payments staff. A final copy of the payment application and reconciled purchase log will be filed in the Project Records.</p> <p>ECD: Immediately</p> <p>Responsible Party: Executive Director, Facilities Design and Construction and Capital Budget Department (Capital Payments)</p>	<p>February 2014</p> <p>OCA Follow-up Response Status - Implemented</p> <p>Our review of the Supply Management & Logistics website found that Contract Bulletin #40 differs from the one provided by OF&C in their Management Response as follows. We noted that Management's Exhibit F-1 includes an Application for Payment Checklist and does not include a Bulletin Number on the front page. The new twelve step procedures are not listed on the website. The Supply Management & Logistics website should contain the most recently revised contract bulletins. We verified that the Application for Payment Checklist is being used by OF&C in the Fort Lauderdale Phased Replacement Project. We reviewed several Applications for Payment and determined that Capital Payments is maintaining a DOP log and the contractor is submitting a monthly reconciliation of purchases made under the DOP program.</p> <p>See Exhibit F-2</p> <p>February 2014</p> <p>OF&C Management Response</p> <p>Corresponding Design and Construction Bulletin is attached. The process is being used on Fort Lauderdale HS, Cooper City HS, Hallandale HS, and South Broward HS.</p> <p>See Exhibit F-1</p> <p>February 2013</p> <p>McGladrey Follow-up Response Status – Implemented</p> <p>Facilities and Capital Payments Management have collaborated to develop a new twelve-</p>

			<p>step procedure for inspecting, reconciling and processing Direct Owner Purchases. These new procedures involve Capital Payments personnel maintaining, reconciling and submitting a Vendor DOP Log with each application for payment.</p> <p>McGladrey performed a review of the documented procedures and interviewed relevant process owners. McGladrey inspected and reconciled the DOP Vendor log for the most recent pay applications on the Parkway, Palmview and Cypress projects noting evidence that these logs were utilized and reconciled on each application.</p>
--	--	--	---

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #33 – Change Order Supporting Documentation			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review, we noted change order or contingency use directive supporting documentation that contained mathematical errors totaling \$1,205 on the Walker project (change orders #1 & 2) and \$5,274 on the Parkway project (CUD #01R1). Based on inspection and inquiry, a review of this supporting documentation was conducted according to policy, the mathematical errors were not identified by personnel. These errors resulted in overpayments as noted above.</p>	<p>We recommend that as a part of change order review procedures, the Capital Payment staff reconcile and recalculate all relevant supporting documentation to prevent such errors. Further, we recommend OFC contact the Construction Managers for both projects to obtain the overpayments.</p>	<p>June 2012 F&CM and Capital Payments will review the supporting documentation provided to identify areas where errors may have occurred. F&CM and Capital Payments will review the procedures in place and will review the recommendation. The Capital Budget Department (Capital Payments) agrees with this recommendation and will review supporting cost documentation for accuracy for both CUD and Change Orders. ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction and Capital Budget Department (Capital Payments)</p>	<p>February 2014 OCA Follow-up Response Status - Implemented The Contract Bulletin supplied by OF&C does not have a Bulletin number nor is it listed on the Supply Management & Logistics Contract Bulletin website. February 2014 OF&C Management Response The closeout for Walker is in progress. Corresponding Design and Construction Bulletin is attached. See Exhibit G February 2013 McGladrey Follow-up Response Status – Implemented Facilities and Capital Payments Management have collaborated to develop and circulate a new three-step procedure for reviewing and processing Change Orders. These new procedures involve Capital Payments personnel reviewing supporting cost documentation for accuracy prior to the Project Management Council meeting, Agenda Preparation Group meeting and Board approval of Change Orders and Contingency usage. McGladrey performed a review of the documented procedures and interviewed relevant process owners. A demand letter was sent to the Construction Manager for the identified error on the Walker project. The response to this letter is pending. The error identified on the Parkway project was subsequently re-inspected and resolved by a Facilities third party consultant. The details of this resolution and the demand letter were reviewed and inspected by McGladrey as a part of our follow up procedures.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #34 – Construction Manager’s Fee on Change Orders			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of change orders and F&CM’s construction contracts, we noted the Construction Manager’s fee (and bond) percentage applied to change orders was 12% and 10% for Parkway and Walker, respectively.</p> <p>Allowing for a larger fee on change orders than what was negotiated for Overhead & Profit in the original GMP may incentivize the CM to withhold items from the GMP and present them later by change order. In this case, F&CM did not negotiate Overhead & Profit as a percentage in the GMP, but as indicated in the Cost Avoidance section of this report, effective CM fees were found to be below the contractual change order markup percentages noted above.</p>	<p>We recommend that F&CM limit Construction Manager’s fee on change orders to that of the percentage negotiated for Construction Manager’s fee on the project as a whole. We also recommend that bonds and insurance for change orders be billed at actual cost, not as a percentage of the change order.</p> <p>These recommendations coincide with Observation #14 above, and have been quantified in the Potential Cost Avoidance section below.</p>	<p>June 2012 F&CM agrees that in today’s market lower rates may apply. During negotiations of the subject contracts the market demanded higher rates.</p> <p>ECD: Immediately</p> <p>Responsible Party: Executive Director, Facilities Design and Construction and Manager, Design and Construction Contracts</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved.</p> <p>February 2014 OF&C Management Response The policy has not been used, as the Office of Facilities & Construction has not executed any new GMP contracts.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented In association with Observation #13 above, McGladrey performed a review of the applicable contract redline, noting management has appropriately incorporated this recommendation into their contract template for future use. Facilities Management has also developed new procedures for approving change orders, which include CM fee review. McGladrey performed a review of the documented procedures and interviewed relevant process owners. No new GMP contracts have been executed subsequent to our previous report; therefore, we did not observe or inspect the actual application of these procedures.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #35 – Contracts exclusion from Change Order review			
Observation	Recommendation	Original Management Response	Current Status
<p>Through our interviews with Facilities and Construction Management personnel, we noted that the Contracts and Cost Estimation department has been excluded from the change order review process.</p> <p>Through our interviews with F&CM personnel, Cost Estimation was removed from the change order review process due to efficiency concerns. F&CM established the Project Management Counsel (PMC) to review change orders in substitution of the Cost Estimation department.</p>	<p>It is our experience in the industry that there is significant financial benefit to the Owner in obtaining an independent review of change orders from someone with the appropriate skill set especially for significant change orders over an established threshold.</p> <p>We recommend that F&CM develop a process for reviewing change orders over an established threshold that includes involvement from the Contracts and Cost Estimation department. Further, we recommend F&CM conduct a facilitative session between Project Management and Contracts / Cost Estimation to determine how this can be accomplished without compromising project scheduling.</p> <p>Discussions related to the benefits of implementing this type of process can be found in the Project Interface and Internal Structure Analysis section of the report located below.</p>	<p>June 2012</p> <p>Although we concur with the recommendation to involve CE staff in the Change Order review process, staffing limitations, leading to a significant backlog, forced staff to abandon this practice. It is important to note that those change orders that exceed \$100,000 and any change order that is done internally and does not align with the PM council's review, is by policy, sent to a third party cost estimating firm for validation.</p> <p>Future organizational changes may be able to address the recommendation.</p> <p>ECD: Immediately</p> <p>Responsible Party: Executive Director, Facilities Design and Construction</p>	<p>February 2014</p> <p>OCA Follow-up Response Status - Implemented</p> <p>Our review of the Supply Management & Logistics website found that Contract Bulletin #54 differs from the one provided by OF&C in their Management Response as follows. We noted that Management's Exhibit H-1 does not include a Bulletin Number on the front page. The Supply Management & Logistics website should contain the most recently revised contract bulletins. See Exhibit H-2</p> <p>February 27, 2014</p> <p>OF&C Management Response</p> <p>Corresponding Design and Construction Bulletin is attached. See Exhibit H-1</p> <p>February 28, 2013</p> <p>McGladrey Follow-up Response Status – Implemented</p> <p>Facilities Management is conducting Project Management Council (PMC) meetings to review all change orders as a part of their response to this recommendation. The members of the PMC include: the executive director, general counsel, project management, building official, a cost estimator and a member of the design services team.</p> <p>McGladrey observed a meeting of the PMC, noting that council members actively discussed various aspects of current project change orders including proper support, accuracy, entitlement and pricing. Facilities Management has also developed updated change order procedures in response to this</p>

			recommendation. McGladrey performed a review of the documented procedures and interviewed relevant process owners.
--	--	--	--

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #36 – Design Services involvement in Change Order review			
Observation	Recommendation	Original Management Response	Current Status
<p>Through our interviews with Facilities and Construction Management personnel, we noted that the Design Services department has limited involvement in the change order review process. Through these interviews, F&CM personnel involved in the process noted that Design Services was used occasionally for this review, but no indication was given as to when involvement was actually required, if ever.</p>	<p>It is our experience in the industry that there is significant financial benefit to the Owner in obtaining an independent review of change orders from someone with the appropriate skill set. We recommend that F&CM develop a process for reviewing change orders that includes regular involvement from the Design Services department for change orders over an established threshold. Discussions related to the benefits of implementing this type of process can be found in the Project Interface and Internal Structure Analysis section of the report located below.</p>	<p>June 2012 Design Services staff involvement in the change order review process occurs at the level above the PM Council, when all Board items are reviewed by the Agenda Preparation Group (APG). This group meets approximately three weeks prior to each Board Meeting and reviews each change order. Representatives include the Office of the Chief Auditor, General Counsel, Senior Architect, Senior Project Manager, the Executive Director, Facilities Design and Construction, Chief Building Official, Capital Budget Office, and the Deputy Superintendent. Earlier involvement in the process occurs on an "as needed" basis due to the significant backlog in the department.</p> <p>Chief Auditor's Comment: The Office of the Chief Auditor (OCA) attends Agenda Preparation Group Meetings as a non-voting observer. The OCA will seek clarification on agenda item issues that come to our attention and to bring those concerns to the attention of the Deputy Superintendent of Facilities & Construction Management Division and the Project Management Team. Any action or non-action taken on those issues are the responsibility of the Facilities & Construction Management Division.</p> <p>ECD: Immediately</p> <p>Responsible Party: Executive Director, Facilities Design and Construction</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing OCA continues to attend PMC and APG meetings as non-voting members.</p> <p>February 2014 OF&C Management Response At this juncture, the Office of Facilities & Construction has not determined if Design Services will be replaced on the Project Management Council as the organizational structure has changed. Once determined, the current procedure will be revised.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented Facilities Management is conducting Project Management Council (PMC) meetings to review all change orders as a part of their response to this recommendation. The members of the PMC include: the executive director, general counsel, project management, building official, a cost estimator and a member of the design services team. McGladrey observed a meeting of the PMC, noting that council members actively discussed various aspects of current project change orders including proper support, accuracy, entitlement and pricing. Facilities Management has also developed updated change order procedures in response to this recommendation. McGladrey performed a review of the documented procedures and interviewed relevant process owners.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #37 – Contingency Use Directive Reconciliation			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review, we were unable to reconcile the Contingency Use Directives (CUDs) provided by the Records Management department with the amount reflected on the final application for payment on the Walker Elementary School project.</p> <p>Lack of this CUD reconciliation can result in F&CM paying for unauthorized CUDs or not receiving the full amount of savings F&CM is entitled to at project closeout.</p>	<p>We recommend as a part of CUD review procedures, the Project Manager or Capital Payments staff reconcile approved CUDs with those reflected in the pay application.</p>	<p>June 2012 F&CM agrees with the recommendation and currently engages in this practice. The Capital Budget Department (Capital Payments) agrees with this recommendation, however, the contractor should provide a CUD reconciliation log with the payment application and Capital Payments staff will review and reconcile with District records.</p> <p>ECD: Immediately</p> <p>Responsible Party: Executive Director, Facilities Design and Construction and Capital Budget Department (Capital Payments)</p>	<p>February 2014 OCA Follow-up Response Status - Implemented</p> <p>February 2014 OF&C Management Response No response was requested by OCA.</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented Facilities Management has developed a new nine-step procedure for processing applications for payment which includes the assignment of specific tasks by department as well as the use of the pay application review checklist provided by McGladrey in accordance with our previously issued report. The recommended checklist procedures include proper reconciliation of Contingency usage in the pay application with the Contingency usage log. McGladrey performed a review of the documented procedure and interviewed relevant process owners. As noted above, the use of the pay application review checklist has not been implemented on current projects; however, Facilities Management noted CUD reconciliation was being performed as recommended. McGladrey inspected the August 2012 pay application #34 for Palmview Elementary School noting current payment requested for contingency usage properly reconciled to the approved CUD.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #38 – Pre-Project Facilitative Session			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review, we noted that F&CM does not currently conduct a meeting between the Capital Payments staff, Contracts, Project Manager, Architect, Construction Manager's PM and Construction Manager's Project Accountant to discuss proper change order, CUD, pay application procedures / supporting documentation requirements. Lack of a pre-project facilitative session can result in:</p> <ul style="list-style-type: none"> • Incomplete supporting documentation on pay applications, CUDs, change orders • Disorganized pay application, CUDs, or change order documents • Delay of payments to the CM 	<p>We recommend F&CM hold a meeting no later than prior to the submission of the first pay application, in order to set the expectations of what will be required from the Construction Manager to receive payment for services performed, change orders or CUDs. These requirements should fall in line with Observations #29, 30, 31 and 35.</p>	<p>June 2012 F&CM currently conduct Pre-construction meetings, however, Capital Payment personnel are not present. F&CM and Capital will review the recommendation for feasibility.</p> <p>ECD: Immediately</p> <p>Responsible Party: Executive Director, Facilities Design and Construction and Capital Budget Department (Capital Payments)</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing On two occasions, this contract was withdrawn from the Board agenda. As of the date of this report, it has not been approved. The Contract Bulletin supplied by OF&C is not listed on the Supply Management & Logistics website.</p> <p>February 2014 OF&C Management Response The Pre-Construction Facilitation meeting for CM @ Risk projects has not been held as the Office of Facilities & Construction has not executed any new contracts. Corresponding Design and Construction Bulletin is attached. See Exhibit I</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented, but not in use Facilities Management is conducting a Pre-Construction Facilitation meeting after the issuance of the Notice to Proceed and no later than prior to the submission of the first pay application. The members of this meeting include the following key project team members: Project Consultant, Design Consultant, Contractor, Principal, Assistant Principal, Project Manager, Inspector of Record, and Capital Payments. OFC has developed a procedure for coordinating and preparing the meeting with an agenda that includes discussion of the proper change order, CUD, pay application procedures / supporting documentation requirements. McGladrey performed a review of the</p>

				documented procedures and interviewed relevant process owners. No new GMP contracts have been executed subsequent to our previous report; therefore, we did not observe or inspect the actual application of these procedures.
--	--	--	--	---

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #39 – Field Mobility Device			
Observation	Recommendation	Original Management Response	Current Status
<p>During interviews with Facilities and Construction Management, it was communicated that inefficiencies exist in overall project management due to the lack of proper field / site information technology hardware.</p>	<p>We recommend OFC consider the implementation of iPads or another form of tablet device for Project Management team members (resources permitting). Through our procedures we have been able to determine that OFC's current project management software (Prolog) supports compatibility with tablet devices such as the iPad. Through the use of this device, Project Managers can save time by not having to return to their office to obtain job information and they can maintain better communications on site by having instant access to drawings, emails and other relevant job data. This Observation should be considered in conjunction with Observation #40 below.</p>	<p>June 2012 F&CM agrees with the recommendation. ECD: Tentative based on budget Responsible Party: Deputy Superintendent, Facilities and Construction Management</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing</p> <p>February 2014 OF&C Management Response The Office of Facilities & Construction has requested 4 tablets for use in the field. The request is pending approval.</p> <p>February 2013 McGladrey Follow-up Response Status – Ongoing The implementation of this recommendation is subject to funding limitations.</p> <p>February 2013 OF&C management Response Staff shall be presenting a budget proposal in the future.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #40 – Project Management Software Training			
Observation	Recommendation	Original Management Response	Current Status
<p>During interviews with Facilities and Construction Management, we identified apparent inefficiencies in the project management process due to the lack of integration between F&CM's primary project management software (Prolog) and other software (specifically MS Word).</p>	<p>Through our research and discussions with the team at Meridian Systems (Prolog), they indicated that their system is compatible with the referenced software in the Microsoft Office Suite and that MS Word template integration can be obtained as a part of their service.</p> <p>Meridian Systems indicated that the implementation and integration of tablets (iPad) into their current Prolog system is achievable and that they offer training services related to the use of their software in this capacity.</p> <p>Prolog is the leading information technology project management tool on the market and in that light, we recommend that F&CM contact Meridian Systems to address current integration concerns as well as to discuss the implementation of a tablet-based field mobility system.</p> <p>This Observation should be considered in conjunction with Observation #39 above.</p>	<p>June 2012 F&CM agrees with the recommendation. ECD: Tentative based on budget Responsible Party: Deputy Superintendent, Facilities and Construction Management</p>	<p>February 2014 OCA Follow-up Response Status - Ongoing</p> <p>February 2014 OF&C Management Response Appropriate software is being evaluated and training will be conducted upon selection and implementation.</p> <p>February 2013 McGladrey Follow-up Response Status - Ongoing The implementation of this recommendation is subject to funding limitations.</p> <p>February 2013 OF&C Management Response Staff shall be presenting a budget proposal in the future.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #41 – Project Management Review of Third Party Consultant Information			
Observation	Recommendation	Original Management Response	Current Status
<p>During interviews with F&CM, we identified that the evaluation of the detailed data provided by 3rd party consultants for cost estimation, change orders, CUDs, buyout, etc... is the sole responsibility of Project Management. A letter summarizing the consultant's conclusions is circulated and maintained, but detailed supporting documents are not independently reviewed, evaluated, or obtained by any other party at F&CM.</p> <p>This lack of segregation of duties in the decision making and evaluation process creates an environment where internal resources may not be utilized to their full extent and an overreliance on external resources may develop.</p>	<p>We recommend F&CM implement procedures requiring the Cost Estimation department be involved in the evaluation of this information, and that the information be filed with Records Management.</p> <p>This recommendation should be considered in association with the Project Interface and Internal Structural analysis included in this report.</p>	<p>June 2012 The use of third party cost estimators has grown out of necessity due to the loss of one internal CE position that was not filled and the loss of another very qualified CE due to the "bumping" process. This created a ramp up period that led to a large backlog of work and concern over delays due to the review process.</p> <p>Based upon this finding, staff intends to fill the vacant position with a qualified person and intends to align the CE function with project management in the new organizational structure. As such, the CE staff would be closer to the PM review function and will be added as a step, or included in the change order review process.</p> <p>ECD: Immediately</p> <p>Responsible Party: Executive Director, Facilities Design and Construction</p>	<p>February 2014 OCA Follow-up Response Status - Implemented OCA continues to attend PMC and APG meetings as non-voting members.</p> <p>February 2014 OF&C Management Response Corresponding Design and Construction Bulletin is attached. See Exhibit H-1</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented Facilities Management established the Project Management Council (PMC) and assigned them the task of collectively reviewing all third party consultant information. The attendees consist of the Executive Director, Assistant General Counsel, Project Manager III, Assistant Building Official, Cost Estimator, and Design Services.</p> <p>McGladrey observed a meeting of the PMC, noting that council members actively discussed various aspects of current project change orders including proper support, accuracy, entitlement, third party evaluation and pricing.</p>

**THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR**

Observation #42 – Final Change Order Review Timing			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review, we noted that on the Walker project Final Completion (as contractually defined) was achieved on September 20, 2010, but final acceptance was not submitted to the School Board until March 20, 2012 (1 year and 6 months later).</p> <p>The delay in delivery of final acceptance documents to the School Board was due to the negotiation of final change orders and obtaining all closeout documentation. The lack of closeout documentation and final change order approval prevented the Architect from issuing the Certificate of Final Inspection (Office of Education Facilities (OEF) Form 209) in a timely manner. Based on our review, although the proper documentation was not obtained in a timely manner, current F&CM policy was adhered to by first obtaining all referenced documentation prior to Board submission.</p>	<p>We recommend that F&CM implement procedures requiring Project Managers to obtain all project closeout documentation and final change order resolution within 60 days of beneficial occupancy / final completion.</p>	<p>June 2012 F&CM agrees with the recommendation. ECD: Immediately Responsible Party: Executive Director, Facilities Design and Construction</p>	<p>February 2014 OCA Follow-up Response Status – Implemented The Contract Bulletin supplied by OF&C is not listed in the Supply Management & Logistic website. OCA verified that the processing of the Final Change Order for Crystal Lakes Middle-Project No. P.000368, was within 60 days of execution of the Certificate of Occupancy (OEF110b).</p> <p>February 2014 OF&C Management Response Corresponding Design and Construction Bulletin is attached. The procedure was most recently used on Crystal Lake Middle (P.000368). See Exhibit J</p> <p>February 2013 McGladrey Follow-up Response Status – Implemented Facilities and Capital Payments Management have collaborated to develop and circulate a new eight-step procedure ensure the Project Management team obtain all project closeout documentation and final change order resolution within 60 days of beneficial occupancy/final completion. McGladrey performed a review of the documented procedures and interviewed relevant process owners. In addition to the new policy, the Project Management Council has been tasked with assisting in the processing of final change orders to address this observation. As noted in the follow up section of previous observations, McGladrey observed a meeting of the Project Management Council noting coverage of this topic.</p>

THE SCHOOL BOARD OF BROWARD COUNTY
OFFICE OF THE CHIEF AUDITOR

Observation #43 – Errors and Omissions Resolution			
Observation	Recommendation	Original Management Response	Current Status
<p>During our review of the Walker Project, F&CM was unable to provide evidence that \$5,757 of change orders identified as Errors and Omissions on the Walker project were properly credited back to F&CM from the Architect.</p>	<p>We recommend F&CM implement procedures to track errors and omissions. Further, we recommend as a part of project closeout, F&CM require Project Management submit documentation evidencing how the identified errors and omissions were resolved with the Architect.</p>	<p>June 21, 2012 F&CM currently has a procedure in place that assesses damages resulting from consultant errors or omissions at final closeout of the project consultant's contract and before final payment – in accordance with standard procedure. Resolution of the errors and omissions on the Walker ES project is pending. ECD: Complete and Ongoing Responsible Party: Executive Director, Facilities Design and Construction Manager, Design and Construction Contracts</p>	<p>March 3, 2014 OCA Follow-up Response Status – Implemented The Contract Bulletin supplied by OF&C does not have a bulletin number and is not listed on the Supply Management & Logistics website. Existing Bulletins #35 and #44 also relate to Consultant Errors and Omissions. We recommend that all three bulletins be combined into one comprehensive bulletin. This procedure will be reviewed in future audits. February 27, 2014 OF&C Management Response Corresponding Design and Construction Bulletin is attached. The procedure has been used on various projects. See Exhibit K February 28, 2013 McGladrey Follow-up Response Status – Implemented Facilities and Capital Payments Management have collaborated to develop a new eight-step procedure to track errors and omissions and to submit documentation evidencing how the identified errors and omissions were resolved with the Architect. McGladrey interviewed relevant process owners and performed a review of the new eight-step process noting that the new procedures include Project Management Council review of Errors and Omissions tracked via Prolog and dispute resolution procedures as a part of final change order / E&O negotiations.</p>

SECTION II
FULL TEXT OF ADMINISTRATIVE RESPONSES AND EXHIBITS

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA
OFFICE OF FACILITIES & CONSTRUCTION

SHELLEY N. MELONI, R.A., NCARB, LEED® AP
TASK ASSIGNED CHIEF FACILITIES & CONSTRUCTION OFFICER

Telephone: (754) 321-1515

Facsimile: (754) 321-1680

February 27, 2014

TO: Patrick O. Reilly, Chief Auditor
Office of the Chief Auditor

FROM: Shelley N. Meloni, R.A., NCARB, LEED® AP *SNM*
Task Assigned Chief Facilities & Construction Officer

SUBJECT: **CURRENT STATUS UPDATE OF THE MC GLADREY
FOLLOW-UP TO THE OPERATIONAL REVIEW OF
THE OFFICE OF FACILITIES & CONSTRUCTION,
FEBRUARY 28, 2013**

Pursuant to your request for a current status of 41 of the 43 recommendations made in the McGladrey Follow Up, dated February 28th, 2013, please find attached a WORD document, including corresponding attachments that provides an update on each of the requested items. Please note that due to organizational changes, some items cannot be implemented as had previously been indicated by the Office of Facilities & Construction (OFC). It is the intent of the OFC to effect revisions to processes and procedures that will align with its current structure.

Should you have any questions, I can be reached at (754) 321-1515.

SNM:ma
Attachment

STATUS – IMPLEMENTED, BUT NOT IN USE

5. Documented “Lessons Learned”

Comment: Has the new process outlined in the new Design and Construction Bulletin been used? Please provide a copy of the new bulletin. What project? The process has not been used, as the Office of Facilities & Construction has not executed any new design reuse projects. Corresponding Design and Construction Bulletin is attached.



Lessons Learned

6. CM Involvement in the Design Phase

Comment: Has the Contract Delivery Method Selection Committee held any meeting? When and who participated? Have any new GMP contracts been executed? The Contract Delivery Method Selection Committee has not held any meetings, as no new contracts have been executed.

7. Design Reuse Fees (Prototype vs Reuse)

Comment: Has the new process outlined in the new Design and Construction Bulletin been used? Have any new design reuses been executed? Please provide a copy of the new bulletin. The new process has not been used, as the Office of Facilities & Construction has not executed any new design reuse projects. Corresponding Design and Construction Bulletin is attached.



Design Reuse Fees

30. Schedule of Value Modification Tracking

Comment: Has this new nine step procedure for processing applications for payment been used? What project? Please provide a copy of the procedure and pay application review checklist. The Office of Facilities & Construction has implemented the new nine step procedure for processing Application for Payment. The process is being used on various ongoing projects currently in construction. However, as it pertains to Audit Finding 30, the Office of Facilities and Construction has not executed any new GMP contracts. Corresponding Design and Construction Bulletin is attached.



Schedule of Value
Modification

38. Pre-Project Facilitative Session

Comment: Has a Pre-Construction Facilitation meeting been held? What project? Please provide a copy of the new procedure and any meeting minutes. The Pre-Construction Facilitation meeting for CM @ Risk projects has not been held as the Office of Facilities & Construction has not executed any new contracts. Corresponding Design and Construction Bulletin is attached.



Pre-Project
Facilitative Session

STATUS – NOT IMPLEMENTED

17. Lump Sum Contract Pricing – RSMMeans

Comment: Has the new Continuing Service Lump Sum contract been used? What project? The revised boilerplate Continuing Services Lump Sum contract was approved by the Board on March 18, 2013; however there are no current specific contracts yet Board approved.

18. Lump Sum Contract Pricing - Cost Estimator Override

Comment: Have the new negotiation parameters been used? What project? Please provide a copy of the new negotiation parameters.

The new negotiation parameters have not been used, as there are no current specific contracts yet Board approved. The revised boilerplate Continuing Services Lump Sum contract was approved by the Board on March 18, 2013. Corresponding documentation is attached.



Lump Sum Contract
Pricing

25. Dollar Value Time Graphs

Comment: Is this contract requirement being enforced?

Yes. The contract requirement is being enforced and the Dollar Value Time Graphs are submitted with the Application for Payment.

26. Records Management

Comment: Is this new nine-step process being used? Please provide a copy of the process/checklist. Yes. The nine step process is being used. Corresponding Design and Construction Contract Bulletin is attached.



Records
Management Complia

29. Pay Application Review Responsibility

Comment: Has this new nine step procedure for processing applications for payment been used? What project? Please provide a copy of the procedure and pay application review checklist.

Yes. The nine step procedure is being used on various ongoing projects.



Pay Application
Review and Responsi

STATUS – ONGOING

39. Field Mobility Device

Comment: Please provide current status for this item.

The Office of Facilities & Construction has requested 4 tablets for use in the field. The request is pending approval.

40. Project Management Software Training

Comment: Please provide current status for this item.

Appropriate software is being evaluated and training will be conducted upon selection and implementation.

STATUS - IMPLEMENTED

1. Right to Audit Provisions

2. Direct Personnel Expense

3. Reimbursable Expenses

4. Payment for Supplemental Services / Reimbursables

Question for 1-4: Has this new PSA been used? What project? Consultant?

The new Professional Services Agreements have not been used, as the specific contracts are pending Board approval.

8. Disclosure of Related Party Relationships

Comment: Has this CM @Risk contract been used since its amending? What project?

The amended CM @ Risk contract has not been used, as the Office of Facilities & Construction has not awarded any new projects.

9. Buyout Savings Reconciliation – Bid Phase

10. Buyout Savings Reconciliation – Monthly Reconciliation

Question for 9-10: Has the new buyout reconciliation process been used? What project?

The buyout reconciliation process has not been used, as the Office of Facilities & Construction has not awarded any new projects.

11. General Conditions as a Reimbursable Not-to-Exceed Cost

12. Applications for Payment to the Construction Manager

13. Construction Manager's Fees

14. Cost of the Project

15. Change Orders, Extra Work and Claims

Comment for 11-15: Has this revised CM Agreement been used? What project?

The revised CM Agreement has not been used, as the Office of Facilities & Construction has not awarded any new projects.

16. Right to Audit Provisions

19. Direct Personnel Expense

Comment: Has this new process of separating the salary and each fringe category been used? What project?

The new process of separating the salary and fringe category has not been used, as the specific contracts are pending Board approval.

20. Reimbursable Expenses

Comment: Has this new process been used? What project?

The new process has been incorporated into the contract, however the process has not been used as the specific contracts are pending Board approval.

21. General Conditions and Labor Negotiation

Comment: Please provide a copy of the new Parameters Negotiation form. Has this been used? What project?

Corresponding Design and Construction Bulletin is attached. The procedure has not been used as the Office of Facilities & Construction has not awarded any new projects.



General Conditions
and Labor Negotiation

22. Subcontracts – Related Party Identification

Comment: Has this new policy been used? What project?

The policy has not been used as the Office of Facilities & Construction has not awarded any new projects.

23. Subcontracts – Bid Tabulation Review / Buyout Reconciliation

Comment: Has this revised CM Agreement been used? What project?

The revised CM Agreement has not been used as the Office of Facilities & Construction has not awarded any new projects.

24. Project Procurement Schedules

Comment: Has this new process requiring the Construction Manager to issue a monthly project materials procurement schedule been used? What project?

The new process has not been used as the Office of Facilities & Construction has not awarded any CM projects.

27. Lack of Supporting Documentation for General Conditions and Labor

Comment: Please provide a copy of the new pay application review checklist and procedure. Has it been used in any projects? What project/s?

Corresponding Design and Construction Contract Bulletin is attached. The Office of Facilities and Construction has not awarded any new GMP contracts. However, the process is being utilized on various ongoing projects. (Cooper City HS, Fort Lauderdale HS, Nob Hill ES, Ramblewood ES etc.)



Lack of Supporting Documentation for Ge

STATUS - IMPLEMENTED

31. Direct Owner Purchases – Shipping Documentation

32. Direct Owner Purchases - Reconciliation

Comment: Please provide a copy of this procedure. What project was it used in?

Corresponding Design and Construction Bulletin is attached. The process is being used on Fort Lauderdale HS, Cooper City HS, Hallandale HS, and South Broward HS.



Direct Owner Purchases

33. Change Order Supporting Documentation

Comment: Current status of demand letter sent to Walker project CM? Please provide a copy of the 3 step process.

The closeout for Walker is in progress. Corresponding Design and Construction Bulletin is attached.



Change Order supporting Document

34. Construction Manager's Fee on Change Orders

Comment: Has this new policy been used? What project?

The policy has not been used, as the Office of Facilities & Construction has not executed any new GMP contracts.

35. Cost Estimation / Contracts exclusion from Change Order review

Comment: Please provide a copy of this procedure.

Corresponding Design and Construction Bulletin is attached.



Cost Estimation

36. Design Services involvement in Change Order review

Comment: Who is replacing Design Services in the Project Management Council?

At this juncture, the Office of Facilities & Construction has not determined if Design Services will be replaced on the Project Management Council as the organizational structure has changed. Once determined, the current procedure will be revised.

41. Project Management Review of Third Party Consultant Information

Comment: Please provide a copy of this procedure.

Corresponding Design and Construction Bulletin is attached.



Project Management
Review of Third Party

42. Final Change Order Review - Timing

Comment: Please provide a copy of the eight step procedure. What project has it been used on?

Corresponding Design and Construction Bulletin is attached. The procedure was most recently used on Crystal Lake Middle (P.000368).



Final Change Order
Review Timing

43. Errors and Omissions Resolution

Comment: Please provide a copy of the eight step procedure. What project has it been used on?

Corresponding Design and Construction Bulletin is attached. The procedure has been used on various projects.



Errors and Omissions
Resolution

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA OFFICE OF FACILITIES AND CONSTRUCTION

DESIGN AND CONSTRUCTION BULLETIN

Issue Date: January 31, 2013

Best Practice Bulletin No. 01

Contract Bulletin No. 70

McGladrey Audit Finding No. 5

Purpose:

Document 'Lessons Learned' – Best Practices

- To establish practices to capture and learn from the successes and failures of previous projects.

Issue:

The McGladrey Audit has asked that we establish practices and procedures to document errors and positive results from previous projects to learn from history.

Procedure:

We have existing and new procedures in place to identify issues to correct and practices to reinforce. They take place during and after the design process.

1. The Design Review Committee review:

This occurs *during* the development of contract documents at the end of Phase I – Schematic Design, and, at the end of Phase II – Design Development.

The Project Manager and the Design Consultant direct the meeting. The review 'committee' consists of the projects users, the Building Department, the Safety Department, FDC technical staff and the Consultants sub-consultants.

The purpose is to confirm and/or correct compliance with the project's program (Educational Specification), the codes and statutes, the School Board's Design Criteria and the Design and Material Standards (specifications), and the customers' needs.

The consultant documents the process. It is an opportunity to correct any errors and omissions and adjust the design (an agenda is attached).

2. The Post Occupancy Evaluation Survey:

The Office of Facilities & Construction is part of a group that evaluates new facilities. The evaluation is performed at the first year anniversary. The intent is to provide feedback as to how the facility systems are functioning, the efficiency of the spaces, the ease of maintenance, the durability of finishes and other pertinent issues from the fields the various staff represent.

The process has two stages:

- A. Pre-visitation survey for the users of the building
- B. A 'walk through' conducted with district and area staff along with the parent groups (a copy of the survey is attached).

3. Team Building:

In the past year, the Office of Facilities & Construction has coordinated "Team Building Meetings". Facilities Design and Construction Department along with the Building Department, Safety Department, Physical Plant Operations and Portfolio Services and Management Department meet monthly to share our knowledge/information that we will use to improve our departments.

Meetings are set up according to the Construction Specifications Institute (CSI) index of subjects (upon which our building specifications are based). The invitees vary according to the subject. The purpose is to share information regarding products and procedures that are working well in the district and those that are not.

These meetings are to continue as a forum for presenting new products and materials and the exchange of ideas for systems, products and processes. This information assists us in updating School Board Building and Design Criteria and updating Board Design and Material Standards.

As the design/construction process evolves with technology, processes will change demanding owner consultant, and construction coordination throughout design and construction process. This will result in thorough coordination of projects, a different time sequencing of documents and more accurate costing of building. Many of the project errors should be eliminated and more useful long term information will be generated for the owner.

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA**POST OCCUPANCY EVALUATION**

It is the function of Facility Planning, specifically the Coordinator, Facility Planning and Educational Programming (Coordinator), to coordinate the post occupancy evaluation of a new facility. This activity occurs at the end of the first year or early into the second year of the operation of a new facility. This process provides customer feedback as to how the facility is functioning, its maintainability and space efficiency. The process has two stages:

1. Online Post Occupancy Pre-Visitation Survey.
2. Walk-thru conducted by a visiting team of District and area staff, and the Parent Teacher Association (PTA).

At least two months before the actual walk-thru, the Coordinator will do the following:

1. Contact the principal at a minimum via telephone to discuss the Post-Occupancy Pre-Visitation Survey and the pending visit;
2. Explain the purpose of the Post-Occupancy walk-thru; and
3. Schedule the facility walk-thru.
- 4.

A memorandum is sent to the school(s) principal. At the minimum the memorandum should state the following:

1. How to access the Online Post Occupancy Pre-Visitation Survey.
2. Timeframe for completion of the survey
3. Date and time of the facility walk-thru

The Post Occupancy Pre-visititation Survey

- The Post Occupancy Pre-Visitation Survey focuses on the staff's usage of the building, the positives and negatives of the design, and how students relate to the facility. The Visiting Team asks for suggestions on how the design could be modified, and improved for functionality, efficiency and layout. In addition, the performances of the system components are evaluated.
- The Coordinator develops a list of members of the Visiting Team, and via memorandum provides them with the following:
 1. The Online Post Occupancy Pre-Visitation Survey that was completed by the school's principals;
 2. The Florida Inventory of School Houses (FISH) site and floor plans;
 3. The FISH state report (FISH Inventory);
 4. The list of work orders recorded since the school opened; and
 5. A blank Post-Occupancy site visit form

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

The Visiting Team

- The Visiting Team consists of twenty (20) or more individuals representing plant operations, all curriculum areas, area office, architects and engineers representing all fields (i.e. electrical, mechanical, structural, civil, etc.) safety, the school's PTA, the designing architect and contractor for the school, BECON, Food Service, and Education and Technology Services (ETS).
- The objective is to get as many individuals involved into the process especially those responsible for setting District-wide standards so that they can evaluate whether the standards are working, and if the facility is functioning as planned. Since the walk-thru is generally conducted when students are in session, it gives everyone an opportunity to see how the building and site actually function during normal operation.
- The non-technical members of the Visiting Team will walk the entire school and site while the technical members of the Team will focus on their specific area of responsibility. Team members will interview pertinent members of the school's staff for their comments and suggestions. The Coordinator will then compile the results of the visit and provide the information depicted in the Post-Occupancy Evaluation Flowchart to the entities identified in the flowchart.

Related Statutes: None

THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA

Post Occupancy Evaluation Flowchart

