

Capital Renewal Projects

Internal Audit Report

June 11, 2021



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EXECUTIVE SUMMARY

Why We Did This Audit

The objective of this audit was to assess the effectiveness of processes for planning, design, construction, closeout, and oversight of Capital Renewal projects during calendar year 2020.

Our audit consisted of a review of OCPS Facilities Services Capital Renewal projects and an evaluation of internal controls used in managing them.

This audit was included in the 2019-2020 Annual Audit Plan.

Observations and Conclusion

Audit Results at a Glance			
	Risk/Impact Rating		
Results and Observations	Significant	Moderate	Minor
IA - Internal Audit M - Management	-	M - 1 IA - 2	M - 1
O - Opportunity D - Deficiency	-	D - 3	O - 1

Our overall conclusion is that Capital Renewal project planning, design, and construction documentation are following *Facilities Service Process and Procedures Manual (Manual)* and applicable laws, and regulations. We noted no material deficiencies and none of our observations were considered to have significant risk or impact. Although cost and financial controls appear adequate, we noted that internal

controls over the closeout process were not in compliance with the *Manual*. However, the Capital Renewal projects closeout process is not in compliance with the *Facilities Services Process and Procedures Manual* and is not functioning effectively.

Results and Recommendations

We evaluated operating procedures and determined that the Capital Renewal project closeout process was not following guidelines established by OCPS Facilities Services. As a result, we noted the following:

- Two of five Pre-Construction Meeting Minutes were not available and the Meeting Minutes we reviewed did not contain sufficient evidence that closeout procedures or requirements were discussed as stated in the *Manual*.
- Closeout Registers do not contain a record of closeout meeting notes and follow-up activity wasn't clearly documented.
- Closeout Deliverables frequently were not submitted during the course of Construction and throughout Project Closeout as required in Closeout Deliverable Schedule.
- Project files were not maintained consistently.

This report has been discussed with management and they have prepared their response which follows.

DEFINITIONS:

Risk / Impact Ratings

Minor	Low risk with a financial impact of less than one percent and/or an isolated occurrence limited to local processes (low impact and low likelihood)
Moderate	Slight to moderate risk with a financial impact between one and five percent and/or a noticeable issue that may extend beyond local processes (low impact and high likelihood or high impact and low likelihood)
Significant	High risk with a financial impact greater than five percent and/or a significant issue that occurs in multiple processes and/or noncompliance with Florida Statutes or School Board Policies (high impact and high likelihood)

We rate risk/ impact as:

- *Minor*
- *Moderate*
- *Significant*

Observations Categories

Opportunity	A process that falls short of best practices or does not result in optimal productivity or effective use of resources
Deficiency	A shortcoming in controls or processes that reduces the likelihood of achieving goals related to operations, reporting and compliance

We categorize our observations as opportunities or deficiencies.

Criteria for Observations Sourced to Management

- Internal audit was informed of the issue prior to starting detailed testing
- Management identified, evaluated, and communicated the issue to appropriate levels of the district
- Management has begun corrective action with clear, actionable plans and targeted completion dates

Comment numbers three and four in this report are sourced to management.

BACKGROUND:

The District has designated the Sales Tax Fund to account for financial resources generated by sales tax and other local sources used for educational capital outlay needs, including new construction, renovation and remodeling projects.

The Capital Renewal Fund is financed by transfers from the Sales Tax Fund. The Capital Renewal Fund was established by the District to fund replacement of major school building systems and components needed to preserve the efficient operation of school facilities. The Fund is not intended for the initial renovation of the remaining schools on the original list of 136 schools funded from sales taxes. Nor is the Capital Renewal Fund intended for routine maintenance of school facilities or to pay for project elements which cost less than \$50,000.

The projects are categorized as; (1) Large - major system(s) replacements and/or several project elements from \$2-4 million dollars, (2) Intermediate - major system replacement and/or a few project elements between \$300,000 and \$2 million and (3) Small - individual project elements under \$300,000.

The Facilities Services Department is responsible for implementing and managing the Capital Renewal plan for the District. Facilities Services reported a total of sixty-one (61) projects during the audit period.

OBJECTIVE, SCOPE AND METHODOLOGY:

Objective

The objective of this audit was to assess the effectiveness of processes for planning, design, construction, closeout, and oversight of Capital Renewal projects during calendar year 2020.

Scope

The audit covered OCPS' Capital Renewal Projects categorized as small and intermediate for January 1, 2020 through December 31, 2020. Projects categorized as large are audited by an outside CPA firm.

The Capital Renewal Fund was established by the District to fund replacement of major school building systems and components needed to preserve the efficient operation of school facilities.

Projects are categorized as:

- *Large – over \$2 million*
- *Intermediate - \$300,000 - \$2 million*
- *Small – under \$300,000*

We analyzed projects for calendar year 2020.

Methodology

We conducted this audit in accordance with the *International Standards for the Professional Practice of Internal Auditing (Standards)* of the Institute of Internal Auditors and included such procedures as deemed necessary to provide reasonable assurance regarding the audit objective. Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Our audit procedures included examination of Capital Renewal planning, design, construction, and closeout records and activities. The audit was designed to test compliance with OCPS Facilities Service processes and procedures, applicable laws and regulations. The audit was designed to provide reasonable assurance of detecting errors, irregularities, and illegal acts.

To obtain an understanding of the internal controls over Capital Renewal projects, we reviewed the *2017 OCPS Facilities Service Process and Procedures Manual*. We also interviewed appropriate Facilities Service officials regarding controls in place to ensure Capital Renewal projects were processed accurately and appropriately.

We selected a sample of ten (10) projects with construction costs of less than \$2 million to test controls and procedures related to Capital Renewal and evaluated the management of those projects for all phases of project development. We focused on these projects because projects with construction costs over \$2 million are audited by an outside CPA firm under our supervision.

We are required to note any material deficiencies in accordance with Florida Statutes, School Board Policy and sound business practices. No material deficiencies were noted in this audit. We also offer suggestions to improve controls or operational efficiency and effectiveness. For this audit, we made four (4) recommendations which are described below.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing.

The 2017 Facilities Service Process and Procedures Manual (Manual) describes processes used for Capital Renewal Projects.

We tested a sample of 10 of 32 (31%) Capital Renewal project files for adherence to Facilities Service process and procedures.

No material deficiencies were noted in this audit.

RESULTS & RECOMMENDATIONS:

Overall Conclusion: Our overall conclusion is that Capital Renewal project planning, design, and construction documentation are following *Facilities Service Process and Procedures Manual (Manual)* and applicable laws, and regulations. However, we noted that internal controls over the closeout process were not in compliance with the *Manual* and as a result were not functioning effectively.

During the course of the audit, we were informed that the OCPS Program Management Team was actively working to closeout many Capital Renewal projects.

Our detailed findings and recommendations follow:

1) Review and discuss project Closeout Procedures at Pre-Construction Meetings. *Moderate Risk or Impact*

Better Practice:

According to the *Manual*, the Project Manager is responsible for preparing a Pre-Construction Meeting agenda suitable to the requirements of a specific project. The agenda should include closeout requirements to inform all parties of OCPS Facilities Services' expectations to mitigate project delays.

Audit Result:

We reviewed Pre-Construction Meeting Minutes for Capital Renewal projects to determine if closeout requirements were discussed with Construction Manager/General Manager and other appropriate parties prior to commencement of work.

Two of five selected projects' Pre-Construction Meeting Minutes were not available. We also noted that the Meeting Minutes reviewed did not contain sufficient evidence that closeout procedures or requirements were discussed as stated in the *Manual*.

The OCPS Program Management Team was aware of delays in project closeout for Capital Renewal projects

The Pre-Construction Meeting agenda should include closeout requirements to mitigate project delays.

Recommendation:

We recommend that Facilities Services improve internal controls over the Pre-Construction Meeting to include specific communication of project closeout requirements.

2) Closeout Meeting Process Should be Strengthened. *Moderate Risk or Impact*

Better Practice:

The *Manual* states, "It is the Project Manager's responsibility to ensure all Closeout deliverables are complete and submitted in accordance with Contract documents."

Audit Result:

During our review of the Closeout Registers, we noted that closeout meeting notes and follow-up activities were not clearly documented. The department uses the Closeout Register as a proxy for Closeout Meeting Minutes. It sets expectation for all parties as to deliverables and timing.

Recommendation:

The Project Manger should document all commitments and follow up activities during Closeout Meetings to ensure a working format for orderly transition of all closeout deliverables. For effective accountability, the Closeout Register should include responsible parties and expected due dates for all deliverables.

3) Closeout Deliverables frequently were not submitted during the course of Construction and throughout Project Closeout as required in the Closeout Deliverable Schedule. *Moderate Risk or Impact*

Better Practice:

The *Manual* states, "The Closeout Deliverables are defined in Division 01, Section 01 77 00, "Closeout Procedures", and within each Project Specification Section of the Contract Project Manual."

Communicate closeout requirements at Pre-Construction meetings.

The PM is responsible to ensure all closeout deliverables are complete.

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Audit Result:

Facilities Services did not have sufficient internal controls over Closeout Deliverables to ensure that complete and accurate data was submitted for project closeout in a timely manner. We examined Exhibit H-2 Project Closeout Checklist items and determined documents were frequently not submitted within the required Closeout Deliverable Schedule.

We also reviewed the COVE Project Status Summary Reports for Capital Renewal projects for the audit period. We noted that project closeout delays were significant and continued for many months without resolution. See Table 1 below.

Table 1 – Recap of Closeout Status from COVE Reports

Project	Reason for Closeout Delay	Contract Substantial Completion	Month										
			JAN	FEB	MAR	MAY	JUN	AUG	SEP	OCT	NOV		
Blankner K8	Reconciliation of final cost	8/2/2019	✓	✓	✓	✓	✓						
Boone HS	Reconciliation of final cost & punch list	8/2/2019	✓	✓	✓	✓	✓	✓					
Bridgewater MS	Final close out documents	8/9/2019	✓										
Chain of Lakes MS	Reconciliation of final cost	12/12/2018	✓	✓	✓	✓	✓	✓					
Citrus ES	Reconciliation of final cost & closeout documents	8/13/2018	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
College Park MS	Reconciliation of final cost	8/7/2018	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Colonial HS	Reconciliation of final cost	12/20/2019						✓	✓	✓	✓	✓	
Gotha MS	Reconciliation of final cost	5/13/2020									✓	✓	
Jackson MS	Reconciliation of final cost	1/29/2018	✓	✓									
Jones HS	Reconciliation of final cost	8/14/2017	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Lakeview MS	Reconciliation of final cost	10/11/2017	✓	✓	✓	✓	✓	✓					
Lawton Chiles ES	Reconciliation of final cost	1/11/2020						✓	✓	✓			
Liberty MS	Reconciliation of final cost & error & omissions	2/19/2018	✓	✓	✓	✓	✓	✓					
Northlake Park ES	Reconciliation of final cost & incomplete deliverables	1/8/2020						✓	✓	✓	✓		
Ocoee MS	Reconciliation of final cost	5/14/2020						✓	✓	✓	✓		
Odyssey MS	Reconciliation of final cost & incomplete deliverables	11/30/2017	✓	✓	✓	✓	✓	✓	✓				
Pinewood MS	Reconciliation of final cost & incomplete deliverables	8/19/2020		✓	✓	✓	✓	✓					
Southwood ES	Reconciliation of final cost & incomplete deliverables	12/20/2019						✓		✓			
Timber Creek HS	Reconciliation of final cost	4/21/2020								✓	✓		
West Oaks ES	Closeout documentation	7/29/2019	✓										
Winter Park HS	Reconciliation of final cost & closeout documents	8/11/2017	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	
Wolf Lake ES	Reconciliation of final cost	5/2/2018	✓	✓	✓	✓	✓						

Source: Monthly COVE Project Status Summary Reports

Recommendation:

We recommend that the Project Manager work with the Construction Manager/General Contractor and Architect/Engineering during construction and throughout the project to ensure Capital Renewal projects are closed within the established time constraints.

Construction Manager/General Contractor and Architect/Engineering are required to submit Closeout Deliverables throughout the course of Construction and during Project Closeout.

Project closeout delays were significant and continued for many months.

4) Consistency in the Documentation of Project Files. *Minor Risk or Impact*

Better Practice:

A consistent process of maintaining necessary documentation helps ensure project files contain complete, accurate and easily accessible information.

Audit Result:

Facilities Services are responsible for the administration, design, construction, and closeout of Capital Renewal projects. In each phase of a project Facilities Services staff generate and receive large amounts of important documentation regarding the progress of the project. This documentation includes:

- requests for proposal, vendor bids and evaluation of bids
- design phase plans
- progress meeting minutes
- payment vouchers, change orders, etc., and
- closeout information

These essential documents should be filed timely and organized in a consistent manner to allow for effective monitoring of projects.

In our review of the Capital Renewal files, we noted that the project files were not maintained consistently. Each project contained numerous empty folders and final documents could not be located easily. Maintenance of files is necessary to ensure that project files contain complete project history needed to effectively monitor Capital Renewal projects.

Recommendation:

We recommend that Facilities Services develop a process to ensure that project files are maintained consistently and easily accessible for stakeholders to inspect and monitor.

Essential components of project files should be maintained and filed in a consistent and timely manner to allow for effective monitoring of projects.

Project files were not maintained consistently. Project files contained numerous empty folders and documents could not be located easily

We wish to thank all the Facilities Services personnel (including contractors) for the cooperation and assistance we received in the course of this audit.



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September 17, 2021

To: Linda J. Lindsey, School Board Internal Auditor
From: Rory Salimbene, Senior Facilities Executive Director
Subject: Management Response, Capital Renewal Audit

We appreciate the thorough review of the Capital Renewal Program, and particularly the confirmation that our financial controls are effective. We concur with the recommendations regarding document filing and project closeout, and believe that the steps that we have or plan to implement as described in the attached Audit Response Matrix will result in improved operations and efficiencies in the noted areas.

As the audit notes, we have previously recognized deficiencies with regards to both timely closeout and document filing. As indicated in the Audit Response Matrix, we had already implemented improvements in document filing for projects initiated after the group sampled for the audit. We expect that a future review will validate the effectiveness of our revised approach.

We have also continued to address the previously recognized closeout issues during the audit process, with significant success. The report identified 22 open capital renewal projects that were experiencing closeout delays; all but one of these projects has since achieved final completion. The audit recommendations will assist us in realizing further improvements.

Attachment:

Capital Renewal Audit, Audit Response Matrix



Department / School Name	Facilities Construction
Administrator / Department Head	Rory Salimbene
Cabinet Official / Area Superintendent	John Morris

Exception Noted (Finding / recommendation)	Management Response (Corrective Action)	Responsible Person (Name & Title)	Expected Outcome & Completion Date What is the evidence of the corrective action?
<p>1) Review and discuss project Closeout Procedures at Pre-Construction Meetings. <i>Moderate Risk or Impact</i></p> <p><u>Audit Result:</u> We reviewed Pre-Construction Meeting Minutes for Capital Renewal projects to determine if closeout requirements were discussed with Construction Manager/General Manager and other appropriate parties prior to commencement of work.</p> <p>We noted that 2 of 5 Pre-Construction Meeting Minutes were not available. We also noted that the Meeting Minutes reviewed did not contain sufficient evidence that closeout procedures or requirements were discussed as stated in the <i>Manual</i>.</p> <p><u>Recommendation:</u> We recommend that Facilities Services improve internal controls over the Pre-Construction</p>	<p>Expand the agenda template for the Pre-Construction meeting to include topics that are relevant to closeout.</p> <p>Conduct training for Project Managers regarding the expanded agenda and appropriate discussion points.</p>	<p>Program Management Team Oversight</p>	<p>Future pre-construction meeting agendas will reflect discussion of close-out procedures at pre-construction meetings.</p> <p>Complete: 10/2021</p>



Exception Noted (Finding / recommendation)	Management Response (Corrective Action)	Responsible Person (Name & Title)	Expected Outcome & Completion Date What is the evidence of the corrective action?
Meeting to include specific communication of project closeout requirements.			
<p>2) Closeout Meeting Process Should be Strengthened. <i>Moderate Risk or Impact</i></p> <p><u>Audit Result:</u> During our review of the Closeout Registers, we noted that a record of closeout meeting notes and follow-up activity wasn't clearly documented. The department uses the Closeout Register as a proxy for Closeout Meeting Minutes. Therefore, establishes a format for orderly transition of closeout deliverables. It sets the expectation for all parties as to deliverables and timing. It is the PM's responsibility to ensure all Closeout deliverables are complete and submitted in accordance with contract documents.</p> <p><u>Recommendation:</u> The Project Manger should document all commitments and follow up activities during Closeout Meetings to ensure a working format for orderly transition of all closeout deliverables. For effective accountability, the Closeout Register</p>	<p>Conduct training to inform Project Managers regarding the proper use and level of documentation required for the closeout register.</p> <p>Increase oversight of close-out activities to monitor conformance regarding the proper utilization of the closeout register.</p> <p>Evaluate commercially available software specific to the close-out process for possible adoption.</p>	<p>Program Management Team Oversight</p> <p>Senior Facilities Executive Director</p>	<p>Future close-out registers will include information on commitments and follow-up activities.</p> <p>Complete: 10/2021</p> <p>Software adoption if warranted.</p> <p>Complete: 09/2022</p>



Exception Noted (Finding / recommendation)	Management Response (Corrective Action)	Responsible Person (Name & Title)	Expected Outcome & Completion Date What is the evidence of the corrective action?
<p>should include responsible parties and expected due dates for all deliverables on the closeout register.</p>			
<p>3) Closeout Deliverables were not submitted during the course of Construction and throughout Project Closeout as required in the Closeout Deliverable Schedule. <i>Moderate Risk or Impact</i></p> <p><u>Audit Result:</u> Facilities Services did not have sufficient internal controls over Closeout Deliverables to ensure that complete and accurate data was submitted for project closeout in a timely manner. We examined Exhibit H-2 Project Closeout Checklist items and determined documents were not submitted within the required Closeout Deliverable Schedule.</p> <p>We also reviewed the COVE Project Status Summary Reports for Capital Renewal projects for the audit period. We noted that project closeout delays were significant and continued for many months without resolution.</p>	<p>Commence close-out meetings when construction progress reaches 75% complete, in lieu of 30 days prior to substantial completion as currently prescribed.</p> <p>Conduct training to inform Project Managers regarding the proper use and level of documentation required for the closeout register.</p> <p>Increase oversight of close-out activities to monitor conformance regarding the proper utilization of the closeout register.</p> <p>Provide timely notice of potential default to project team members when required close-out items are routinely or excessively delinquent.</p> <p>Evaluate commercially available software specific to the close-out process for possible adoption.</p>	<p>Project Manager</p> <p>Program Management Team Oversight</p> <p>Program Management Team Oversight</p> <p>Project Manager</p>	<p>Greater compliance with closeout deliverable requirements and shorter closeout periods.</p> <p>Complete: 12/2021</p>



Exception Noted (Finding / recommendation)	Management Response (Corrective Action)	Responsible Person (Name & Title)	Expected Outcome & Completion Date What is the evidence of the corrective action?
<p><u>Recommendation:</u> We recommend that the Project Manager work with the Construction Manager/General Contractor and Architect/Engineering during construction and throughout the project to ensure Capital Renewal projects are closed within the established time constraints.</p>		<p>Senior Facilities Executive Director</p>	<p>Software adoption if warranted. Complete: 09/2022</p>
<p>4) Consistency in the Documentation of Project Files. <i>Minor Risk or Impact</i></p> <p><u>Audit Result:</u> Facilities Services are responsible for the administration, design, construction, and closeout of Capital Renewal projects. In each phase of the project Facilities Services staff generate and receive large amounts of important documentation regarding the progress of the project. This documentation includes: requests for proposal, vendor bids and evaluation of bids, design phase plans, progress meeting minutes, payment vouchers, change orders, etc., and closeout information. All these documents are essential components of the files that need to be maintained, and documents should be filed in a timely and organized in a consistent manner to allow for effective monitoring of projects.</p>	<p>Implement a revised file structure that provides for better organization and more intuitive file locations.</p> <p>Periodically review files to insure compliance.</p>	<p>Program Management Team</p> <p>Document Manager, Program</p>	<p>More consistent file locations</p> <p>Complete: Previously implemented in April 2021, after the projects selected for review were initiated.</p> <p>Complete: Previously implemented.</p>



Exception Noted (Finding / recommendation)	Management Response (Corrective Action)	Responsible Person (Name & Title)	Expected Outcome & Completion Date What is the evidence of the corrective action?
<p>In our review of the Capital Renewal files, we noted that the project files were not maintained consistently. Each project contained numerous empty folders and final documents could not be located easily. Maintenance of files is necessary to ensure that project files contain complete project history needed to effectively monitor Capital Renewal projects.</p> <p><u>Recommendation:</u> We recommend that Facilities Services develop a process to ensure that project files are maintained consistently and easily accessible for stakeholders to inspect and monitor.</p>		Management Team	