UTSA. The University of Texas at San Antonio
AUDITING & CONSULTING SERVICES

Construction Management - Institutionally Managed Projects
Internal Audit Report
Project # 2015-21
November 09, 2015

Reviewed by: _____

Dr. Ricardo Romo
President

Objectives:
- ➢ Ensure institutionally managed construction project costs are examined for reasonableness, accuracy and allowability.
- ➢ Ensure the institutionally managed construction project financial close-out process is timely and sufficient.

Conclusion:
Institutionally managed construction project expenses are being examined for reasonableness, accuracy and allowability when the expenses occur. However, improvements to the reconciliation of institutionally managed construction project expenses both during construction and at close-out are needed.

Office of Facilities Business and Customer Services

Observations	Management's Action Plans
The institutionally managed construction project periodic and close-out reconciliations did not have documented evidence of review, were not approved by a second individual, and were not timely.	All reconciliations will be done timely and with an approval by a second individual. In order to provide documented evidence of review, we will begin to print out project activity from the Microsoft Access project management database and our TMA System, a computerized maintenance management work order system.

Office of Engineering and Project Management (EPM)

Observations	Management's Action Plans
Institutionally managed construction project close-out files were inconsistent.	To make closeout documents more clear and consistent, Facilities EPM will implement the following: (1) Partial and incomplete documents will be discarded during the closeout document assembly process, (2) Redundant signature lines will be eliminated, and (3) A closeout flow process will be developed, distributed, and reviewed with staff.
The unique identifier for institutionally managed construction projects managed by Facilities EPM is different than the unique identifier for construction projects in PeopleSoft, UTSA's Financial System.	Facilities is working with Financial Affairs to coordinate unique identifiers. There are limitations, but for some projects this appears to be viable.

Scope:
The EPM Project Manual and UTSA Financial Management Operations Guide (FMOG) were reviewed. A sample of institutionally managed construction project transactions and project files was examined for the period of September 2013 - April 2015. Interviews were conducted with the EPM Director of Institutional Projects, a Project Coordinator, a Senior Project Coordinator, the Director of Facilities Business and Customer Services, and the Capital and Special Projects Accountant.

Background

The UTSA Office of Facilities EPM manages construction projects and renovations under $10 million. The UT System Office of Facilities Planning and Construction (OFPC) manages construction projects for UTSA that are over $10 million.

During FY15, approximately 50 capitalized institutionally managed construction projects, at a cost of $12.3 million occurred. Additionally projects that are not capitalized also occurred.

The Office of Facilities Business and Customer Services (BCS) is responsible for reconciling all institutionally managed construction for projects where funds are administered by Facilities. UTSA departments that fund construction projects are responsible for reconciling their departmental accounts.

Institutionally Managed Construction Project Responsibility Matrix			
	Invoice Comparison/ Review	Periodic Reconciliation or Review	Close-out Reconciliation/ Review
Project with funds administered by Facilities	Facilities EPM	Facilities BCS - quarterly	Reconciliation: Facilities BCS
Project with funds administered by Department	Facilities EPM, and Department	Department	Reconciliation: Department Review: Facilities BCS

AUDIT RESULTS

Audit Objective: Ensure project costs are examined for reasonableness, accuracy and allowability.

Institutionally Managed Construction Project Costs Review Process	The institutionally managed construction projects review process should ensure all institutionally managed construction projects are reviewed for reasonableness, accuracy and allowability. However in some cases evidence of the review process occurring were inconsistent. For institutionally managed construction projects, Facilities EPM Project Coordinators should review and approve payment applications and invoices as they are received to ensure costs for material and labor are reasonable based on the work performed, allowable based on the scope of the project, and are in line with cost estimates. Approved payment applications and invoices should be reviewed at project closing by the Senior Project Manager and a Facilities EPM Director.
Institutionally Managed Construction Projects Files	The Office of Facilities EPM retains project close-out files of institutionally managed construction projects. The files are organized and labeled by work order number. Each file has a close-out checklist to ensure all appropriate close-out files are complete. The checklist includes a section to be signed by a Facilities EPM Director, Senior Project Manager and Project Coordinator. Examples of some of the documentation noted in the project close-out files are: ➢ Close-out documentation signed by the Project Coordinator, Senior Project Manager and a Facilities EPM Director of Institutional Projects, ➢ Invoices and Payment Applications with costs for services, materials and labor, and ➢ Contracts and contract routing for Facilities EPM staff. Twelve project close-out files were reviewed and inconsistencies were noted in which some close-out checklists and payment applications did not have all signatures and were missing Payment Applications/Invoices. The Assistant Vice President for Facilities EPM should clarify the guidance and establish expectations for documentation that is to be retained in the close-

out files to ensure reasonableness, accuracy and allowability of construction costs.

Observation #1:	Institutionally managed construction project close-out files were inconsistent.
Risk:	The activity of an institutionally managed construction project may be inaccurate or incomplete in PeopleSoft, UTSA's Financial System.
Management Response/ Action Plan:	*While the institutionally managed construction project review and closeout process lacks consistency, there are no serious deficiencies Facilities Management is aware of.* *Overall, Facilities Management is confident that project management processes are in place and working properly, and that closeout inconsistencies can be rectified with a few simple changes.* *ACTION PLAN: To make closeout documents more clear and consistent, Facilities EPM will implement the following: (1) Partial and incomplete documents will be discarded during the closeout document assembly process, (2) Redundant signature lines will be eliminated, and (3) A closeout flow process will be developed, distributed, and reviewed with staff.*
Responsible Party:	*Assistant Vice President for Facilities Engineering and Project Management*
Implementation Date:	*February 29, 2016*

Audit Objective: Ensure the institutionally managed construction project financial close-out process is timely and sufficient.

Role of Facilities Business and Customer Services	For institutionally managed construction projects where funding is administered by the Associate Vice President of Facilities, the Office of Facilities Business and Customer Services (BCS) is responsible for ensuring project costs are accurately recorded in PeopleSoft by performing periodic reconciliations and close-out reconciliations when the project is complete. Facilities BCS is responsible for reconciling all institutionally managed construction projects not funded by departments, regardless if the projects meet the $100,000 threshold for capitalization periodically and at close-out. Additionally, at project close-out only, Facilities BCS reviews construction activity of projects funded by a UTSA department to ensure all project expenses are included in PeopleSoft.

Financial Management Operations Guide (FMOG), Section 1 Internal Control, Monthly Financial Report Reconciliation Process defines reconciliation responsibilities of department managers and reconcilers:

➢ Complete a monthly reconciliation of departmental records against the official accounting record in PeopleSoft / Monthly Financial Report (MFR).

➢ Ensure costs are reviewed each month and accurate accounting records are maintained, and certify that the reconciliation of all activity has been completed.

➢ Review the reconciliation and sign a Certification Statement indicating agreement that correction of all errors has been completed or requested; and all financial transactions are accurate, allowable, and appropriate.

The Office of Facilities BCS uses a Computerized Maintenance Management System (CMMS) called TMA to manage Facilities workflow and financial information. TMA:

➢ Assigns a unique work order number for each maintenance activity and project,

➢ Stores information for each work order including contact information and financial information, and

➢ Provides the support for progressive work order billing.

The Office of Facilities BCS utilizes the Office of Facilities EPM's project management database (see below) and the TMA Work Order System to assist in the periodic and close-out reconciliations. A sample of periodic and close-out reconciliations was reviewed:

➢ There was no documented evidence to indicate that financial activity was being reconciled or matched from the Facilities EPM System Access Database to PeopleSoft.

➢ Reconciliations were not completed in timely fashion and were at least two months behind.

➢ Reconciliations were completed by the Director, Facilities BCS but were not reviewed by a second individual.

Observation #2:	The institutionally managed construction project periodic and close-out reconciliations did not have documented evidence of review, were not approved by a second individual, and were not timely.
Risk:	Institutionally managed construction expenses may not be accurately recorded in PeopleSoft, UTSA's Financial System.

Management Response/ Action Plan:	*Timely reconciliations of institutionally managed construction projects have been challenging due to PeopleSoft issues and understaffing in Facilities Business and Customer Services (BCS). All reconciliations were performed to ensure proper transfer from DEFINE to PeopleSoft along with periodic reconciliations, during construction and close-out, which assures Management that expenses are accurately recorded with the exception of a few known issues related to double encumbrances. These are being worked on and have been reported to UT System Shared Information Services.* *ACTION PLAN: All reconciliations will be done timely and with an approval by a second individual. In order to provide documented evidence of review, we will begin to print out project activity from the Microsoft Access project management database and our TMA work order system.*
Responsible Party:	*Director, Facilities Business and Customer Services*
Implementation Date:	*August 31, 2016*

Tracking Institutionally Managed Projects	The Office of Facilities EPM utilizes a Microsoft Access project management database in various ways to manage and track project activity such as: ➢ Reviewing budget to actual expenses on each project/ work order number, ➢ Reviewing project workload by project coordinator, ➢ Analyzing projects by vendor, and ➢ Analyzing work funded by departments. The unique identifier Facilities EPM utilizes for construction projects is the TMA work order number. As such, in the Access Database, the construction project unique identifier is the work order number. The unique identifier for capitalized construction project expenses in PeopleSoft, the Financial Accounting System, is Project ID. Projects that are not capitalized are identified by the Cost Center of the department funding the project. When a construction expense is processed in PeopleSoft, the work order number is not required to be entered. The work order number may be entered into the description field. Based on our review, the work order number is not always entered.

To improve the efficiency and timeliness of the reconciliation process, the unique identifier used in both systems should match.

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Observation #3:	The unique identifier for institutionally managed construction projects managed by Facilities EPM is different than the unique identifier for construction projects in PeopleSoft, UTSA's Financial System.
Risk:	Institutionally managed construction expenses may not be applied to the correct project.
Management Response/ Action Plan:	*Facilities management does not believe that a serious risk exists but agrees that there may be an improvement in efficiency when two project identifiers match.* *ACTION PLAN: Facilities is working with Financial Affairs to coordinate unique identifiers. There are limitations, but for some projects this appears to be viable.*
Responsible Party:	*Assistant Vice President for Facilities Engineering and Project Management*
Implementation Date:	*February 29, 2016*

CONCLUSION | Institutionally managed construction project expenses are being examined for reasonableness, accuracy and allowability when the expenses occur. However, improvements to the consistency of project files and improvements to the reconciliation of institutionally managed construction project expenses both during construction and at close-out are needed.

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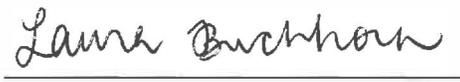
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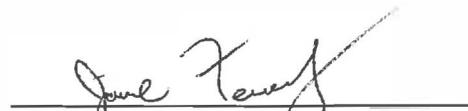
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This engagement was conducted in accordance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.