

January 29, 2021

To: David Bottoni, Director, Building Design and Construction

Subject: **Building Design and Construction Diagnostic Review**

Executive Summary:

Internal Audit conducted an independent review of the processes of Building Design and Construction (BDC), a division of Public Works and Engineering. BDC manages professional design and construction subject matter expertise and services for all City-owned facilities.

Good project management is critical to ensure effective processes/controls, efficient services, and to obtain best value for money.

Overall Results:

Internal Audit completed a diagnostic review in lieu of the planned audit, as the division is currently working on updating the standard operating procedures and implementing the E-Builder application under the direction of a newly appointed Director.

Due to the changed nature of the engagement, five projects were sampled and opportunities for improvement were identified to enhance procedures and maintain a minimum set of documents for each type of the projects.

Background:

Building Design and Construction (BDC) is a division of the Public Works and Engineering department at the City of Brampton. BDC manages professional design and construction subject matter expertise and services for all City-owned facilities.

BDC provides project management services including the administration of contracts ensuring the Contractors and Consultants comply with the terms and conditions in their agreements.

The BDC division provides services in the following areas:

- Interior Design Services (IDS)

- Both on-demand client comfort services and large scale accommodation services and strategies.
- State of Good Repair (SOGR)
 - Maintaining physical assets in a state of good repair (predesign, due diligence, design and/or construction on major additions/renovations)
- New Construction
 - Conduct predesign, due diligence, design and/or construction of new facilities

As of September 28, 2020, active projects included:

Project Type	# of projects	Total Overall Project Forecast
IDS	46	\$13.5M
SOGR	244	\$161.1M
New Construction	41	\$276.9M

Audit Scope and Objectives:

The objective of this engagement was to assess the effectiveness and efficiency of Building Design and Construction processes to determine adequacy of internal controls and compliance with policies, procedures and legislation.

The period under review was all Active Projects during 2020 and completed projects from January 1, 2018 to June 30, 2020.

The scope of this engagement included:

- Proper policies and procedures are in place to provide governance;
- Contracts and projects are effectively managed;
- Project costing is properly reviewed and approved on a timely basis;
- Budgets are regularly monitored during the projects and all variances are analyzed and justified;
- Appropriate controls are in place for change management;
- Contingency funds are properly managed and authorized; and
- Accounting treatment for all expenses are as per the City's Accounting Policy.

Out of scope:

- Effectiveness of Architectural Designs used for the project; and
- Observation of On-Site Construction Activity.

Findings and Recommendations:

1. Governance

Standard Operating Procedures (SOPs)

SOPs and project management templates are critical to ensure the success of project management and comply with organizational expectations. SOPs are also required to meet the requirements at each stage of the process.

Our review of the SOPs indicated that these have not been reviewed since 2014 and are not being currently used.

Contingency Funds

Contingency funds are included within the budget and are typically 10% of the construction budget. The contract price includes the contingency amounts to address any potential change orders.

Currently, the project managers are not required to report the details to account for contingency funds on a project basis. Hence the complete accountability for capital construction spending and appropriate use of contingency funds could not be determined.

Potential Exposure:

- Similar projects can be approached in different ways diminishing the potential benefits from comparing projects and sharing lessons learned and experiences.
- Greater chance of errors and non-compliance.
- Process changes related to safety, health, environmental and operational information may not be communicated properly, and
- Contingency amounts can be used without any significant changes to the requirements.

Recommendations:

1. All SOPs should be reviewed for relevance and updated accordingly (for SOGR, FNDS, Implementation and IDS). All missing SOPs should be properly drafted, reviewed and approved.
2. Change Order logs must be completed when Contingency Funds are used to ensure the transparency. Any remaining balance should be identified for each project and proper accounting treatment should be applied.

2. Project and Contract Management

Project Methodology Templates

There are approximately 70 project management templates related to various phases of the projects, however, the mandatory requirements are to use the following three documents only:

- Project Information Package (PIP),
- Budget Tracker (E-Builder Cost Summary Sheet), and

- Project Completion Checklist since early 2019 (PCC)

A review of the project documentation for the five projects sampled, indicated:

- Three of the five projects did not have the PIP filed and the two that were filed, were not completed or signed.
- Budget Trackers for all five sampled projects did not match the Cost Control Sheet (CCS) and/or financial information in PeopleSoft.
- Four of the five projects sampled had status “completed”, we observed the following:
 - For two of the four projects we could not obtain PCC;
 - For two of the four projects the PCC documents were available, however, they were incomplete and inaccurate.

An Excel based “Cost Control Sheet (CCS)” is used to manage projects and to provide management oversight over the projects. The review of the five sampled projects identified inconsistent approach in usage of this spread sheet.

Management has indicated that E-Builder application is being implemented to replace CCS and other documentation requirements.

Project Oversight

Projects must be monitored on an ongoing basis to ensure that projects are completed on time, within budget, and with the pre-set quality requirements.

A review of the documentation for the four sampled (completed) projects indicated that two of the four projects, did not meet the contractual requirements of periodic monitoring/site progress updates. Consultants are required to provide these updates. For one of the projects we were able to obtain the final inspection report.

Warranty and Close Out

From a sample of four completed projects, three had reached the end of warranty phase. A review of documentation for these three projects indicate the following:

- One of the three samples did not have a warranty walkthrough performed close to the end of warranty period.
- Two of the projects had a warranty walkthrough:
 - One of them had only the sign-in sheet documented; and
 - The other had 3rd party inspection report referencing the warranty site review completed by the inspection company. There was no evidence that the consultant had attended the inspection review.
- Only two of the four completed projects had the close-out/completion checklists.

However, it was noted that the most current project close out checklist was properly completed and signed.

Change Management

A change management log has to be created and updated on a timely basis within the Budget Tracker along with their financial impact, however; the log was only updated for one out of the four (completed) projects.

It was noted that the change notices were filed in the project documentation for all projects, however; the completeness of the change orders could not be verified.

Potential Exposure:

- Not having clear requirements for the documents to be maintained can result in inconsistent approach and missing the critical documentation for important projects.
- When inspections are not carried out properly the issues with the repairs under warranty might not be identified on a timely basis.
- If change log is not maintained and updated timely, completeness of changes could not be confirmed.

Recommendations:

1. Minimum mandatory documentation requirements for each phase (Initiation (State of Good Repair and Facility New Development Services), Execution (Implementation), and Close out) of the project should be identified and management should ensure compliance to such requirements.
2. Clear financial audit trails for the life of the project (from the approval of the budget to the completion of the project) should be maintained and final spending should be reconciled with PeopleSoft. Any variances should be properly accounted and reported.

Management Response

1. SOP Development & Identification of Mandatory Documentation

- SOPs for each section to be drafted, reviewed and approved in accordance and compliance with organizational and divisional expectations, to include:
 - Standardized processes for project management phases (i.e. validation, initiation, execution, close-out, and reconciliation).
 - Management confirmation of mandatory project documentation/templates to be used throughout the life of the project for each group - applicable to their work processes (i.e. change order log, project information package, budget tracker/cost summary, close-out check list, etc.).
- **Tentative completion date beginning of Q4 2021**

2. Compliance Review & Training

- A review of open projects will be completed on a regular basis to ensure mandatory documentation usage, SOP compliance and to confirm staff are working within the requirements of the Project Management Methodologies.
- Financial tracking, project initiation, execution and close-out information will also fall under this semi-annual internal audit by Managers.
- Staff Training will be completed upon roll-out of SOPs, project documentation and reconciliation of project financials.
- **Tentative completion date - BDC internal audits by Management to be scheduled on 5th and 9th month of the year.**
- **Tentative completion date – Staff Training end of Q4 2021.**

Current Situation:

Considering that the full scope audit engagement was changed to a diagnostic review. Internal Audit will conduct a full scope audit of the project management design phase in the later part of 2021. Once the design is fully implemented an operational audit will be completed in 2022.

Regards,

Sunny Kalkat, Director Internal Audit

cc:

David Barrick, Chief Administrative Officer

Jayne holmes, Acting Commissioner, Public Works & Engineering