



# OFFICE OF INTERNAL AUDIT

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## REPORT TO THE BOARD OF SUPERVISORS

### Public Works Construction Management Follow-up Review

January 5, 2010

Lori Stripling, Internal Audit Officer  
Jason Konrad, Internal Audit Analyst

The Office of Internal Audit has completed a follow-up review of our Audit of Public Works Construction Management, which was finalized in December 2008.

As a result of our review, we found Public Works management has completed or made admirable progress in implementing recommendations included in our December 2008 audit report.

Significant achievement has occurred in the following areas, pursuant to the audit recommendations:

- Establishment of formal policies and procedures for the Master Facility Planning and Construction Committee
- Planning for the development of a five-year capital improvement plan
- Establishment of a single Pinal County Transportation Advisory Committee
- Development of by-laws for the Transportation Advisory Committee
- Development of procedures and standard forms for documenting inspection results
- Establishment of formal procedures for approving change orders

The following matrix provides details of management's reported progress and our assessment, based on follow-up audit procedures performed. We would like to thank the Public Works Department for their assistance during our follow-up review.

Lori Stripling  
Pinal County Internal Audit Officer

**Audit of Public Works Construction Project Management  
Management's Response and Action Plan  
Internal Audit Assessment and Follow Up  
January 2010**

<b>Audit Recommendation</b>	<b>Concur</b> (Yes or No)	<b>Management's Response and Action Plan</b>	<b>Target Date</b>	<b>Individual(s) Responsible</b>	<b>Updates (as of July 31, 2009)</b>	<b>Internal Audit Assessment</b>
<p>1. a. The County Manager should require the newly formed Master Facility Planning and Construction Committee to formalize its procedures and submit them to him for final approval.</p> <p>b. The Committee should be given the authority and responsibility to develop a five-year facilities plan; approve, reject or modify requested projects; prioritize project requests; and approve all change order requests that result in increases of more than 5% of the original contract cost.</p> <p>c. The Committee should be required to record minutes of each meeting, formally documenting all actions taken and decisions made by the Committee.</p>	Yes	<p>The committee is in the process of establishing written procedures. Once completed, the procedures will be formally adopted and approved by the County Manager.</p> <p>The Committee will be given the stated authority and responsibilities.</p> <p>The Committee will record minutes.</p>	2-28-09	Lisa Garcia Manny Gonzalez Ken Buchanan	<p>The Committee was formally approved by the Board of Supervisor's on February 27, 2009. The Committee has been meeting monthly to discuss projects, and working on written procedures that will be presented to the County Manager in August 2009 for his review and approval. Since the being approved by the BOS, Agendas have been prepared and minutes taken of each meeting. Agendas and meeting minutes will be made available to the County Manager.</p>	<p>a. The Master Facilities Planning and Construction Committee Policies and Procedures were approved by the Board of Supervisors (BOS) on November 4, 2009.</p> <p>b. The BOS approved a General Fund Contingency transfer on November 4, 2009, to develop a five-year Capital Improvement Program.</p> <p>c. Committee meeting minutes are being recorded.</p>

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<p>2. The County Manager should ensure a master facility plan study is conducted, to identify current and future County facility needs. This plan should serve as the basis for the Master Facility Planning and Construction Committee's review and prioritization of projects.</p>	<p>Yes</p>	<p>The Board of Supervisors approved a Master Facilities Plan several years ago. Several smaller projects have been added that were approved by the CIP Committee but were not part of the larger Master Plan. The existing Master Plan will be revised and presented to the Board of Supervisors for FY 2009-2010. Pinal County is currently procuring a construction management company to address this area.</p>	<p>2-28-09</p>	<p>Lisa Garcia Manny Gonzalez Ken Buchanan</p>	<p>The ACM's are working with ARCADIS in reviewing the Master Facilities Plan developed by Durrant. The ACM's working ARCADIS and with the Master Facilities Committee will develop new priorities for capital projects that will consider current growth and economic conditions. The new plan will also identify funding options for capital projects. The Committee with assistance from ARCADIS will begin developing a Five Year Capital Improvement Program.</p>	<p>The BOS approved a General Fund Contingency transfer in an amount not to exceed \$100,000 on November 4, 2009. These funds will be used to hire ARCADIS as a consultant to the Committee in developing a five-year Capital Improvement Program.</p>

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3. The Director of Public Works should consider providing the County Manager with an analysis and recommendation for establishment of a single Transportation Advisory Committee	Yes	Draft is completed and will be forwarded through the chain of command to the County Manager.	1-31-09	A.J. Blaha	This was completed on Dec 29, 2008. After subsequent discussions with BOS members, it was decided to push this consolidation to FY 09/10.	Public Works (PW) provided Internal Audit with a Transportation Advisory Committee (TAC) Issues Paper. This paper explained the implementation process for a single TAC. Public Works hopes to implement by late January 2010, and begin the regular meeting schedule in September 2010.

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<p>4. The Director of Public Works should establish Transportation Advisory Committee By-Laws, which should include:</p> <ul style="list-style-type: none"> <li>• Rules for appointing member</li> <li>• Established terms and limits</li> <li>• Committee's roles and responsibilities</li> <li>• Guidelines for selecting and prioritizing projects.</li> </ul>	Yes	Draft is completed and will be forwarded along with the analysis.	1-31-09	A.J. Blaha	Draft bylaws were also discussed on Dec 29, 2008. During the winter 2009 TAC meetings, staff discussed the formation of a single TAC in order to get their input. A study session with the BOS is the next step, and will be scheduled in the next two months.	PW provided Internal Audit with draft TAC By-Laws. The draft By-Laws include rules for appointing members, established terms and limits, committee roles and responsibilities, and guidelines for selecting and prioritizing projects.

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5. The Director of Public Works should ensure that transportation planning studies are used by the committee(s) as the primary basis for identification of County transportation needs.	Yes	The next 5 year plan will include references to transportation studies or design concept reviews.	6-30-09	A.J. Blaha	Same as above.	As noted in the TAC By-laws, the committee will annually review, update, and recommend a five-year Transportation Improvement and Maintenance Program (TIMP) to the BOS. TIMP will utilize Pinal County regional transportation and land-use plans, to include consideration of traffic safety, long-range transportation and land-use planning, economic development, and environment and quality of life issues.

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6. The Director of Public Works should coordinate efforts with the formally chartered Transportation Advisory Committee(s) in establishing a comprehensive five-year transportation plan, which should be updated annually.	Yes	The next 5 year plan will include the identification of all funding sources for transportation projects.	6-30-09	A.J. Blaha	Same as above.	See comments for Recommendation #5 above.
7. The Director of Public Works should establish a formal process to determine, for each construction project, if a procurement method other than sealed bids will be used.	Yes	A process will be created that will be initiated by the Project Manager making a recommendation as to type of procurement and reasons why. If other than traditional Design-Bid-Build, the recommendation will be forwarded to the Assistant County Manager for their approval.	2-28-09	Scott Bender	This decision is now being documented as part of the procurement process using a memorandum with approval from the ACM that has oversight of the project.	PW provided Internal Audit with documentation of this process and evidence of its use in a recent construction project.

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<p>8. a. The Director of Public Works should develop procedures for documenting daily activity inspection results, as well as distributing and retaining inspection copies.</p> <p>b. A standard checklist for daily activity inspection reports should be developed, and the inspectors and project managers should be trained.</p> <p>c. Daily Activity Inspection Reports should clearly correlate with contractor work completed, to serve as support and justification of progress payments.</p> <p>d. Duplicate copies should be forwarded from the inspector to the project manager for review, and should be retained as part of the project master file.</p>	Yes	Item 8.d. has been implemented. Public Works will establish formal procedures for Project Management. This will include all items identified, and Project Managers will have training as to their specific requirements.	6-30-09	Scott Bender	<p>a. Completed.</p> <p>b. Completed.</p> <p>c. Completed.</p> <p>d. Completed.</p> <p>We have not yet done formal training for Project Managers.</p>	<p>a. PW provided Audit with a copy of the Inspector's Daily Report Directions and Checklist. Included are procedures on distributing and retaining inspection copies.</p> <p>b. PW provided a copy of the Inspector's Daily Report. This report appears adequate. Internal Audit was informed of only informal training, and it is not documented.</p> <p>c. The Inspector Report requires an explanation of work completed, and it must be submitted to the Inspection Section Chief for review.</p> <p>d. Included in report procedures.</p>

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9. The Director of Public Works should require that all facility project change orders, resulting in additional project costs of more than 5% of the original contract amount, are reviewed and approved by the Master Facilities Planning Committee.	Yes	This is part of the processes being included in the MFPCC procedures that are currently drafted. Public Works will comply with those procedures. Change orders are performance measure included in our Managing For Results Strategic Business Plan.	2-28-09	Scott Bender	Public Works and Budget have worked out a process to approve changes, with approval by the MFPC. Change orders are tracked as an MFR measure.	MFPC final approval of change orders is now required.
10. The Director of Public Works should revise change order documentation procedures, to include a required assessment of cause/fault, prior to recommending approval of change orders that increase project costs.	Yes	This will be added to all change order request documentation	1-31-09	Scott Bender, Gloria Bean	Completed. Assessment is part of change order documentation.	PW provided copies of recent change orders. The CO form includes a description section requiring explanation of: cause; need; how CO could have been avoided; and impact if disapproved.

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<p>11. a. The Director of Public Works should ensure a periodic review of change orders is performed, to determine if improvements in construction planning and processes are needed to minimize future change orders.</p> <p>b. A regular management report should be established, documenting the review of change orders.</p>	Yes	This will be done as part of Public Works Managing for Results reviews and reports.	1-31-09	Scott Bender	We do have quarterly meetings with activity managers to discuss MFR activity. The activities include reports on change orders.	PW provided Internal Audit with monthly MFR reports including performance measures and analysis, which PW plans to use in monitoring and evaluating change orders. Specific documentation of change order review, however, was not evident in the reports we reviewed. More specific documentation of this analysis is advisable.