



Item: AC: I-3

AUDIT AND COMPLIANCE COMMITTEE
Tuesday, June 8, 2021

SUBJECT: FINAL FOLLOW-UP AUDIT ON MINOR CONSTRUCTION PROJECTS (REPORT #FAU20/21-4). THE ORIGINAL REPORT (#FAU17/18-1) WAS ISSUED ON JANUARY 25, 2018

PROPOSED COMMITTEE ACTION

Information Only.

BACKGROUND INFORMATION

The primary purpose of this **final** follow-up audit is to report on progress and status efforts made by management to implement or resolve the recommendations identified in the original audit that was issued in 2018. We found significant efforts have been made to address the original audit recommendation, but certain steps remain in progress. Accordingly, responsibility to ensure final completion and resolution is turned over to management.

IMPLEMENTATION PLAN/DATE

Not Applicable.

FISCAL IMPLICATIONS

Not Applicable.

Supporting Documentation:

Prepared by – Mr. Reuben Iyamu, Inspector General

Presented by – Ms. Stacy Volnick, Vice President Administrative Affairs

Audit Report FAU20/21-4

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FLORIDA ATLANTIC UNIVERSITY
OFFICE OF INSPECTOR GENERAL



MEMORANDUM

TO: FAU BOT Audit and Compliance Committee
Dr. John Kelly, President

FROM: Reuben Christian Iyamu, Inspector General

DATE: June 8, 2021

SUBJECT: **Final Follow-up Audit – Minor Construction Projects, Report No. FAU20/21-4**

We have completed a final follow-up audit on actions taken by the Design and Construction Services (DCS) department management to resolve the findings and recommendations from our audit of Minor Construction Projects (Report # FAU17/18-1) issued January 25, 2018. This report contains a summary of the original audit recommendations, management action plans, and their current status. The response from management is also included in this report.

We appreciate the cooperation and assistance provided by the Design and Construction Services department and the Office of the Vice President during this follow-up process.

Respectively Submitted,

Reuben C. Iyamu
Inspector General

cc: University Provost
Vice Presidents
Inspector General, Florida Board of Governors
Florida Auditor General
Numa Rais, Facilities Management Director – Design & Construction Services



Final Follow-Up Audit Report (#FAU20/21-4) Minor Construction Projects

(Original Report #FAU17/18--1 issued January 25, 2018)

SUMMARY OF THE ORIGINAL AUDIT REPORT

The primary objectives of the original audit were to determine whether (1) Minor construction projects were planned and administered consistent with applicable laws, rules, regulations, and established university policies and procedures and (2) Construction costs billed by the contractor were properly supported by appropriate backup documentation, reviewed and approved by management, processed timely, and accurately posted to the university's accounting records. The University's construction process is administered by the Design and Construction Services (DCS) department, a unit of Facilities Management (FM). The audit noted that, overall, management established and implemented controls to ensure minor construction projects were administered consistent with applicable policies and regulatory laws. However, the audit also identified few risks that indicated the need for further improvement and enhancements in applicable processes and controls. Four action plan steps were developed by management to address the audit recommendations.

FOLLOW-UP OBJECTIVE, SCOPE, AND METHODOLOGY

The purpose of this follow-up was to report on the status of efforts by management to satisfactorily resolve and implement the recommendations from our initial audit. Our follow-up was for activities for periods through March 31, 2021. To achieve our follow-up objectives, we made inquiries and reviewed responses from management.

PREVIOUS AND CURRENT CONDITION OF ACTION PLAN STEPS

During our previous follow-up engagements, we reported that the action plan steps for three of the four recommendations were satisfactorily resolved and implemented. This is our final follow-up on actions taken by management to address the one remaining finding and recommendation not completed. In response to our previous follow-up efforts on the remaining action plan step, management indicated actions were initiated but not completed in addressing the audit recommendation. The table below provides a description of the initial audit finding, our recommendation, management action plan, and status as March 31, 2021. As shown in the table, significant efforts have and are being taken by management to finalize the implementation of the action plan step. Accordingly, we are turning this action plan step over to the Design and Construction Services (DCS) department management to ensure final resolution and completion.

We conducted this follow-up audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Principles and Standards for Offices of Inspectors General*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

MANAGEMENT ACTION PLAN STATUS	
Audit Finding #2: Documentation Deficiencies Related to the Administration of Minor Construction Projects.	
Management Action Plan	Status as of March 31, 2021
Management will revise the department policies and procedures understanding that first we had to assess the existing practices and develop practices and procedures that were in the best interest of FAU in terms of cost savings, efficiency, and the expeditious completion of projects.	<p>Turned Over to Management - The original implementation date provided by management for this action plan step was December 1, 2018. We reported in our previous follow-up engagements that the action plan step remained partially implemented (i.e., in-progress) based on the responses we received from management. Specifically, management indicated efforts have been made, and are ongoing, to revise the department policies. However, to ensure the revised policies address the proper provisions, the continued changes in practices are being assessed before the finalization, approval, and implementation of the revised policies. During this follow up engagement, management provided detailed description (see the management response below) of the actions that have been taken, and those that are in-progress to finalize the action plan step. Overall, we noted that significant efforts have and are being taken to address the audit recommendation. Accordingly, responsibility to ensure final resolution and completion of this action plan step is turned over to the DCS management.</p>

MANAGEMENT (APPLICABLE VICE PRESIDENT)'S RESPONSE

While there was an initial revised policy as previously reported to the IG Office, there was a pause on finalizing that revised policy and procedures due to the following measures. These measures have a direct impact to the policy and procedures. These below items needed to be fully implemented prior to finalizing changes to policy and procedures:

- Modification to BOG regulations that adjusted the thresholds regarding continuing services contracts and directly impacted on the minor project process (policy and procedures).
- Implementation of the BOG Fixed Capital Outlay (FCO) Regulation 14.0003 that addresses carryforward expenditures as it relates to minor projects, and this currently being amended, yet again.
- Implementation of new administrative controls concerning minor project approvals, due to budget constraints brought on by COVID-19. These controls included the required approval of the VP, Administrative Affairs on all Minor Project Requests. The required approval of the VP, Administrative Affairs will remain in effect post COVID to ensure that the space, renovation, and repair requests are necessary to meet the mission of the requesting unit. The added levels of approval change have been implemented.
- As a direct result of the above changes, the integration of requests for minor projects (Minor Project Request Form - MPRF) in Workday was initiated to provide more oversight regarding project approval as it relates to financial obligations and confirmation that requested project is part of the University's Fixed Capital Outlay (FCO) budget, which requires annual approval by BOT and BOG. Prior to the development of this electronic process via Workday, these requests were handled by a paper process that was antiquated and cumbersome. This is an interdisciplinary project involving Administrative Affairs, Facilities Management, General Accounting and Financial Information Systems. The electronic processing of minor project requests is approved, and Financial Affairs has been directed to move forward.

This Follow-up Engagement was Conducted by:

Allaire Vroman, Internal Auditor/Investigator

Supervised and Approved by:

Reuben Iyamu, MBA, CIA, CFE, CIGA, Inspector General

Please address inquiries regarding this report to the Inspector General at 561-297-6493 or
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