



**Parks Department – 2012 Capital
Improvement Program Bond Follow-Up
Audit No. A2022-08**

Issued by the
Internal Audit Office
8/31/2022

**City of El Paso
Internal Audit Office
Parks Department – 2012 Capital Improvement Program Follow-Up Audit A2022-08**

EXECUTIVE SUMMARY

The Internal Audit Office conducted a Follow-Up Audit of the Parks Department – 2012 Capital Improvement Program Bond Audit Report dated January 15, 2021. The original Audit Report contained two (2) Findings. Upon completion of the audit fieldwork, we have determined the status of the Recommendation for each Audit Finding as outlined in the table below:

Finding No.	Description of Original Finding	Status
1	<p>A review of the Construction Inspector’s Daily Job Reports and Project General Logs for the “<i>Chamizal Recreation Center</i>” during the period of July 1, 2020 to September 30, 2020, identified the following:</p> <ul style="list-style-type: none"> • No Construction Inspector’s Daily Job Reports or Project General Logs were completed to record the daily construction activities/events at the jobsite as required by the Capital Improvement Department’s – <i>Project Delivery Manual</i> during the period reviewed. • The last available Construction Inspector’s Daily Job Report was completed on May 8, 2020. No Construction Inspector’s Daily Job Reports were completed from May 9, 2020 through September 30, 2020. • Construction photos were taken by the Construction Inspector from July 1, 2020 to September 30, 2020 in lieu of completing the Daily Job Reports. 	Implemented
2	<p>The Capital Improvement Department (CID) does not have documented Policies and Procedures to address when Change Orders require City Council’s approval for Construction Manager at Risk (CMAR) Projects. A CMAR Contract is a project delivery method which entails a commitment by the Construction Manager to deliver the project within a Guaranteed Maximum Price. Our review of CID’s Policies and Procedures identified the following:</p> <ul style="list-style-type: none"> • Under a Construction Manager at Risk type construction contract with a Guaranteed Maximum Price (GMP): <ul style="list-style-type: none"> • CID staff is obtaining City Council approval only when the GMP is exceeded. This procedure is not documented in the CID’s <i>Project Delivery Manual</i>. • Under a Low Bid or Best Value type construction contract: <ul style="list-style-type: none"> ○ CID’s <i>Project Delivery Manual</i> states that City Council must approve any individual Change Order with a cost greater than \$100,000.00. 	Implemented

For a detailed explanation of the current Observations please refer to the appropriate Finding contained in the body of this Audit Report.

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BACKGROUND

The *Generally Accepted Government Auditing Standards* (Standard 8.30) states that auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements. The *International Standards for the Professional Practice of Internal Auditing* (Performance Standard 2500.A1) require that the chief audit executive establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

AUDIT OBJECTIVES

The audit objective was to ensure that corrective action was taken by management to address the recommendations identified in the original Audit Report dated January 15, 2021.

AUDIT SCOPE

The audit period covered the Capital Improvement Department's Policies and Procedures for Fiscal Year 2022.

AUDIT METHODOLOGY

To achieve our audit objectives, we:

- Reviewed the Capital Improvement Project Delivery Manual with Revision Date of July 2022:
 - Chapter 17 – Inspection Procedures.
 - Chapter 20 – Construction Change Orders.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. 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.

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CURRENT OBSERVATION AND STATUS

Based on the follow-up audit results, each original Finding recommendation will be designated with one of the following four status categories:

<i>Implemented</i>	The finding has been addressed by implementing the original corrective action or an alternative corrective action.
<i>In Progress</i>	The corrective action has been initiated but is not complete.
<i>Not Applicable</i>	The recommendation is no longer applicable due to changes in procedures or changes in technology.
<i>Not Implemented</i>	The recommendation was ignored, there were changes in staffing levels, or management has decided to assume the risk.

Finding 1

Current Observation

The Capital Improvement Project Delivery Manual was updated to address the original Finding. The following changes were made to Chapter 17 – *Inspection Procedures*:

- Updates were made to Procedure Number 17.1 – *General*. The procedure explains the responsibilities of the Project Manager/Construction Manager (PM/CM) and the Inspector. The procedure states that the PM/CM should be aware of required inspections throughout the project, review inspection documents for completion and in the event of staffing changes should transition Inspector responsibilities. The Inspector duties include inspection of construction, maintenance of inspection records and coordination, and documentation of specialty inspections.
- Updates were made to Procedure Number 17.4 – *Inspection Documentation*. The procedure explains the responsibilities of the Project Manager/Construction Manager (PM/CM) and the Inspector for inspection documentation. This procedure states that the Inspector should maintain the records current within two working days of a jobsite visit. It also states that the CM is responsible for ensuring documents are current and complete.
- Updates were made to Procedure Number 17.5 – *Inspection Reports*. The procedure explains the responsibilities and who is in charge of Inspection Reports. The responsibilities include completing a daily record for every calendar day of the contract through completion and maintaining records current within two working days of a jobsite visit.
- The Procedure Numbers have a Revision Date of July 2022 and an Effective Date *To Be Determined*.

The updates to Chapter 17 of the Capital Improvement Project Delivery Manual are not final. They are pending final approval by the City Engineer.

Status

Implemented – Capital Improvement Department Management will assume the risk of obtaining all required approvals and implementing the finalized Project Delivery Manual. No further Follow-Up will be necessary.

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Finding 2

Current Observation

The Capital Improvement Project Delivery Manual was updated to address the original Finding. The following changes were made:

- A new supplemental procedure was added to Chapter 20 – *Construction Change Orders*. This procedure has a Revision Date and Effective Date of July 2022.
- The procedure states the types of construction procurements that the City of El Paso uses. The procedure specifically mentions Construction Manager at Risk (CMAR) projects.
- The procedure states that Per Texas Local Government Code 252.048 – *Change Orders* approval of the Governing Body (City Council) is required for changes that increase or decrease the value of the contract by \$100,000.00 or more. It also mentions changes that increase or decrease the value by less than \$100,000.00 can be approved by the City Engineer.
- The procedure mentions that CMAR procurements are usually approved with a Guaranteed Maximum Price (GMP). If adjustments do not impact the award amount, no additional approval is required.

No further Follow-Up will be necessary.

Status

Implemented

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INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our audit work on the objectives of the Parks Department – 2012 Capital Improvement Program Bond Follow-Up Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the Observations and Conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude on whether the Capital Improvement Department met the objectives of this Follow-Up Audit. Based on our audit work, we have determined that:

1. The Capital Improvement Department met the audit objectives in the following areas:
 - Updates have been made to the Project Delivery Manual that details:
 - Responsibilities of the Project Manager/Construction Manager (PM/CM) and the Inspector when it comes to inspection reports.
 - Inspection reports are to be kept current within two working days of a jobsite visit.
 - Inspection Reports are to be kept for every calendar day of the contract through completion.
 - Created a document that supplements the Project Delivery Manual that details:
 - Change Orders over \$100,000.00 that require City Council approval.
 - Change Orders under \$100,000.00 that require City Engineer approval.
 - Change Orders that don't impact award amount and don't require further approval.

We wish to thank Capital Improvement Department Management and staff for their assistance and courtesies extended during the completion of this Follow-Up Audit.



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