

CONROE INDEPENDENT SCHOOL DISTRICT

CONSTRUCTION-Small Projects

AUDIT PROGRAM

AUDIT PROGRAM	W/P REF	AUDITOR INITIALS
<u>AUDIT PROCEDURES</u>		
1) General		
a) Analyze prior audit reports, both internal and external, for previously identified deficiencies. Review responses. If responses sufficiently address correction of the problem and clearly indicate management's plans to prevent recurrence, test to ensure that stated changes were, in fact, made. If responses do not resolve the weakness, consider re-issuance of the criticism and/or further discussion with management to identify alternative solutions.		
b) Become familiar with all laws, policies, and regulations impacting the area under review. Ensure that the audit program includes sufficient procedures to evaluate compliance with applicable rules and regulations.		
c) Obtain an understanding of the procedures and the flow of documents for construction project operations.		
d) Obtain copies or examples of all reports generated for each construction project and determine their use and distribution. Include system reports, PC reports, and manual reports. Ensure that the information presented in these reports is tested or analyzed at some point in the audit program. Among the reports that may, or should, be available are procurement reports, cash-flow projections, schedule progress reports, and cost forecasts. Determine that adequate records are received from the contractor to monitor progress (daily inspection reports, job meeting minutes, job photographs, updated schedules, material and equipment delivery schedules, drawing revisions, daily job progress reports/diaries, etc.).		
e) Obtain a copy of the construction contract (and related addenda) and highlight significant and specific terms. The contract will be an important reference throughout the audit.		

2) Contract Formation	W/P REF	AUDITOR INITIALS
<p>a) Obtain a copy of the bid package for the project. This should include the following items:</p> <ul style="list-style-type: none"> i) Proposal ii) Agreement iii) General conditions iv) Supplementary (Special) Conditions v) Technical Specifications vi) Drawings <p>Ensure that the bidders are requested to submit their proposals in a particular format that is designed to enhance comparison of the bids. Determine if bidders are required to submit bid bonds and certificates of insurance.</p>		

b) Examine advertising copy regarding the construction project to ensure that it met government requirements for notification.		
c) Document the process for qualifying bidders. Does the District determine in advance of bid opening whether or not the contractors responding are stable and have the financial wherewithal to complete the project? If this process is performed after bid opening, how do we ensure that the bid is not awarded to an unsatisfactory contractor simply because he is low bid?		
d) Determine which District administrator is responsible for replying to questions from bidders prior to bid opening. Is there a mechanism to ensure that no conflicting information is presented to bidders? If additional information is prepared for one bidder by request, is it automatically sent to all bidders?		
e) Does the District conduct pre-bid conferences and site visits with all bidders jointly? Obtain a copy of the agenda for the pre-bid conference and copies of any minutes maintained.		
f) Document the process for receiving and controlling bids received prior to bid opening. Ensure that controls are adequate to prevent breaches of confidentiality. Ensure that a log is maintained listing the date and time of receipt of all bids. Determine that bids received after bid opening are returned unopened to the bidder after documenting the time and date of receipt.		
g) Obtain a copy of the bid tabulation. Review the accuracy with which the bids were transcribed, calculated, and awarded. Determine if a fair price estimate was determined in advance of bid opening. If so, comment if significant fluctuations were noted between the bids received and the price estimated.		

3) Contract Administration	W/P REF	AUDITOR INITIALS
<p>a) Review the initial set of contractor submittals received. Typical submittals should include:</p> <ul style="list-style-type: none"> i) Insurance certificates ii) Fabrication/installation procedures iii) Quality assurance or control program documentation iv) Shop drawings v) Material certificates vi) Fabrication, shipping, and construction schedules vii) Equipment tagging procedures viii) Equipment operating and maintenance manuals and instructions ix) Signed bond forms x) Sample products (wall coverings, siding samples, etc.) xi) Subcontractor and material supplier bid and change order information <p>Determine if receipt of submittals is documented on a log or check sheet to ensure that required items have been received.</p>		

b) Determine if an insurance certificate log is prepared. Review insurance certificates received and evaluate for propriety. Such insurance should include general liability, automobile liability, workers compensation, and umbrella coverage. Verify the adequacy and authenticity of insurance coverage. Ensure that insurance was actually purchased. Determine how subcontractors' insurance requirements are monitored.		
c) Review various bonds received from the successful bidder, including the bid bond, payment bond, performance bond and possibly a maintenance bond. If possible, confirm the validity and adequacy of the bonds. Ensure that bonds were actually purchased.		

4) Contract Close-out	W/P REF	AUDITOR INITIALS
a) Determine who is responsible for preparing the post-performance evaluation. Examine the completed evaluation for adequacy.		
5) Budget		
a) Obtain the construction project's budget reports as of the most recent month-end. Compare to the payment schedules maintained by the Construction Department. Review for unexplained differences, significant overdrafts or serious fluctuations from amounts initially budgeted, and unusual entries.		
b) Determine what procedures are followed by the Accounting Department to ensure the propriety and validity of invoices submitted for payment on construction projects. Ensure that controls are adequate to confirm approval and adequacy of funds available.		
c) As necessary, test a sample of transactions for accuracy, reasonableness, and adequacy of supporting documentation.		

6) Summary	W/P REF	AUDITOR INITIALS
a) Determine if there are other accounts to be tested or procedures or activities that need review.		
b) Complete and/or update the Internal Control Questionnaire. To the extent possible, answers should be determined through testing or observation. Only as a last resort, obtain answers to control questions by direct inquiry and interview.		
c) After discussing all exceptions and concerns with the appropriate personnel, prepare and distribute a written audit report.		
d) Prepare and/or update the Permanent File. Include such items as a schedule of the audit history and copies of prior audit reports and responses; copies or synopses of any laws or policies impacting the area; and, identification of key personnel in the area being reviewed.		