

Follow-Up: Arizona Stadium, North End-Zone Expansion Construction Contract

May 2015

FY15 - #02

Submitted to:

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Summary

Follow-up on prior audits was included in our Fiscal Year (“FY”) 2015 Audit Plan. The professional standards for internal auditing require auditors to follow-up on any recommendations included in prior audit reports.

Background: Internal Audit completed audit report, FY14 - #08, that evaluated whether financial transactions relating to construction activity for the Arizona Stadium, North End-Zone Expansion construction project were adequately supported and in accordance with contract provisions.

The audit was included in our approved FY 2014 Audit Plan. The audit report included management responses (“Action Plan”) from Planning, Design & Construction (“PD&C”) to our recommendations, as well as target implementation dates.

The audit report contained one finding related to whether insurance coverage during construction was in compliance with terms of the contract. We found that Builders Risk insurance was not maintained through written final completion, as required by the contract.

Review Objective: To evaluate whether the open Action Plan item from the June 2014 Action Plan was implemented and functioning as intended.

Methodology: We accomplished our objective by providing PD&C with a description of the Action Plan item on a *Departmental Action Plan Status Form*. Management provided their response, and we evaluated the status and obtained additional information, as needed.

Conclusion: We found that the Action Plan item was implemented and functioning as intended. PD&C met on August 20, 2014 with UA Risk Management Services to review the insurance related matters identified during the audit. According to PD&C, this instance was an anomaly, and current PD&C practices for monitoring insurance coverages as outlined in the PD&C Central Project Delivery Manual, Construction Insurance and Bonds module, were deemed adequate. Therefore, PD&C determined that no additional procedures were needed to be implemented to reduce the risk of noncompliance going undetected.

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Prescribed limits of Subcontractor General Liability coverage were also discussed at this meeting. Although not identified as a finding in this audit, this issue was identified as a potential problem in future construction contracts because of ambiguity in the contract language. Therefore, to obviate potential contract interpretation conflicts, the Tri-University Construction Contract Committee clarified and revised the Insurance Section 6.3 in the most recently adopted version of the Standard Tri-University Construction Manager at Risk Contract dated March 1, 2015.

Additional follow-up will not be required.

/s/

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Attachment: *Departmental Action Plan Status Form*

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Departmental Action Plan Status Form
Internal Audit of Arizona Stadium, North End-Zone Expansion (June 2014)
As of May 2015

Please complete the right side of this form indicating the status of each of the action plan items listed on the left. As a convenience, action plan items are listed and referenced in the same order as they appear in the audit report. For any items that have not been implemented, please indicate the targeted date or the alternate solution implemented.

Departmental Action Plan	Status
<p>1. Target Implementation Date: September 2014.</p> <p>(2) PD&C will continue to monitor all aspects of the CM@Risk contract and has brought this specific issue to the attention of all project management staff during a regular bi-weekly construction phase briefing meeting on May 6, 2014. With a target date of September 2014, PD&C will also work with the department of Risk Management Services to evaluate whether additional procedures should be implemented to reduce the risk of noncompliance going undetected.</p>	<p>A meeting was held on August 20, 2014 with Steve Holland, Assistant Vice President, Risk Management Services to review the insurance related matters raised during the NEZ Audit, namely the duration of Builders Risk Insurance coverage and the prescribed limits of Subcontractor General Liability coverage.</p> <p>During that meeting with Risk Management Services the matter of BR insurance coverage was evaluated and it was determined that no additional procedures were needed to be implemented to reduce the risk of noncompliance going undetected since the Tri-U CM@R contract had been revised and the current version has reverted the duration of coverage back to the date of Substantial Completion. This instance was an anomaly and current PD&C practices for monitoring insurance coverages as outlined in the PD&C Central Project Delivery Manual, Construction Insurance and Bonds module were deemed adequate.</p> <p>That same meeting also brought forward the matter of Subcontractor General Liability coverage limits which has since been addressed by the Tri-U Contract Committee in a revision of Insurance Section 6.3 in the most recently adopted version of the CM@Risk contract dated March 1, 2015.</p>

The status and the description of actual corrective actions taken as described on this form are accurately reported.

Brian Dolan 5.19.15
 Signature Date

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