



*cutting through complexity*

# State Treasurer's Bond Accountability Task Force

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# Today's Discussion Topics

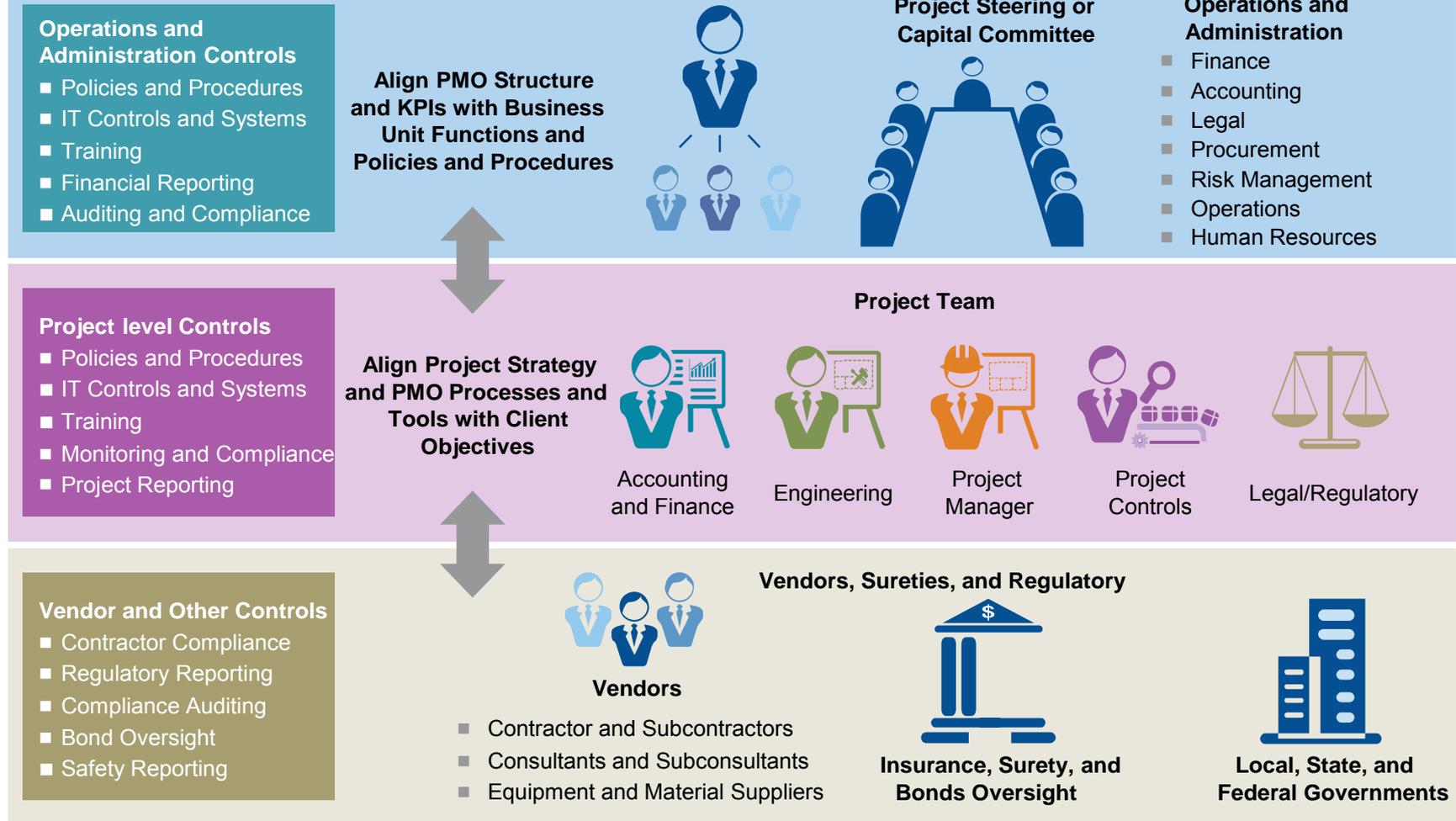
- **Capital project governance structures and project controls**
- **Leading practices project oversight & monitoring controls**
- **Leading practices for capital project compliance & audit programs**

# Why capital projects or programs fail

- **Undefined or poorly implemented governance structure**
- **Poor project evaluations and prioritization**
- **Project estimates incomplete/insufficient budgeting**
- **Scoping issues**
- **Inexperienced or unqualified project team**
- **Incomplete and fluid design**
- **Unrealistic schedules**
- **Insufficient tools and project management infrastructure**
- **Unfavorable contracts**
- **Lack of team integration**
- **Poor risk management**

# Capital project governance

## Project (or program) governance structure



# Major projects governance initiative - Example



AREA



LEADING PRACTICE

## OVERALL FRAMEWORK



- Develop a 3yr Road Map for Major Projects Governance
- Implement an Integrated Major Projects Governance Framework
- Annual re assessment and validation of progress and alignment with Road Map

## PEOPLE



- Standard project management job descriptions, roles & responsibilities
- Standard project management performance goals/targets
- Standard project org. structure
- Standard project management training and certification for key stakeholders and PMs

## PROCESSES



- Core project management processes and controls for Major Projects
- Standard project performance metrics and dashboards
- Minimum requirements checklists/reference guides for key project activities

## TECHNOLOGY



- Standard project reporting and tracking across engineering & construction
- Integrated tools and systems for key project reporting and project management functions
- Processes and controls integrated into Major Projects project management systems, tools and SAP

# Phased assessment approach - Example

	Assessment (Phase I)	Development (Phase II)	Implementation (Phase III)
Overall Framework	<ul style="list-style-type: none"> <li>Assess current construction project framework and model for governing major capital projects.</li> <li>Assess strengths, weaknesses and consistency of major projects governance.</li> </ul>	<ul style="list-style-type: none"> <li>Work with stakeholders to develop an overall 3yr road map and project execution plan outline for major projects program governance, focusing on people, process and technology.</li> </ul>	<ul style="list-style-type: none"> <li>Monthly status meetings to report progress</li> <li>Annual re-assessment and validation of progress and alignment of objectives with road map</li> </ul>
People	<ul style="list-style-type: none"> <li>Assess organizational structure of major projects functions.</li> <li>Assess major projects resource allocation across projects (Performance based on size, complexity and project type).</li> </ul>	<ul style="list-style-type: none"> <li>Develop standard project management job descriptions and roles &amp; responsibilities.</li> <li>Develop standard project organizational structures for each project type.</li> </ul>	<ul style="list-style-type: none"> <li>Develop project management training and certifications for key major projects stakeholders.</li> </ul>
Processes	<ul style="list-style-type: none"> <li>Assess the current state maturity of major projects processes, procedures and controls utilizing controls assessment tool.</li> </ul>	<ul style="list-style-type: none"> <li>Develop core processes and major projects delivery guidelines.</li> <li>Develop overall governance framework and minimum requirements checklist.</li> </ul>	<ul style="list-style-type: none"> <li>Phased roll-out communication and stakeholder training on standard processes.</li> <li>Identification &amp; resolution of issues/areas for improvement.</li> </ul>
Technology	<ul style="list-style-type: none"> <li>Perform a gap analysis of the capabilities of systems and tools for managing and supporting major projects.</li> </ul>	<ul style="list-style-type: none"> <li>Identify tools and systems for key project reporting &amp; management functions.</li> <li>Assist in standardizing project reporting and project tracking reports.</li> </ul>	<ul style="list-style-type: none"> <li>Processes and controls integrated into project management systems and tools as well as SAP accounting and procurement processes.</li> </ul>

# Phase I - Program controls to be assessed - Example

## PROJECT MANAGEMENT AND CONTROL CATEGORIES

Project-specific policies and procedures should address the following project management and control categories:



### COST AND FINANCIAL MANAGEMENT:

- Budgeting
- Payment processing and administration
- Project cost reporting
- Estimating/forecasting
- Contingency management
- Cash flow reporting
- Value engineering



### PROCUREMENT MANAGEMENT:

- Procurement planning
- Solicitation and source selection
- Contracting
- Contract administration
- Materials management
- Contract closeout



### PROJECT CONTROLS AND RISK MANAGEMENT:

- Change order management
- Risk management
- Design standards and specifications
- Regulatory compliance
- Quality control and inspection
- Environment, health, safety, and security (EHSS)
- Project management self-assessments
- Lessons learned



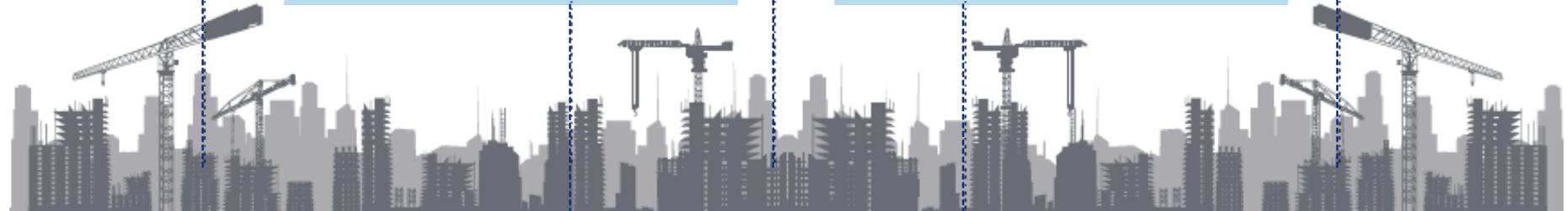
### STRATEGY, ORGANIZATION, AND ADMINISTRATION:

- Roles and responsibilities
- Communication planning
- Project infrastructure and systems
- Document control and records management



### SCHEDULE MANAGEMENT:

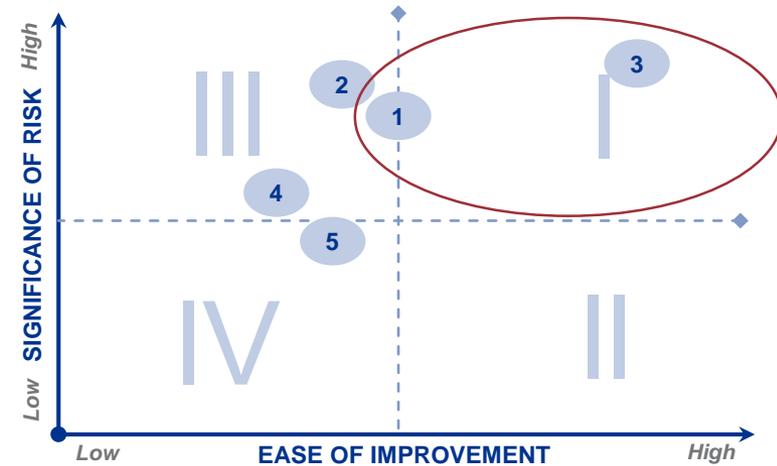
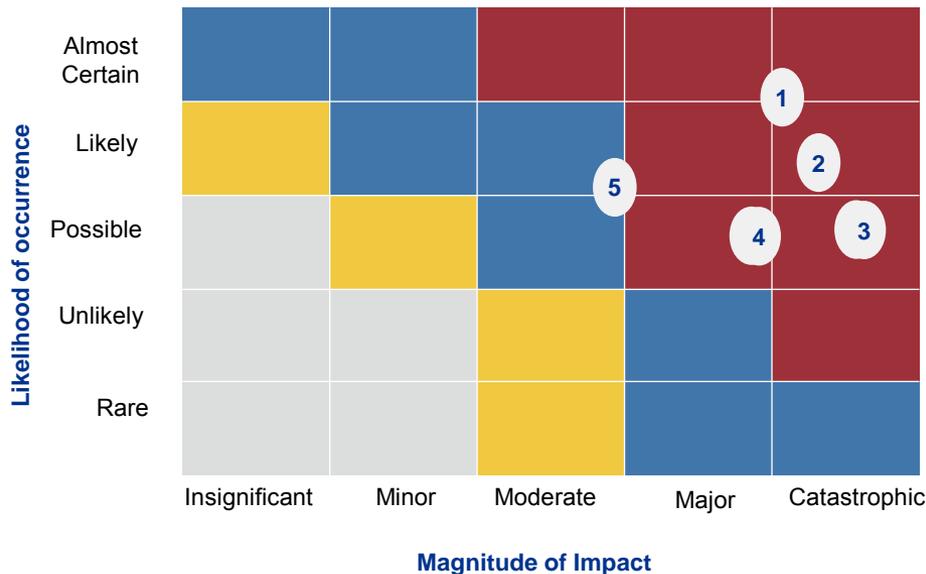
- Schedule planning and development
- Schedule updating
- Schedule change management
- Schedule integration



# Phase I - Project controls assessment reporting - Example

## Risk Map & Implementation of Improvement Efforts

Risk Matrix



# Phase II - Example major projects road map

Major Projects Group five-year Road Map	1yr	3yr	5yr
<b>Goals/Purpose</b>	<ul style="list-style-type: none"> <li>Establish common project mgmt./delivery and governance framework for all Major Projects</li> </ul>	<ul style="list-style-type: none"> <li>Establish a consistent approach for planning, delivering &amp; tracking Major Projects</li> </ul>	<ul style="list-style-type: none"> <li>A Major Projects group that leverages leading practices for delivering major capital projects</li> </ul>
<b>Structure/Model</b>	<ul style="list-style-type: none"> <li>Non-executing Major Project support group</li> </ul>	<ul style="list-style-type: none"> <li>Executing Major Project group for select projects</li> <li>Non-executing project support group for other Major Projects</li> </ul>	<ul style="list-style-type: none"> <li>Executing Major Projects group with flexible model that can leverage external PM resources for peak demand</li> </ul>
<b>Personnel Resources</b>	<ul style="list-style-type: none"> <li>Core Team of 2-4 dedicated resources</li> </ul>	<ul style="list-style-type: none"> <li>Core Team of 6-8 dedicated resources</li> <li>Small group of trained part-time/rotational personnel</li> </ul>	<ul style="list-style-type: none"> <li>Core Team of 12-16 dedicated resources</li> <li>Additional group of trained part-time/rotational personnel</li> </ul>
<b>Processes</b>	<ul style="list-style-type: none"> <li>Standardized framework across all business units</li> <li>Identification of core processes &amp; controls for all business units</li> </ul>	<ul style="list-style-type: none"> <li>Standardized process and controls for all major projects including training certification for project managers</li> </ul>	<ul style="list-style-type: none"> <li>Processes and controls integrated into PMIS and accounting/ procurement along with project portfolio dashboards</li> </ul>
<b>Tools/Systems</b>	<ul style="list-style-type: none"> <li>Identified tools and systems for key project reporting &amp; management functions for each business unit</li> </ul>	<ul style="list-style-type: none"> <li>Standardized project reporting and tracking reports across all business units and selection of a common PMIS system</li> </ul>	<ul style="list-style-type: none"> <li>Standardized PMIS across all business units that is integrated with accounting &amp; procurement systems</li> </ul>
<b>Cost &amp; Recovery</b>	<ul style="list-style-type: none"> <li>Full time resource costs &amp; other startup cost with no direct recovery</li> </ul>	<ul style="list-style-type: none"> <li>Cost recovery of all direct project assistance</li> <li>PMIS implementation costs</li> </ul>	<ul style="list-style-type: none"> <li>Full cost recovery of all Major Projects team costs</li> </ul>

# Compliance and Audit - Example

This matrix illustrates examples of compliance, audit and oversight controls/functions.

	Oversight Functions	Small/Low Risk Projects	Medium Size/Risk Projects	Large/High Risk Projects	Very Large/Critical Projects
	Internal Audit	X	X	X	X
	Contract Compliance		X	X	X
	Independent Project Risk Assessments			X	X
	Project Steering Committee				X
	Independent Project Oversight and Monitoring				X

# GAGAS Performance Audits

## Benefits

- Follows established auditing standards and recognized format
- Audit objectives for performance audits may vary widely
- Reports are written to allow a knowledgeable users of the report to understand how the audit objectives were addressed.
- One of the goals of the conclusions is to convince the knowledgeable user of the report that action is necessary.
- The engagement team can include a copy of the officials' written comments, or a summary of the comments received.
- May recognize improvements from previous years

## Disadvantages

- Require organizational resources
- May involve a high level of effort form both the auditor an management
- Does not provide assurance



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# Audience Q&A

# Contacts

## Today's presenter

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