

VDH Drinking Water Funding Program Guidance Package #10

STATE CONSTRUCTION OVERSIGHT

During the construction phase of projects, the Virginia Department of Health (VDH) will maintain off-site construction monitoring and conduct periodic on-site evaluations of construction activities. The purposes of the state oversight program are as follows:

To provide assistance to Recipients in all aspects of Program requirements and construction management in order to enhance management effectiveness and efficiency so the project is successfully completed.

To assess the project's compliance with applicable federal and state requirements and funding conditions.

To ensure that Recipients maintain appropriate financial and records management systems.

To ensure that the project is constructed in substantial accordance with approved plans, specifications, and change orders.

To verify that payments are being made for work-in-place and to enhance the processing of disbursement requests.

The oversight program includes continuous off-site monitoring, interim project evaluations, a final construction inspection, administrative reviews, a final project evaluation and a final financial evaluation. The extent and frequency of monitoring will depend on the size and complexity of the project and the needs and performance of the Recipient and its project management team.

Off-Site Monitoring

VDH will conduct off-site monitoring through the review of evaluation reports, change orders, correspondence and review and approval of disbursement requests. Copies of these documents should be provided to VDH, as appropriate, for this purpose. This information will provide an indication of the adequacy and progress of construction and may form the basis for establishing or adjusting the frequency of on-site monitoring activities.

Interim Project Evaluations (IPE)

Interim project evaluations are conducted periodically during the construction phase of the project. Their frequency will be determined by the size and complexity of the project, the rate of progress being achieved, and the nature and frequency of problems/issues arising during construction. The evaluations normally occur once per month and include observation of

construction progress, as well as review of specific areas of project *management (i.e., project files, procurement, change order management, etc.)*.

Principal areas reviewed during IPE's are as follows:

- Construction/Contract Accounting and Management
- Disbursements (including Schedule)
- Change Order Management
- Construction Monitoring/Administration
- Construction Review
- Compliance with Funding Conditions

An IPE Report is prepared which includes the evaluation findings and conclusions, as well as VDH recommendations, to assist the Recipient in complying with project requirements in order to achieve a successful project.

After receiving a statement of completion of construction, a final construction inspection will be performed by VDH.

Administrative Reviews

Administrative Reviews will also be conducted during the construction of the project. These reviews will focus on the financial and record management systems maintained by the Recipient and will cover the following areas:

- Files and Records
- Project Implementation
- Financial Management
- Internal Controls
- Professional Services Procurement
- Small Purchase Procedures

Final Project Evaluation

VDH will conduct a final evaluation to determine whether all program requirements and funding conditions have been satisfied, and that construction of the project was completed in substantial accordance with approved plans, specifications, and change orders. The final evaluation will be conducted after notification by the Recipient that construction is complete and, if appropriate, will be conducted in conjunction with the Final Construction Inspection referenced in the *Waterworks Regulations*.

The on-site construction evaluation will determine whether or not the facility is capable of functioning as designed, all equipment is operational and performing satisfactorily, and all administrative and laboratory facilities are complete and available for use.

The final project evaluation will be documented by a report, which presents the findings and conclusions of the evaluation. The report may also present recommendations or conditions to be satisfied relating to completion of unfinished work, submission of additional information or documents, or other items required by the loan program.

Final Financial Evaluation

Disbursement of funding is held to the 95% level until a final financial evaluation can be conducted.

The purpose of this evaluation is to ensure that the financial management records are complete, that financial operations were conducted properly, that the Recipient complied with laws and regulations affecting the expenditure of monies, and that costs claimed are reasonable, eligible, and allocable to the project.