

Real Estate Construction Audit Plan

Capital Improvements

1. Obtain and interpret the most current version of Purchasing and Capital Improvement procedures.
2. Review procedures relative to this project, noting critical control points and elements presenting potential areas of risk.
3. Interpret policies relative to industry best practices noting any significant differences where the current practices may not be in the best interest of the Company, the tenants, and this project.

Interviews

1. Identify and interview key personnel and contacts within the core team in charge of the Plan Project. Identify critical information regarding the progress of the Master Plan. Document all interviews.

Elevators

1. According to prior audit, elevator specifications are specific. After ensuring that the specifications have not changed, inspect the completed buildings to ensure elevators were upgraded according to those specifications:
2. Review disbursements for elevators to ensure amounts paid were in accordance with budget and that amounts billed correspond to goods and services received. Ensure that company properly approved any changes or variances.

Playground Equipment

Prior audit d-base provided a listing of playground equipment to be installed by building.

1. Review disbursements to determine that equipment was purchased according to that plan, from vendors approved for the project, and for amounts in accordance with the budget. MetLife should properly approve any changes.
2. Inspect completed playgrounds to ensure proper equipment installed.

Contractor and Sub-contractor Bidding and Selection

1. Review bid responses by General Contractors for sub contractor usage.
2. Identify process used to qualify sub contractors
3. Determine level of reliance General Contractor has on subcontractors to meet project expectations. Determine level of oversight and control GC maintains over sub contractors
4. For any new subcontractors ensure that the overriding contract incorporates access control procedures, contractor requirements, and security enforcement procedures.

Payments Processing

To review the payment processing procedures in place:

1. Obtain check register of payments applied against master plan since August 1, 2002.
2. Review applications for payment for compliance with Owner Contractor agreement.
3. Review General Contractor's applications for payment for compliance with contractual agreements.
4. Identify approval process for payments; determine controls are in place to ensure work is completed within standards and within contractual compliance prior to payment.
5. Review cancelled checks and vouch back to corresponding applications.
6. Determine that lien releases are submitted with applications for payment and the final retainage is not released unless all lien releases have been received from each contractor and subcontractor.
7. Determine that retainage is held back according to contract.
8. Determine that 200% holdback is maintained for all open punch list items.

Building Access and Security

1. Obtain a listing of employees for each contractor and verify that Security has processed a security ID badge for each employee.
2. Determine that employees issued a security badge were properly screened for work eligibility and citizenship requirements.
3. Determine whether Security and the Contractors have adequate controls in place to ensure that access to the property and restricted areas is limited to authorized employees that are working on the master plan project.
4. Review procedures for revoking access of terminated employees or sub-contractors whose work is complete to ensure no unauthorized individuals have access to the property. Determine that workers on site are properly identifiable by security vests required to be worn.
5. Contractor reports quarterly on changes of staff, ensure that these reports have been submitted and verify that security department promptly revoked access after receipt of the report.

Continuity of work

1. Verify project is on schedule by obtaining deadlines established during design with deadlines met.
2. Review monthly management reports from October 2002 through to present with particular concentration made to Schedule Status Report and the Budget Status Report.
3. Where expected or unexpected long lead items are discovered to be needed, ensure that ABC expediently purchased the needed material.
4. For pre-purchased material, ensure that the material is stored in a safe and secure location on site and that the inventory of the material is adequately tracked.

Change Orders

Review change orders paid and presented for payment as follows:

1. Identify change order submission procedures, control environment, and payment process.
2. Ensure that controls exist to approve change orders in writing prior to work commencing by the subcontractor.
3. Identify change orders submitted and determine if pricing is deemed reasonable.
4. Compare change orders to the original scope of work and assess the necessity of changes.

Building Inspections and Lien Waivers: Included in audit program steps above.

Tenant Relations

Ensure work performed was done with minimal disruption to tenant enjoyment and safety of the facilities as follows:

1. Discuss with Resident Services the tracking of complaints received from tenants as it relates to the renovations being done.
2. Review tracking and communication procedures of complaints received.
3. Ensure that tenants who submit complaints receive proper responses from Resident Services.
4. Document any incident reports submitted that might be related to work completed during the Plan.
5. Ensure that dangerous areas under construction are properly barricaded or guarded to restrict tenant access, in particular ensuring that the sites are out of reach to children on the property.
6. Assess timing delays that may be the result of one particular trade or poor scheduling.

Governmental and Regulatory Inspections

Review inspection reports received from city/local officials to ensure compliance with local ordinances and codes and:

1. Note any code violations and resulting penalties that may have been reported by local officials.
2. Determine the process for tracking and communicating violations to REI.
3. Ensure that penalties have been properly paid and receipted and that reimbursement is received for penalties resulting from the actions of others..