



# Closeout Construction Audit: MLK Jr. Recreation and Aquatic Center November 26, 2019

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# Objectives, Scope and Methodology

- Assess compliance risk in the areas of
  - Financial terms and policies
  - Pay applications
  - Quality control processes
  - Technical design guidelines
  - Cost, schedule and procedural controls
  - Fair and competitive subcontractor pricing
  - Change orders
  - Allowance and contingency amounts
  - Non-conforming work

# Findings Overview

- Change directives increased the total contract by \$1.4 million (5.9%)
  - 14 of 18 directives were missing documentation
- Design Builder's certificate of insurance did not reflect the increased value
- Mobilization fees were not itemized as required
- Quality control processes met or exceeded requirements
- Substantial completion was within contract date
- Payment applications were accurate but contained manual revisions

# \$1.4 M in Change Directives Lacked Support

- 14 of 18 change directives were missing documentation
- Because change orders are not competitively bid, they should be reviewed for proper pricing
- Majority of changes related to design

## **Recommendations:**

- Formalize change directive process
- Strengthen contract language
- Analyze supporting documentation
- Thoroughly review drawings and specifications at 25%, 50% and 75% of design completion
- Require detailed supporting documentation for all allowance use

# Certificate of Insurance Not Up-to-Date

- Design Builder's certificate of insurance did not reflect the increased value

## **Recommendation:**

- The Department of Parks and Recreation should obtain updated certificates of insurance for all insurances to demonstrate contractual compliance with the insurance limits throughout the life of a given project.

# Mobilization Fees Not Itemized

Mobilization fees were not itemized and substantiated as required by the contract.

## **Recommendation:**

- The Department of Parks and Recreation should either require mobilization to be separately identified and approved as part of the original Schedule of Values, and subsequently substantiated by invoice and other backup documentation, or request the Law Department remove the language from contract documents.

# Quality Control Processes Met Requirements

- Design Builder's quality control plan contributed to the success of the project
  - Regular meetings with documented minutes
  - Standard Operating Procedures
- Design Builder adhered to the design criteria
- Plan Grid Issue Report tracked problems and resolution

## **Recommendation:**

- Maintain a log of RFIs.
- Include analysis of non-conforming work and actions to address non-conforming work with the project close-out package.

# Payment Applications Were Accurate But Contained Manual Revisions

## **Recommendation:**

- The Department of Parks and Recreation should require the Design Builder to update payment applications in the source software and resubmit with all corrections properly reflected. Additionally, the department should require the Design Builder to include updated schedules and a list of changed activities, as applicable when modifications are made to the payment application.



# Questions?

Full Report:

<http://www.atlaudit.org/audit-reports.html>

