



# AUDIT HIGHLIGHTS

## Fire Stations Construction Contracts

March 24, 2021

Audit Report No. 2107

### WHY WE DID THIS AUDIT

An audit of a selected construction contract or type of construction contract was included on the City Council-approved fiscal year 2020/21 Audit Plan. This audit reviews the *Fire Stations Construction Contracts* related to the construction of fire stations 603, 613, and 616, which were funded by the 2015 voter-approved bond. The audit objective was to review contract administration, contract compliance, and cost-effectiveness.

### BACKGROUND

The Public Works division's Capital Project Management (CPM) department, in collaboration with the Fire Department, managed the fire station construction projects. The department used a Design Bid Build project delivery method with the Purchasing department conducting a competitive procurement for construction services. CPM procured the Architectural and Design services.

CPM project managers perform project coordination and contract administration, and its Inspection group monitors construction quality. The Design Consultant also monitors to ensure construction is completed according to design plans and specifications.

Station 613 was completed in July 2018 and Station 603 in January 2021. Station 616 is expected to be completed in March or April of 2021.

### City Auditor's Office

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### WHAT WE FOUND

**Construction phase service contracts should be more consistently managed to minimize unnecessary costs.**

- Some design consultant construction phase services may be unnecessary and some tasks may duplicate work performed by CPM staff.
- When change orders exceeded 25% of the contract amount, City Manager approval was not obtained. In one instance, a change was split, avoiding Procurement Code requirements.
- Including these services in design contract negotiations would be more transparent and may more effectively control costs.

**Updated and more complete policies and procedures would help ensure contract terms are consistently applied.**

Overall, the CPM inspection team was thorough in monitoring construction quality and progress. However:

- Construction contracts and CPM policies and procedures do not define "Force Account" contingency funds and their uses, resulting in inconsistencies.
- Substantial Completion certificates were not issued, and actual practices differ from the contract requirements.
- Contractor time extension requests were not required to be submitted when delays occurred.
- Design process monitoring activities may not have been performed or were only partially performed.
- Department policies and procedures are outdated and project documentation is not consistently maintained.

### WHAT WE RECOMMEND

We recommend Capital Project Management:

- Establish guidelines for construction phase services.
- Clarify policies and procedures to align with Procurement Code and the substantial completion contract terms.
- Clarify contract terms and policies and procedures relating to Force Account funds and their use and the design monitoring procedures.

### MANAGEMENT RESPONSE

The department agreed with most recommendations and plans to implement changes by December 31, 2021.