

**Review of Construction Contract CN152
Stephen Foster Carillon Tower**

**Bureau of Design and Construction
Office of Operations**

Report: A-1516DEP-030

Office of Inspector General

Internal Audit Section

Florida Department of Environmental Protection

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The Office of Inspector General (OIG) conducted a review of Construction Contract CN152 (Contract), Stephen Foster Carillon Tower (Project). This review was initiated as a result of the Fiscal Year (FY) 2015-2016 Annual Audit Plan.

Scope and Objectives

The scope included a review of project management by the Office of Operations, Bureau of Design and Construction (BDC) of the Contract with Ajax Building Corporation (Contractor). The objectives were to:

- determine whether reimbursements included expenditures allowed under the Contract
- determine whether work was performed in accordance with Contract requirements
- evaluate Project management oversight

Methodology

This review was conducted under the authority of Section 20.055, Florida Statutes (F.S.), and in conformance with the *International Standards for the Professional Practice of Internal Auditing*, published by the Institute of Internal Auditors. Our procedures included review of Contract expenditures in conformance with Sections 255.32 and 255.103 F.S., Chapters 60D-5 and 60D-15 Florida Administrative Code (F.A.C.). We also interviewed BDC and Park staff.

Background

The Park is located in White Springs, Florida on approximately 800 acres. The Stephen Foster Carillon Tower houses a large tubular bell instrument built in 1975. The Project was initiated due to noted water intrusion into the Stephen Foster Carillon Tower. The Department entered into the Contract on January 21, 2014. Repairs to the Stephen Foster Carillon Tower included restoration of brick veneer and tuck pointing the brick, installation of new brick

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anchors, brick sealant, weep holes, flashing at the base of the Terrace level, and a new roofing system at the lookout level. The Guaranteed Maximum Proposal (GMP) Contract was executed in July 2014 for \$385,000. On February 23, 2015, a change order was issued due to the discovery of moisture between precast elements of the brick. Water seepage behind the brick lead to added deterioration and rust. The change order included cleaning and preparation, along with a new roof, base flashing system, and drains, for a cost of \$72,000. According to the Monthly Report to Owner, the Project was completed May 2015 at a total cost of \$457,000.

Results and Conclusions

Project Expenditures

We reviewed payment requests and disbursement documentation for the seven disbursements made under the Contract. Disbursements for payment applications one through six totaled \$332,806.81, and were supported by the GMP detailed estimate of cost, Contractor receipts, invoices, Schedule of Contract Values, and Job Cost History reports with minor discrepancies. Equipment cost of \$190.00 was reflected in the Job Cost History report, but not supported by invoice.

The final payment application totaled \$124,193.19 for the balance of the Contract amount. Final expenses included a Schedule of Contract Values totaling \$83,695.48, retainage costs of \$36,978.54, and remaining change order costs of \$3,519.17.

Required Payment Request Documents

Contract Article 12 required the Contractor to submit monthly statements and reports detailing Project costs during the previous month. The Owner's Certificate of Partial Payment, Schedule of Contract Values, and Job Cost History reports with Contractor receipts and invoices were submitted monthly, requesting payment for work tasks completed throughout the Project.

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After reviewing the documents, the Contractor submitted payment requests as required in the Contract for applications one through six. The final payment request was submitted four months after Project completion in May 2015.

Damages During Construction and Additional Rental Expenses

During Project repairs, the man lift equipment used caused damage to the sidewalk and grass around the Stephen Foster Carillon Tower. As a result, the Contractor performed corrective concrete and replacement work. Per the Schedule of Contract Values final application, corrective work reflected as Concrete Sidewalk Replacement in the Description of Work/Work Completed totaled \$10,986.28. Sand fill necessary to correct uneven areas around the sidewalk caused by the equipment cost \$309.60. The total concrete replacement and sand fill expenses were \$11,295.88. These amounts were supported by invoices related to corrective expenses.

According to the Change Order Request, expenses for a man lift totaled \$14,726. However, based on the final Schedule of Contract Values and Contractor invoices, man lift expenses, totaled \$25,607.96, which was an increase from the original Change Order Request. According to the Site Visit/Observation Reports by the Project Manager, the man lift was needed longer than expected, due to unfinished work discovered during inspection. According to the Contract Article 9, Section 9.2(8), cost to correct deficiency or damage caused by the Contractor will not be paid by the Department.

Contingency Allowance

Based on the original Schedule of Contract Values, a contingency allowance of \$18,151.00 was reflected in the total Contract amount. According to Contract Article 7, Section 7.4, contingency amounts are for the purpose of defraying expenses due to unforeseen circumstances relating to construction. In order to use contingency funds, the Contractor is

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required to provide documentation of expenditures charged to the contingency prior to the release of funds by the Department. The Contractor provided three Contingency Notice Requests unrelated to damages or deficiencies totaling \$14,652.05 during the project, leaving a contingency balance of \$3,498.95. According to the Project Manager, an additional change order was requested by the Contractor after problems were encountered regarding the man lift. BDC rejected the change order with the understanding that additional costs related to deficiencies and damages caused by the Contractor were not to be paid by the Department. However, BDC management agreed to pay the final invoice for the total GMP amount of \$457,000, which included the remaining contingency fund balance.

Warranty

The Change Order Request included cleaning and preparing existing concrete deck for the new roof system, installing a new roof and base flashing system, flashing the existing roof drains, and furnishing a 20-year warranty on the roof products upon completed inspections. Labor and materials were included for cleaning and caulking the Tower area between the machine room floor and the lookout floor on all four elevations. We reviewed the warranty documentation regarding sealant products used for roof repairs included in the change order. The completed roof repairs were inspected by the roof manufacturer representative and the caulking representative, and a 20-year warranty was issued on the roof products.

Project Oversight and Contract Performance

Based on review of payment requests, Site Visit/Observation Reports, Owner's Reports, email correspondence, and interviews, the Project Manager demonstrated sufficient oversight of the Project. The BDC Project Manager discussed Project progress and concerns at site visits, in meetings, and through emails and telephone correspondence. Project concerns were addressed

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with BDC management and the Contractor. Based on monthly inspections and review of Project deliverables, the Project was completed as required in the Contract.

Contract Requirements

Documentation obtained for the Surety Bond met requirements of the Contract. The Contractor obtained the required building permit and final inspection of the building. We reviewed the Evidence of Property Insurance and verified the document was obtained correctly by the Contractor and submitted as required in the Contract.

Management Comment

Warranty Records

The Change Order Request included installation of a new roof and base flashing system, flashing the existing roof drains, and furnishing a 20-year warranty upon completed inspections. The added roofing scope product included a 20-year warranty. The total costs of the added roofing materials with warranty was \$31,232¹. The sealant products used for roof repairs was inspected and approved by the roof manufacturer representative and the caulking representative. The issued warranty documents were then provided to BDC. Copies of the warranty was provided to the Park.

According to the Project Manager, BDC does not have a formal system in place to track warranties related to completed construction projects and materials. The Project Manager indicated the Park would need to maintain warranty documentation in the event of a product or workmanship failure. Based on interviews with Park management, the Park does not have a formal process or system for tracking warranties, as it was understood that the majority of capital

¹ Based on the Contractor's Change Order Request, added roofing scope with 20-year warranty product was \$25,837.00 and additional 20-year warranty product material was budgeted at \$5,395.00.

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construction projects were managed by BDC. Based on these discussions, there appears to be a lack of process or formal tracking for warranties purchased through construction projects. Over time, this exposes Department funds to risk of future payments for repairs that may be covered by purchased warranties. Without a formal tracking mechanism, long term warranties, as with the 20-year warranty for roofing material, may be overlooked. The Division and BDC would benefit from a collective effort to formally track and maintain warranty documentation as a resource when annual capital improvement project decisions are made and planned.

To promote accountability, integrity, and efficiency in state government, the OIG completes audits and reviews of agency programs, activities, and functions. Our review was conducted under the authority of Section 20.055, F.S., and in conformance with the International Standards for the Professional Practice of Internal Auditing, published by the Institute of Internal Auditors, and Principles and Standards for Offices of Inspector General, published by the Association of Inspectors General. The review was conducted by Angie Cringan and supervised by Valerie J. Peacock.

Please address inquiries regarding this report to the OIG's Audit Director by telephone at (850) 245-3151. Copies of final reports may be viewed and downloaded via the internet at <http://www.dep.state.fl.us/ig/reports.htm>. Copies may also be obtained by telephone (850) 245-3151, by fax (850)245-2994, in person or by mail at Department of Environmental Protection, Office of Inspector General, 3900 Commonwealth Boulevard, Mail Station#41, Tallahassee, FL 32399.

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