

DEPARTMENT OF ENVIRONMENTAL SERVICES
REVIEW OF MAINTENANCE REPAIRS TO CITY BRIDGES & VARIOUS FACILITIES,
FY2014 PROJECT
CONSTRUCTION CONTRACT No.126571 CRANE HOGAN
CONSULTANT CONTRACT No.123890 LABELLA ASSOCIATES, P.C.

Office of Public Integrity
Date: August 3, 2016

I. EXECUTIVE SUMMARY

In this review, the Office of Public Integrity (OPI) examined policies and procedures for the administration of the Department of Environmental Services (DES), Architecture and Engineering Maintenance Repairs to City Bridges and Various Facilities, FY 2014 project. We included the two contracts related to this project, contract number 126571 between the City of Rochester and Crane-Hogan Structural Systems and contract number 123890 between the City of Rochester and LaBella Associates, in this review. The results of the review indicate that, in general, DES personnel comply with established policies and procedures. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with prescribed policies.

- ◆ OPI noted that the contractor did not meet the Minority and Women-owned Business Enterprises (M/WBE) utilization goal of 9.90% of the total dollar amount of the contract. We noted that the utilization percentage for this project was 3.43%.
- ◆ We noted weaknesses in the internal controls for change orders. This included several instances in which the contractor completed work listed on change orders prior to City personnel approving it. Additionally, we noted a 200 day extension of the project that was not approved until 153 days had passed from the original end date. Also, we noted the copies of change orders provided to OPI did not contain required signatures of City personnel.
- ◆ OPI reviewed all invoices related to this contract and noted two discrepancies. We noted one payment for unallowable expenses to the consultant for \$149.66 and an expense paid to Crane Hogan for \$300 for pavement symbols which they had not applied. Although these expenses are immaterial, management should be aware of the errors that occurred to help prevent them in the future.
- ◆ OPI noted that there is no written policy relating to what documents should be included in MUNIS. A written policy of what documentation to include in MUNIS would help insure that all pertinent information related to a contract is captured and readily available.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

The Office of Public Integrity routinely reviews contract compliance of consultants and contractors who conduct business with the City. OPI selected for examination contract number 126571 with Crane Hogan for the FY 2014 Maintenance Repairs to City Bridges and Various Facilities project and contract number 123890 with LaBella Associates who was the consultant on this project.

B. Background

The Department of Environmental Services, Bureau of Architecture and Engineering, Construction Division provides administration and oversight of federal and state construction projects.

The Bureau collaborates with community representatives, utilities, business owners, and other City Departments on public improvement projects in order to enhance quality of life and provide economic development opportunities in our neighborhoods. The Bureau uses in-house resources and manages consultants and contractors in order to perform design and construction services in the public realm related to streetscapes, street lighting, trails, bridges, and City owned buildings.

The Maintenance Repairs to City Bridges and Various Facilities, FY 2014 project included two contracts. The first contract with the consultant, LaBella Associates, was originally for \$75,000. The City amended this contract to \$365,500 and, as of December 4, 2015, paid LaBella \$293,099. The City awarded the contract to perform the work to Crane Hogan. The awarded bid amount for this contract was \$380,327. The project included two change orders that resulted in an adjusted contract price of \$573,138. The total amount that the City paid to Crane Hogan as of June 3, 2015 was \$519,836.

C. Objectives and Scope

The objectives of the review were to evaluate compliance with federal, state, City, and departmental policies.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized

use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

The results of the review indicate that the department is in compliance with federal and local policy requirements. However, we noted certain deficiencies, both of an operational and of an internal control nature that require management attention.

A. Minority and Women-owned Business Enterprises (M/WBE) Utilization Goals Not Met

The New York State Department of Transportation Standard Specifications of May 1, 2008 states that Non Federal Aid contracts have two separate and distinct goals; one for Minority Business Enterprises and one for Women Business Enterprises.

The following table details the approved M/WBE percentages that the City has for each public works project as well as the actual percentages paid to each group for this project.

Utilization Goal and Actual M/WBE Payments
 Contract # 126571
FY 2014 Maintenance Repairs to City Bridges and Various Facilities

Group	Approved Utilization Goal	Actual Per Original Contract Amount	Actual Per Amended Contract Amount	Over/(Short)	
				Percent	Dollars *
African American	6.70%	1.34%	0.98%	(5.72%)	(\$29,729)
Hispanic	2.20%	2.40%	1.76%	(0.44%)	(\$2,296)
Women	1.00%	0.94%	0.69%	(0.31%)	(\$1,607)
Totals	9.90%	4.68%	3.43%	(6.47%)	(\$33,632)

* Based on the total amount of \$519,836 that the City paid Crane Hogan for this contract

The contractor did not meet the M/WBE goals for any of the three groups listed and fell significantly short for the African American group. The original utilization plan submitted by Crane Hogan listed the work to be completed by one of the African American M/WBE subcontractors, Decca, at a cost of \$25,500. The actual amount that the contractor paid to Decca for work completed under this contract was \$5,100.

The contractor submitted a letter of explanation that stated the significant shortage for the African American group resulted because the subcontractor's machinery could not be used for the work that was to be completed. However, the specifications submitted previously with the bid for this project stated that no machines would be used for this specific work. Additionally, the contractor did not include M/WBE subcontractors on either of the two change orders which further increased the shortages.

◆ Recommendation

All contracts and utilization programs should be strictly monitored for M/WBE compliance. The City's M/WBE Compliance Officer should readily act upon any shortfalls prior to the completion of the project. The Compliance Officer should be included in all MUNIS workflow for the project including change orders and other actions pertinent to M/WBE utilization goals.

B. Internal Control Weaknesses in Change Order Process

During public works projects, it is a common for there to be changes in the scope of work agreed upon in the original contract. As a result of these changes, the original cost of the project can increase or decrease. These

changes are accounted for using change orders. Change orders are formal documents that describe the nature of the changes and the impact on a projects overall cost. City personnel including the Project Manager and the City Engineer must authorize these change orders.

We noted two change orders for the Crane Hogan contract. During a review of these change orders we noted the following:

1. The copies of change orders provided to OPI did not include a signature of the City Engineer. Article 10 of the City's Standard Construction Contract Documents states "Adjustments, if any, in the Contract Price by reasons of change in the Work shall be specified in a Change Order signed by the City Engineer".
2. This contractor was originally to complete the project by October 21, 2014. Change Order No. 1 included a change in contract time of an additional 200 days extending the project to May 9, 2015. The contractor submitted the change order on February 20, 2015, 122 days after the original completion date.

Section 10.3.2 of Standard Construction Contract Documents requires written notice of a claim for any extension to be filed within 15 days of the occurrence of the events giving rise to the claim. Additionally, Section 10.3.1 requires any time changes to be specified and approved through a change order.

3. Change Order No. 2 for this contract, dated June 12, 2015, included additional work in the amount of \$25,941.41. The contractor completed \$23,810 of this work on August 12, 2014 and completed the remaining \$2,131.81 on February 16, 2015. The contractor incurred these costs prior to submitting the change order and obtaining approval by the City.

Section 10.3.2 of Standard Construction Contract Documents requires written notice of a claim for any extension to be filed within 15 days of the occurrence of the events giving rise to the claim. Additionally, Section 10.3.1 requires any time changes to be specified and approved through a change order.

◆ Recommendation

OPI recommends that City personnel approve all change orders prior to the contractor starting the work contained on them. Additionally, all required personnel should sign the hard copies of the change orders to demonstrate that they reviewed the documents and agreed to the

information contained in them. Also, City personnel should exercise diligence and oversight when reviewing consultant documents.

C. Invoice Discrepancies

OPI reviewed all payment applications from the consultant and contractor. During this testwork we noted two discrepancies. Although these expenses are immaterial, management should be aware of the errors that occurred to help prevent them in the future.

1. LaBella submitted and was paid for mileage reimbursement and a cell phone totaling \$149.96. The agreement between the City and the consultant did not include these expenses.
2. We noted a payment to Crane Hogan for \$300 for pavement symbols. This contractor had not completed this work at the time they submitted this expense and received payment for it. OPI notified DES of this discrepancy and, as a result of this review, the contractor subsequently performed this work.

The contractor, City's project engineer and a City project manager are required to sign off on all work in each payment application as being completed in accordance with the contract documents. As a result these types of errors should be caught in the review process.

◆ Recommendation

We recommend that all completed work be inspected by all required individuals before payments are made. Additionally, all invoices should be diligently reviewed to ensure that only completed and inspected work is paid and all expenses are allowable per the contract.

D No Written Policy for Items to Include in MUNIS

OPI examined several types of documentation when reviewing this contract. We were able to locate the following documents in MUNIS:

1. Information related to the agreement including a copy of the contract, performance bond, insurance documents and certificates of NYS Workers Compensation and NYS Disability Benefits.
2. Copies of all change orders.
3. Copies of all invoices.

4. Other documentation including engineer's estimate, cover page of DBE Requirements for Federal Contracts, Federal Wage Rate Listing, Prevailing Wage Rate Schedule for Article 8, overall schedule and Bid Results spreadsheet (City's summary).

Additionally, we examined several documents related to the contract that were not included in MUNIS. Some of these documents included:

1. Documents related to the bid process including pre-bid and pre-construction documents, official advertisement, bid proposals from other vendors, bid bond, complete proposals.
2. Invoice and change order approval documentation including Daily Work Reports for construction, daily photo logs of construction, correspondences between contractor, consultant and the City, complete documentation of change orders and receipts reflecting costs incurred.
3. MWBE documentation – Progress reports.
4. Consultant evaluations.
5. Miscellaneous information including environmental compliance documents, contract drawings and testing conducted.

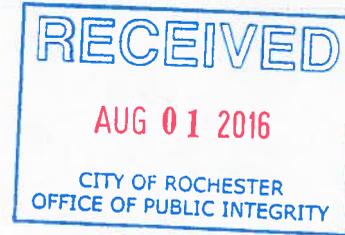
While DES and Purchasing were able to provide us with all of the documentation requested, OPI noted that there is no written policy relating to what documents should be included in MUNIS. A written policy of what documents to include in MUNIS would help insure that all pertinent information related to a contract is captured and readily available.

◆ Recommendation

We recommend that DES personnel develop a written policy that lists the documentation that should be included in MUNIS.

IV. DEPARTMENTAL RESPONSE

The response of the Department of Environmental Services to this report begins on the next page.



Inter-Departmental Correspondence

To: Tim Weir, Director, OPI
From: Norman H. Jones, Commissioner 
Date: July 29, 2016
Subject: **Bridge Maintenance Response**

The Department of Environmental Services (“DES”) reviewed the Office of Public Integrity’s (“OPI”) audit of the Architecture and Engineering Maintenance Repairs to the City Bridges and Various Facilities, FY 2014 project submitted on May 9th, 2016. The audit examined contract number 126571 between the City of Rochester and Crane-Hogan Structural Systems as well as contract number 123890 between the City of Rochester and Labella Associates.

The audit revealed that DES is in compliance with the established policy requirements related to the project, however, there were findings that require attention to improve administrative and internal controls and to ensure compliance with prescribed policies.

The audit further revealed that the contractor did not meet the Minority and Women owned Business Enterprises (MWBE) utilization goal of 9.90% of the total dollar amount of the contract. We too are disappointed that the contractor failed to meet the utilization goals. Therefore, we scrutinized our contract oversight processes to ensure that instances like these are simple anomalies.

The audit noted that there are weaknesses in the internal controls around change orders. We agree that change orders should be approved prior to the start of a ~~contractors work. We reviewed our internal controls, and are working to strengthen~~ the processes and procedures around change orders. Our work should result in better oversight of change orders as well as a more efficient change order process.



The audit further noted that one payment for unallowable expenses to the consultant for \$149.66 and an expense paid to Crane Hogan for \$300 for pavement symbols which they had not applied. We further agree that payments should not be made to any vendor for which it had not applied. We reviewed our internal controls, and are working to ensure that instances such as this do not happen.

The audit also noted that there is no written policy related to what documents should be included in MUNIS. We are developing a policy that will include a list of documents required to be stored in MUNIS. As MUNIS is not proprietary to DES, there are limitations to the amount of data we can store. However, we are working with IT and Finance to ensure that all pertinent information related to a contract is captured and readily available.

DES would like to thank OPI for its review of our policies and procedures for the administration of the Architecture and Engineering Maintenance Repairs to the City Bridges and Various Facilities, FY 2014 project. The audit highlighted some areas of concern, but also highlighted DES's compliance with established policies and procedures. We appreciate the recommendations and will continue to work toward more transparent and efficient contract administration.

xc: Jim McIntosh, City Engineer
Mary Guadoso, Assistant Commissioner