

**DEPARTMENT OF ENVIRONMENTAL SERVICES  
REVIEW OF TWO BRIDGE PREVENTATIVE MAINTENANCE PROJECT  
CONSTRUCTION CONTRACT No.124983 CRANE HOGAN  
CONSULTANT CONTRACT No.123936 LABELLA ASSOCIATES, P.C.**

**Office of Public Integrity  
Date: July 20, 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 Two Bridge Preventative Maintenance project. The two contracts related to this project, contract number 124983 between the City of Rochester and Crane-Hogan Structural Systems and contract number 123936 between the City of Rochester and LaBella Associates were included 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 ensure maximum efficiency and accountability for federal and state funded projects.

- ◆ 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 items contained in the original proposal drawings that were not included in the bid price but later added to the cost with a change order. Also, we noted the copies of change orders provided to OPI did not include required signatures of City personnel.
- ◆ 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 124983 with Crane Hogan for the Two Bridge Maintenance project and contract number 123936 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 Two Bridge Preventative Maintenance Project included two contracts. The first contract with the consultant, LaBella Associates, was for \$60,000 of which the City paid LaBella \$59,930.17. The City awarded the contract to perform the work to Crane Hogan. The awarded bid amount for this contract was \$556,940 and the total amount that the City paid to Crane Hogan for this contract was \$564,235.45.

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. 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 project's overall cost. City personnel, including the Project Manager and the City Engineer, must authorize these change orders.

We noted three change orders for this contract. During a review of these change orders we noted the following:

1. The copies of all three change orders provided to OPI did not include a signature of the City Engineer. Additionally, two of the change orders did not include the signature of the Project Manager. 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. Change Order No. 1 for this contract increased the original contract amount by \$26,138. Of this additional cost, \$10,279 was for three traffic control items. These items were part of the original drawings issued with the bid packages to the contractors but erroneously not included in the proposal book. The consultant and City staff did not identify these missing items prior to submitting the project for public bid. We examined estimates provided by Crane Hogan for rental of the equipment needed to perform this work dated prior to the bid submission date. Although they received estimates, they did not include the cost of this work in their initial bid because it was not listed in the proposal book.
3. Change Order No. 2 for this contract contained twenty-one items. Ten of the twenty-one items amounted to additional costs totaling \$44,733. Of this amount, \$15,000 was offset by a previously approved field change payment. However the contractor incurred the remaining \$29,733 in additional costs

prior to submitting the change order and obtaining approval for it from City personnel.

4. Change Order No. 2 also included a request for a 70 day extension on the project. This would have extended the completion date to Dec. 24, 2013. However, City personnel did not approve the change order until July 21, 2014, 209 days after the extended 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.

◆ Recommendation

OPI recommends that all change orders be approved 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.

B. 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, addendums, official advertisement, bid proposals from other vendors, bid bond, complete proposals, bidder tabulation, consolidated bid proposal, low bid tabulation and Contractor Bid Proposal Submission Checklist.
2. Invoice and change order approval documentation including Daily Work Reports for construction, correspondences between contractor, consultant and the City, complete documentation of change orders, files relating to product substitution and receipts reflecting costs incurred.
3. MWBE documentation.
4. Consultant evaluations.
5. Any permits pertaining to the City, contractor or consultant.
6. Miscellaneous information including Sponsor/Municipal Oversight of Construction Evaluation (SMOCE) Audit, environmental compliance documents, contract drawings, testing conducted, and project summary page.

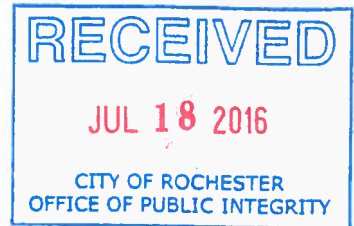
While DES and Purchasing were able to provide us with all of the documentation requested, OPI noted that there is no written policy relating to what documents should be included in MUNIS. A written policy of what documents to include in MUNIS would help insure that all pertinent information related to 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: Timothy Weir, Director/OPI  
From: Norman H. Jones, Commissioner/DES  
Date: July 13, 2016  
Subject: **Two Bridge Preventative Maintenance Project  
Crane Hogan (#124983); LaBella (#123936)**

The Department of Environmental Services (“DES”) reviewed the Office of Public Integrity’s (“OPI”) audit of the City’s Two Bridge Preventative Maintenance project submitted on May 9<sup>th</sup>, 2016. The audit examined contract number 124983 between the City of Rochester and Crane-Hogan Structural Systems as well as contract number 123936 between the City of Rochester and Labella Associates.

The audit revealed that DES is in compliance with the established federal and local policy requirements related to the Two Bridge project, however, there were findings that require attention to ensure maximum efficiency and accountability for federal and state funded projects.

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 contractor’s 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 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 City’s Two Bridge Preventative Maintenance project. The audit highlighted some areas of concern, but also highlighted DES’s compliance with established federal and local 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

