

Lied Library Project

Audit Highlights



Highlights of Legislative Auditor report on the Lied Library Project, issued on April 27, 2001.
Report # LA02-07.

Purpose of Audit

The purpose of this audit was to determine if the State Public Works Board (SPWB) carried out the Lied Library project in accordance with appropriate project management standards. Our audit included the design, construction, and furnishing of the Lied Library through February 28, 2001.

Audit Recommendations

This audit report contained nine recommendations to help ensure public works projects are carried out in accordance with appropriate project management standards. Specifically, the Board needed to develop policies and procedures to ensure the selection of architects is based upon an open and competitive process. Additionally, statutes, criteria, and procedures needed to be adopted to evaluate qualifications of construction firms bidding on CIP projects. Further, policies and procedures needed to be developed to address the authorization of deviations from approved construction plans, and for approving and monitoring construction change directives. We also recommended the SPWB comply with existing policy regarding architect approval of progress billings and implement procedures regarding the resolution of disputed progress billings. In addition, the Board should ensure that oversight bodies are provided reliable information regarding the status of public works projects. Finally, formal guidelines needed to be developed for the issuance of construction completion certificates.

The SPWB accepted all nine audit recommendations.

Status of Recommendations

The Department of Administration's six-month report on the status of audit recommendations indicated that three recommendations had been fully implemented and six had been partially implemented. We presented the six-month report at the May 8, 2002, Audit Subcommittee meeting. The Audit Subcommittee voted to have a follow-up report on the status of four of the partially implemented recommendations presented at its next meeting.

At the September 10, 2002, Audit Subcommittee meeting, we reported SPWB had not made any progress on the recommendations. Therefore, we presented another follow-up report at the December 11, 2002, meeting and reported the recommendations had been implemented.

Department of Administration Public Works Board

Results in Brief

The State Public Works Board did not always comply with existing project management standards. Furthermore, additional standards are needed to help ensure projects are completed within budget and on schedule. Additional costs and delays on the Lied Library project may have been avoided if the SPWB had adhered to appropriate project management standards.

The Board lacks formal policies and procedures to ensure open competition and the proper evaluation of contractors' qualifications. As a result, the SPWB did not use a competitive process to select the project's architect or determine the qualifications of contractors that submitted bids. Furthermore, construction monitoring guidelines are not adequate. Key elements of an effective monitoring process include resolving problems that may result in reduced quality, missed deadlines, or additional costs; reviewing and approving contractor progress billings; and evaluating the contractor's progress. However, we noted problems in each of these areas that impacted the cost and timeliness of the project. Finally, formal guidelines for issuing completion documents are lacking. As a result, construction completion documents for the Lied Library project were subject to varying interpretations and modifications. Because these documents impact life-safety issues and the completion of work, formal guidelines should be established.

Principal Findings

The SPWB did not use a competitive evaluation process to select the architect to design the Lied Library. A competitive contracting process provides the framework for selecting an architect on the basis of qualifications and it documents the contract was awarded fairly.

Although required by law, the SPWB did not establish a process to evaluate contractors' qualifications. Consequently, the SPWB did not evaluate the qualifications of the contractors that bid on the Lied Library since criteria and procedures had not been established.

Change orders added \$3.6 million to the cost of construction and more than 6 months to the project completion date. Noteworthy among the change orders was the construction of certain walls to meet fire-safety codes. Initial construction of these walls deviated from the building plans; but, approval from appropriate regulatory officials was not obtained. These deviations created several fire-safety issues requiring more than 1 year to resolve.

The SPWB issued the contractor four construction change directives that stated labor and materials were not to exceed \$115,000. However, the SPWB authorized change orders totaling about \$690,000 for this work. Despite the impact construction change directives have on a project's cost, the SPWB lacks formal policies and procedures to help ensure they are properly monitored and controlled.

The architect did not approve seven progress billings totaling \$4.7 million because of concerns regarding the extent of the project's completion and the sufficiency of money to complete the project. Although Board policy and contract terms require the architect's approval of all billings, the Board paid these billings without documenting the resolution of the architect's concerns.

The date a building is deemed to be substantially complete is a key milestone. However, there is conflicting information regarding the date the Lied Library was substantially complete. This raises doubts about compliance with contract requirements. Furthermore, the SPWB and the State Fire Marshal issued a conditional certificate of occupancy for the Lied Library effective July 6, 2000. This certificate was issued with four outstanding conditions relative to fire-safety. As of February 28, 2001, only one issue had been resolved; therefore, a final certificate had not been issued as of that date. Despite the importance of this certificate, guidelines have not been established to document the conditions that must exist in order to occupy a facility and resolve outstanding conditions.