

**Audit Report of  
Daniel L. Stanton Park  
Land Remediation Project**

*July 2002*

**Office of the City Internal Auditor**

**City of Atlanta**





# CITY OF ATLANTA

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July 9, 2002

Honorable Mayor and Members of the City Council:

This report provides results of an audit of the Daniel L. Stanton Park Land Remediation Project. The Atlanta City Council requested the audit in Resolution 01-R-1868, adopted in November 2001. The City of Atlanta Audit Committee has reviewed the report and now releases it to the Mayor, City Council and the public, in accordance with Article 2, Chapter 6 of the City Charter.

The audit reviewed the procurement process, financial history, and related performance issues for the Stanton Park project, from its inception in January 1999 through the end of 2001. We found several problems with the process used to select the primary contractor and manage the relationship between the City and the contractor. These problems contributed to the lack of completion of the work at Stanton Park and the continuing disputes over completion and payments. The findings and recommendations are summarized on pages 5 and 6 of the report and are described in more detail on pages 7-20.

We appreciate the courtesy and cooperation of the Department of Parks, Recreation and Cultural Affairs, the Department of Administrative Services, the Department of Law and the relevant vendors. A written response to the recommendations from the Commissioner of Administrative Services and the Director of Purchasing is included as an appendix. The audit team included Patricia Horton, William McGinnis, George Wright and Vicky Bundrage.

W. Wayne Woody  
Chair, Audit Committee

Leslie Ward  
City Internal Auditor



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# Daniel L. Stanton Park Land Remediation Project

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# Daniel L. Stanton Park Land Remediation Project

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## Introduction

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### Audit Objectives

This audit of the Daniel L. Stanton Park Land Remediation Project was conducted pursuant to *Chapter 6 of the Atlanta City Charter*, which establishes the City of Atlanta Audit committee and Office of the City Internal Auditor and outlines the City Internal Auditor's primary duties. The audit was requested by the Atlanta City Council (Resolution 01-R-1868).

A performance audit is an objective, systematic examination of evidence to independently assess the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision making.<sup>1</sup> This audit was designed to answer the following questions:

- Did the City follow appropriate procurement processes for the project?
- What has the City paid to the prime contractor, and what has the prime contractor paid to the subcontractors?
- What has the project cost the city, and what additional costs remain?
- What work has been performed on the project, and what remains to be done?

The summary on page 5 answers these questions in brief.

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### Scope and Methods

The audit was conducted in accordance with generally accepted government auditing standards.

The audit covered the Stanton Park Land Remediation Project from its inception in January, 1999 through December 31, 2001. Audit work was conducted from January through May, 2002. Audit methods included:

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<sup>1</sup> Comptroller General of the United States, *Government Auditing Standards* (Washington, DC: U.S. Government Printing Office, 1994), p. 14.

- Reviewing Ordinances, correspondence, reports, contracts and bonds, and other documents.
- Reviewing invoices from the primary contractor and subcontractors.
- Reviewing City payments to the primary contractor and the contractor's payments to subcontractors.
- Analyzing project expenditures recorded in the City's automated financial management system.
- Conducting interviews with the Department of Parks, Recreation and Cultural Affairs, the Department of Administrative Services, Department of Law, R&D Environmental Consultants and one of their subcontractors.

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## **Background**

### **Daniel L Stanton Park**

Daniel L. Stanton Park is approximately 7.7 acres of land at 213 Haygood Street in southeast Atlanta, Georgia in the Peopletown community. Georgia Power purchased the land in 1914 and sold it to Atlanta Landfill Company in 1960. The land was used as a dumpsite for municipal and industrial solid wastes. Atlanta Landfill sold the land in the 1960's, and in 1964 and 1966 the City of Atlanta acquired the land from private owners and developed it as a public park.

In January 1999 two children were injured while playing on the playground, as a result of an explosion of methane gas present in the soil. After the incident, the City closed the park and began an investigation.

After initial soil and environmental testing, the City hired R&D Testing and Drilling to remove the landfill material and contaminated soil, and replace it with clean soil. Most of the work was performed in the spring and summer of 2001. In August 2001, the project was halted for lack of funding.



### Legislative Authority

The Atlanta City Council adopted six ordinances and resolutions for the Stanton Park project from 1999 to 2001. This legislation authorized Notices to Proceed and appropriated \$7.7 million for the project. The funding sources included the Community Development Fund, Park Improvement Fund, and Capital Project Funds. (See Table 1.)

**Table 1: Legislative Appropriations for Stanton Park Project, 1999-2001**

<u>Legislation</u>	<u>Date Council Adopted</u>	<u>Description</u>	<u>Amount Appropriated</u>	<u>Funding Sources</u>
099-O-0959	6/21/99	Identified funding for Stanton Park Reclamation	\$3,194,800	Community Development Funds
00-R-0464	04/3/00	Notice to Proceed (NTP) for Phase I		Community Development Fund
01-R-0654	05/21/01	NTP for Jordan, Jones and Goulding to provide services for the reconstruction of Stanton Park	207,350	Community Development Fund
01-R-0757	05/21/01	Amended 00-R-0464 NTP and added Phases IIA, IIB	1,183,839	Park Improvement Fund
01-O-0821	6/4/01	Transfer reserves	1,418,062	Park Improvement Fund
01-O-1574	11/05/01	Complete Phases IIA, B	1,691,229	Capital Projects-Reserves
		Total	\$7,695,280	

Source: Adopted Legislation

### Project Expenditures

The City has paid \$7.8 million for work related to Stanton Park remediation. Almost all of that amount, over \$7.5 million, was paid to R&D Testing and Drilling for testing at the site and for remediation work managed by R&D Environmental Consultants. Other firms conducted some of the initial testing and have done preliminary work for reconstruction of park facilities. (See Table 2.)

Table 2: City Expenditures for Stanton Park Project, 1999-2001

R&D Testing and Drilling	\$7,555,155
Roy Weston, Inc.	39,900
Jordan, Jones and Goulding	<u>206,302</u>
	\$7,801,357

Source: City of Atlanta accounting system.

Expenditures have exceeded project appropriations because the initial testing was done under emergency authorizations and paid out of existing accounts before a project account for the remediation was established. In addition, a \$200,000 payment to R&D in September 2001 was funded from the MLK Neighborhood Facility account in the Park Improvement Fund.

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## Findings and Recommendations

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### Summary

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**Did the City follow appropriate procurement processes for the project?** No, we found several problems with the procurement process for the project.

The City of Atlanta did not use a competitive selection process or execute a formal contract with its primary contractor for the Stanton Park project. An annual citywide contract with R&D Testing and Drilling, cited as justification for using this contractor without soliciting competitive proposals and as a way to expedite the project, was inappropriate in several respects. First, the remediation work was beyond the scope of the annual contract. Second, the contract expired in June 1999, before the first Notice to Proceed on the Stanton Park project was issued, and was not renewed. Third, R&D Environmental Consultants, the firm that managed the remediation project, is a separate company and had no annual contract.

The circumvention of City procurement requirements for the Stanton Park project left the City without the protections that a formal contract could have provided. For example, the primary contractor did not have the payment and performance bonds that the city code requires for construction contracts in excess of \$20,000. In addition, competition could have provided a lower price, and a contract could have included performance criteria and a time frame for completion.

The former Commissioner of Administrative Services handled aspects of the procurement process for the Stanton Park project that are assigned in the City Code to the Purchasing Agent (Director of Purchasing and Real Estate). This assumption of the Purchasing Agent's duties apparently contributed to the procurement problems we found. We recommend that the Commissioner and the Purchasing Agent ensure compliance with the City's competitive selection and contracting requirements, compliance with bonding requirements for contractors, and appropriate use of annual contracts.

**What has the City paid to the prime contractor, and what has the prime contractor paid to the subcontractors?** The City has paid over \$7.5 million to R&D testing and drilling for work at Stanton Park. R&D Environmental Consultants has paid \$5.8 million to 33 subcontractors on the project.

**What has the project cost the city, and what additional costs remain?** The City has spent nearly \$7.8 million on the Stanton Park project. Most of this has gone to R&D testing and drilling and its subcontractors, with less than \$250,000 paid directly by the City to other firms. When R&D stopped work on the project, the Parks Department estimated the remaining cost at \$300,000 to prepare the site for restoring park facilities and equipment. The Parks Department estimates that actually restoring the site to a usable park will cost the City about \$6 million.

Furthermore, payments for work on the project are still in dispute. After nearly two years of testing and planning for the remediation work, R&D Environmental Consultants requested scope and cost increases totaling nearly \$1.7 million shortly after the actual excavation began. In July 2001, they requested an additional \$3.4 million. In December, the City returned unpaid R&D Environmental Consultants' final invoice for about \$1 million. Two of R&D's subcontractors on the project claim unpaid invoices that also total about \$1 million. Based on our review, \$748,411 of their invoices represent additional work not previously billed or paid.

**What work has been performed on the project, and what remains to be done?** R&D Testing and Drilling reports excavation and disposal of 160,000 tons of landfill materials, including stabilization and disposal of 13,888 cubic yards of hazardous waste.

Although the City declared Stanton Park an emergency in 1999, most of the actual remediation work on the project did not begin until the spring of 2001. More than three years after the explosion on the playground, the remediation of the park is still not finished. R&D estimates that 12,500 tons of landfill materials remain at the site. Additional backfilling or regrading, drainage structures and erosion control are needed before restoration of the park facilities can begin.

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## **Competitive Process Should Have Been Used**

The primary contractor was selected to perform the Stanton Park Remediation Project without competitive bidding. The justification for doing so was the belief that the project could be expedited by using the Annual Citywide Contract for Geotechnical, Engineering, Testing and Investigation Services (FC-5298-92) with R&D Testing and Drilling. The lack of competitive process and a formal executed contract ignored several City requirements and left the City at risk.

### **City Code Requires Competitive Contracting**

The Atlanta City Code of Ordinances requires that all City contracts (excluding real estate, small purchases and other special circumstances) be awarded by the process of competitive sealed bidding. This requirement is meant to insure that the City receive the best price possible on the open market.

### **Emergency Contracting Procedures Should Have Been Used**

The City's initial response to the Stanton Park incident followed appropriate procedures for an emergency. On March 26, 1999, William C. Gary, Jr., Deputy Commissioner of Parks and Recreation, requested that the Director of the Bureau of Purchasing and Real Estate (BPRE) issue an emergency authorization for consultant services from Roy Weston, Inc. On March 31, 1999, the Purchasing Director issued the requested emergency authorization (C-387). Subsequently, in April, an Emergency Contract was executed with this vendor. On April 2, 1999, the Purchasing Director also issued an emergency authorization for R&D Testing and Drilling to investigate the presence of methane gas at the park. These emergency measures were intended to immediately secure the needed professionals to investigate the problem and develop a plan of action. They were executed according to the requirements of the City Code.

The subsequent selection of R&D to perform the remediation of the park, based on their annual contract for testing, however, did not follow the Code requirements. Even emergency procurement procedures require that "bids for services are solicited with as much competition as practicable under the circumstances." As work did

not begin on the remediation until two years after the incident, it is doubtful that use of the Annual Citywide contract with R&D Testing and Drilling expedited the project. Competitive bidding leading to a properly executed construction contract could have produced many benefits to the City, such as lower cost and reduced risk.

#### **Use of Annual Citywide Contract Was Inappropriate**

While it was appropriate to use this Annual Citywide Contract for initial testing soon after the incident, it was not appropriate to use it for the remediation project. The purpose of an Annual Citywide Contract is to competitively secure, for a specified period, at a fixed rate or price, a product or service that the City uses regularly. R&D Testing and Drilling's contract was intended for routine testing, not large scale construction projects like the Stanton Park Project.

**The Stanton Park Remediation Project was beyond the scope of the Annual Citywide Contract.** The contract specifically required that no change could be made in the scope of services without a written amendment or change order being executed. This meant that another contract would be required for any project other than engineering, testing and investigation as detailed in the exhibits attached to the agreement. The remediation project encompassed different work, including large scale excavation, hazardous waste disposal, backfilling, grading and installation of drainage structures.

**The use of an Annual Citywide Contract had the effect of circumventing the City's normal competitive bidding requirement.** If this project had been competitively bid, it might well have saved the City significant amounts of money. One vendor submitted a proposal on April 19, 1999 to remediate the park for \$6.1 million, with completion expected by September 23, 1999. Another vendor proposed use of an aerobic waste stabilization process, a process used to stabilize other landfills, at an estimated cost of \$1.75 million as an alternative to excavation.

**The Annual Citywide Contract with R&D Testing and Drilling expired before the project began.** The contract had been executed on November 28, 1994, to last for one year, with an option to renew it for up to four additional one-year periods. The last approved annual renewal of R&D Testing and Drilling's Annual Citywide Contract expired on June 5, 1999 and has not been renewed. The

Atlanta City Council made the first appropriation for this project on June 21, 1999, after this expiration. In the spring of 2000, the City Council approved, and Purchasing issued a Notice to Proceed to R&D Testing and Drilling for \$3.1 million, citing the contract that expired the year before.

**The company that actually managed the project, R&D Environmental Consultants, had no Annual Citywide Contract.** FC-5298-92 was an agreement between the City and R&D Testing and Drilling. According to the President of R&D Environmental Consultants, it is an entirely separate company from R&D Testing and Drilling. The Georgia Secretary of State's website lists the two companies separately with no common officers. However, R&D Environmental Consultants often used R&D Testing and Drilling letterhead for correspondence with the City. R&D Environmental Consultants billed R&D Testing and Drilling, who then billed, and was paid by, the City.

#### **Lack of Contract Put City at Risk**

We found no evidence of a signed and executed City contract with R&D Testing and Drilling for the remediation of Stanton Park. Both the City Code (Sec. 2-1192) and the Standard Operating Procedures of the Bureau of Purchasing and Real Estate (SOP #22-A) require that formal contractual agreements be executed, even in emergency situations. A formal contract could have included protections for the City, such as clear terms regarding price, performance criteria, and a set time for completion of the project.

**Former parks official urged competitive bids and contract.** In a memorandum to the Parks Development Manager on April 27, 1999, Deputy Commissioner William C. Gary, Jr. noted, "The cost of this project has grown to the extent that I do not think that we can simply "Change Order" Weston's existing contract with Public Works. Instead, I want to solicit sealed bids for the removal of landfill material and the replacement with clean soil. Additionally, bidding will give us more assurance that we'll be getting the best price." On July 19, he reiterated his intentions in a confidential memorandum to the Chief Operating Officer, "I request your clearance to finalize contract specifications for aerobic bio-reclamation in anticipation of soliciting sealed bids for Daniel Stanton Park."

In addition to insuring that the City received the best price for the work, a formal contract would have protected the City in the event of legal and financial problems stemming from contract disputes. The City Code (Sec. 2-1270) states that any construction contract in excess of \$20,000 requires both a performance and a payment bond of the contractor. These bonds serve as insurance that the contractors will perform their agreed upon tasks and pay all of their subcontractors. If there are any problems, the bonding company must pay. Bonding requirements are not mentioned in the Annual Citywide Contract (which only required standard insurance).

While the City requested no bond of R&D Environmental Consultants, it is noteworthy that R&D Environmental Consultants did require bonds of its subcontractors.

#### **Commissioner of Administrative Services Assumed Role of Purchasing Agent**

The former Commissioner of Administrative Services and the Acting Commissioner of Parks, Recreation and Cultural Affairs were the City's primary representatives in meetings and correspondence with R&D Environmental Consultants. Parks Department staff and R&D Environmental Consultants agreed that after the initial emergency authorizations, the former Commissioner of Administrative Services, rather than the Purchasing Agent who reported to him, personally handled the procurement process for this project. Although the Commissioner oversees the Purchasing Director, the Code specifies that the Director is the City's Purchasing Agent and has responsibility for soliciting proposals and making contracts for the City. This circumvention of the Purchasing Agent's authority apparently contributed to many of the irregularities associated with this project.

#### **Procurement Procedures Should Be Followed to Increase Competition and Protect the City**

Because the City did not follow the procurement procedures in the Code and execute a formal contract for the Stanton Park project there is no way to know if an excessive amount was paid for the project. In addition, there is now a dispute over how much is owed to R&D Environmental Consultants and two primary



subcontractors. These issues might not exist if the contract had been competitively bid and formally executed.

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## **Payments for Project Work Are Still Owed to Subcontractors**

The City has paid substantially more to R&D Testing and Drilling than R&D Environmental Consultants has paid to its subcontractors on the Stanton Park project. However, two of the primary subcontractors still have unpaid invoices for work they have billed to the project.

### **City Has Paid \$1.7 Million More Than Subcontractors Have Received**

The City has paid R&D Testing and Drilling over \$7.5 million for the Stanton Park remediation project. According to payment records provided by R&D Environmental Consultants, they have paid \$5.8 million – about 77 percent of City payments for the project – to 33 subcontractors. (See Table 3.) In addition to several subcontractors used for testing and planning, there were two major subcontractors for the remediation work, who in turn used several subcontractors. R&D Environmental Consultants paid most of these second-tier subcontractors directly because of perceived financial difficulties of a first-tier subcontractor.

Table 3: City Payments to R&D and R&D Payments to Subcontractors

	City Payments to R&D	R&D Payments to Subcontractors	Difference City Payments to R&D Less R&D Payments to Subcontractors
<b>1999</b>			
January to June	\$ 17,160	\$ 0	\$ 17,160
July to December	25,255	8,555	16,700
<b>2000</b>			
January to June	127,082	71,602	55,480
July to December	246,445	34,987	211,458
<b>2001</b>			
January to March	323,056	292,550	30,506
April to June	3,721,208	2,618,012	1,103,196
July to September	1,618,062	1,607,256	10,806
October to December	1,476,887	1,203,152	273,735
	<b>\$7,555,155</b>	<b>\$5,836,113</b>	<b>\$1,719,041</b>

Sources: City accounting system, R&D Environmental Consultants records.

In February 2001, R&D Testing and Drilling submitted a cost estimate of \$7.3 million for the project. On July 2, R&D Testing and Drilling asserted that this entire amount had been depleted. Yet, by June 30, the City had paid R&D Testing and Drilling about \$4.4 million, of which R&D had paid about \$3 million to its subcontractors.

#### Two Subcontractors Are Owed \$748,411

The primary trucking subcontractor and the waste disposal company that received the waste removed from Stanton Park each claimed they had unpaid invoices from the project after the work was stopped. We reviewed the invoices from these firms and the payments they received.

The waste disposal company, BFI, claimed that they were due \$626,683 for material disposed of in their landfill. We concluded that this amount represented additional waste disposal not included in previously paid invoices.

C&S Environmental, the trucking company, claimed to be owed \$431,529. Our review showed overpayment of \$309,801 on previous C&S invoices, reducing their total owed to \$121,728. (See Table 4.)

**Table 4: Trucking and Hauling Expenses for Stanton Park Project**

Project Plan	Amount Billed	Amount Paid	Difference
Phase I	\$659,989	\$1,005,790	(\$309,801)
Phase II	\$857,738	\$426,209	\$431,529
Total	\$1,553,727	\$1,431,999	\$121,728

Sources: R&D Environmental Consultants payment records, C&S Environmental invoices.

Both BFI and C&S provided supporting documentation for their invoices. However, we lack independent verification of these charges as City monitoring records are too limited to confirm the records provided by the two firms.

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## **Park Is Unfinished Three Years After Emergency Closure**

Although the City declared Stanton Park an emergency in 1999, most of the actual remediation work on the project did not begin until the spring of 2001. According to R&D Testing and Drilling reports, 160,000 tons of landfill materials were excavated and disposed of. They also reported the stabilization and disposal of 13,888 cubic yards of hazardous waste. According to their estimate, an additional 12,500 tons of landfill material remained.

After nearly two years of testing and planning for the remediation work, R&D Environmental Consultants requested scope and cost increases of nearly \$1.7 million shortly after the actual excavation began. In June 2001, they requested an additional \$3.4 million. Work was halted in August when funding for the project was exhausted and disagreements over additional payments ensued.

The City and R&D Environmental Consultants continue to disagree about the total scope and cost of the project. In late October, the acting Parks Commissioner claimed the work at Stanton Park would be completed for \$7.6 million. R&D Environmental Consultants had submitted an invoice for \$1 million on October 3, 2001 and reiterated on October 31 that subcontractors had not been paid for all work. The City returned the invoice unpaid on December 3, 2001. In a letter dated December 17, 2001, James A. Jones, CEO of R&D Testing and Drilling, maintained that they committed to finish the project for \$8.965 million. As recently as June 10, 2002, R&D Environmental Consultants requested an additional \$25,300 from the City to prepare a final project report, including environmental testing reports required by the Georgia Environmental Protection Division. R&D included preparation of this report in their scope and cost estimate in March, 2000.

The work remaining to finish the project includes additional backfilling or possibly regrading the land for reconstruction of the park. The land must be seeded to prevent erosion, drainage structures must be added, some areas must be prepared for their intended use and some additional testing must be done. This is only to restore the land to a useful condition. When the project was stopped, the Parks Department estimated that this additional work would cost \$300,000. The restoration of the park facilities and equipment will constitute an additional project, estimated by the Parks Department at \$6 million. The City is also waiting for a final report on hazardous waste from R&D Testing and Drilling for submission to the State of Georgia Environmental Protection Division.

#### **Parks Department Monitored Project Progress and Approved R&D Invoices for Payment**

Parks department monitoring activities for the Stanton Park project included staff site visits and reports and receipt of R&D progress reports. In addition, project correspondence indicates Parks staff participation in meetings on environmental compliance issues and other coordinating activities. During the actual remediation work in 2001, Parks staff stated that their monitoring activities were limited to observing the trucks entering and exiting at the site, reviewing their disposal tickets for excavated materials, and recording the volume of waste removed daily. Records of these observations, however, are incomplete.

The project monitoring described above provided some basis for the acting parks commissioner's approval of R&D invoices for payment. We did not, however, find evidence that invoices were compared to work completed before they were approved. The lack of an executed contract with clear accountability and terms for project performance could have made this type of monitoring and cost control difficult. Nevertheless, more thorough monitoring and documentation would have provided better assurance that the work had been done before payments were approved.

Important dates related to the Stanton Park Project are listed below:

**Figure 1: Timeline**

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**Year 1 – Testing**

January 18, 1999	A child sustained burns while playing on the playground at D.L. Stanton Park. It was reported that a spark ignited methane gas resulting from waste material buried in an old landfill beneath the park. As a result, the park was closed in January for investigation and remediation.
January 28, 1999	R&D Testing and Drilling performed the first gas measurements. More measurements were taken on 2/5/99. From January through August, R&D Testing and Drilling performed preliminary investigations and methane gas monitoring of the site.
March 8, 15, 24, 1999	Contractor Roy Weston Inc. met with the Department of Parks and Recreation to discuss Stanton Park.
March 26, 1999	Deputy Commissioner of Parks, Bill Gary, requested that the Purchasing Agent issue a purchase order to Roy Weston, Inc. for \$39,000 for remedial action consultant services.
March 31, 1999	The Purchasing Agent issued an Emergency Authorization for Roy Weston, Inc. to perform remedial services at Stanton Park.
April 1 & 2, 1999	Roy Weston dug 13 test pits and estimated there were 96,000 tons of waste in the landfill.
April 1, 1999	Deputy Commissioner of Parks, Bill Gary, requested that the Purchasing Agent issue a purchase order to R&D Testing and

	Drilling for \$17,160 for testing for methane and subsurface materials.
April 2, 1999	The Purchasing Agent approved the Emergency Authorization Request of DPRCA to use R&D Testing and Drilling to test for methane gas at Stanton Park for a total of \$17,160.
April 19, 1999	Roy Weston, Inc. presented a proposal for partial remediation of the park for \$6.1 million, identifying project goals, estimates, scope and calendar.
April 23, 1999	The Purchasing Agent issued a Notice to Proceed for Roy Weston, Inc. to provide remedial action consultant services for \$39,000 under Emergency Authorization C-387, contract CONT 0099210158. This was a properly requested and authorized emergency contract.
June 4, 1999	R&D Testing and Drilling's citywide contract expired.
June 21, 1999	In Ordinance 099-O-0959, City Council appropriated \$3.2 million for removal of approximately 96,000 tons of contaminated soil.
October 18, 1999	R&D Testing and Drilling submitted a report of Results of Preliminary Soil/Groundwater Sampling/Testing D. Stanton Park, City of Atlanta (Revised).
November 5, 1999	Parks sent R&D Testing and Drilling report to State of Georgia Department of Natural Resources Environmental Protection Division.
December 23, 1999	Environmental Protection Division replied with suggested information requirements for the Request for Proposal for the Stanton Park waste removal/remediation plan.
Year 2 - Planning	In 2000 R&D Testing and Drilling conducted meetings with Georgia Environmental Protection Division and the Parks Department, and conducted testing and sampling.
January 27, 2000	R&D Testing and Drilling presented the former Commissioner of Administrative Services a proposal to install two monitoring wells and prepare the park for remediation for \$128,140.

January 31, 2000	The former Commissioner of Administrative Services requested that the Purchasing Agent issue an emergency authorization for R&D Testing and Drilling to perform sitework, install monitoring wells and do testing for \$128, 140.
February 8, 2000	The Purchasing Agent gave R&D Testing and Drilling a Notice to Proceed for \$128,400 for Emergency Authorization C-410: sitework, monitoring wells and groundwater testing.
February 12, 2000	The Parks Department held a public meeting with the Peoplestown community. Three alternatives for remediation were presented to the residents. The City ultimately chose total excavation and removal of the landfill materials.
March 3, 2000	R&D Testing and Drilling submitted a proposal consisting of the scope of work for complete remediation (Phases I and II), and a cost estimate for Phase I of \$3.1 million. Each phase constituted 50% of the work.
April 3, 2000	In Resolution 00-R-0464, City Council authorized \$3.1 million and a Notice to Proceed for Phase I of the project, to R&D Testing and Drilling under expired Citywide Annual Contract FC-5298-92.
June 30, 2000	The Purchasing Agent gave R&D Testing and Drilling an official Notice to Proceed in the amount of \$3.1 million in accordance with terms and conditions of R&D Testing and Drilling's expired contract, pursuant to Resolution 00-R-0464.
July and August, 2000	Additional sampling conducted, groundwater wells installed.
October, 2000	Testing continued, additional groundwater wells installed.
November, 2000	Permitting process began.

### **Year 3 – Remediation**

	Subcontractors performed most of the major work for the project from January through August 2001. Extensive testing and planning culminated in R&D's Environmental Consultants detailed work plan issued in February 2001.
January, 2001	Site preparation began.

February 8, 2001	R&D Environmental Consultants indicated that they underestimated the amount of trash and increased the project's scope and cost. Material to be disposed of increased from 100,000 tons to 117,600 tons. Treatment of 13,000 cubic yards of hazardous material and groundwater added. Total requested increase was \$1,675,000. R&D Environmental Consultants submitted a revised budget of \$7.3 million with additional costs for the project.
February 2001	The excavation began.
May 21, 2001	City Council adopted legislation 01-R-0757, adding \$4 million to the project cost. The resolution noted that the landfill material to be excavated and disposed had increased to 117,600 tons, and that 13,000 cubic yards of lead landfill materials required stabilization.
May 21, 2001	City Council adopted legislation 01-R-0654 to issue a Notice to Proceed to Jordan, Jones and Goulding for \$207,350 for architectural and engineering services for the reconstruction of Stanton Park.
June 4, 2001	City Council approved Ordinance 01-O-0821 to provide additional funds of \$1.4 million for the project.
June 8, 2001	R&D Environmental Consultants increased their estimate of the waste to 175,500 tons, and requested an additional \$3,350,754, for a total of \$10,659,844 for the project.
June 22, 2001	Purchasing Agent issued a Notice to Proceed to R&D Testing and Drilling for \$1.2 million under the expired annual contract, pursuant to previous legislation.
June, 2001	Excavation was largely completed.
July, 2001	R&D Environmental Consultants backfill operations began.
July 2, 2001	R&D Environmental Consultants indicated that 160,000 tons of landfill materials had been excavated and disposed, and 13,888 cubic feet of hazardous waste had been stabilized. In addition all funds available for Phases I and II (\$7.3 million) had been depleted, and according to R&D Environmental Consultants, there were still 12,500 tons of landfill materials that needed to be excavated.



- August, 2001 Work was suspended on August 17, 2001 following correspondence between R&D Environmental Consultants and the City about scope and cost of remaining work and available funds.
- According to a draft summary report from R&D Environmental Consultants dated October, 2001, from March 19 through May 3, 2001 a total of 18,290 tons of hazardous materials excavated was transported from the site. A total of 142,650 tons of non-hazardous material was transported to the receiving landfill between March 20 and June 21, 2001. The report also stated that approximately 8000 cubic yards, weighing 12,000 tons, of waste materials remain in place.
- October 3, 2001 R&D Environmental Consultants submitted invoice #016783 for \$1.014 million, and on October 31 reiterated that subcontractors had not been paid for all work.
- November 5, 2001 Council approved Ordinance 01-O-1574 to authorize an additional \$1.2 million to complete Phases IIA and IIB of the project.
- December 3, 2001 Acting Parks Commissioner returned invoice #016783 unpaid, and requested completion of the project for an amount not to exceed \$7.6 million.
- December 17, 2001 R&D Environmental Consultants resubmitted invoice #016783 with a letter explaining their position.
- December 20, 2001 Acting Parks Commissioner reiterated that the project should be finished for the total of \$7.3 million already paid, plus an additional payment of \$300,000 upon completion, for a total of \$7.6 million.

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## Recommendations

The following recommendations are aimed at ensuring compliance with city procurement processes that were ignored in the Stanton Park project. The Commissioner of Administrative Services has an important role in protecting the authority of the Director of Purchasing. The former Commissioner's role in the Stanton Park project appeared to circumvent this authority, not protect it. To avoid similar problems with future City projects, accountability for procurement decisions and compliance with City requirements should rest with the city's Purchasing Agent as designated in the Code of Ordinances.

1. The Commissioner of Administrative Services and Director of Purchasing should ensure that annual contracts are used only to provide agencies and bureaus with a specified product or service at a predetermined rate or price, as outlined in Sec. 2-1102 of the City Code.
2. The Commissioner of Administrative Services and Director of Purchasing should ensure that competitive processes and formal executed contracts are used in all cases required by City Code. Emergency contracting procedures outlined in Sec. 2-1192 of the Code should be followed when circumstances warrant.
3. The Commissioner of Administrative Services and Director of Purchasing should ensure that all construction projects in excess of \$20,000 have bonds in accordance with Sec. 2-1270 of the City Code.

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## Appendix

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### Commissioner of Administrative Services and Director of Purchasing Response





CITY OF ATLANTA

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DEPARTMENT OF  
ADMINISTRATIVE SERVICES

Deborah Scott Brooks  
Acting Commissioner

14 June, 2002

TO: Leslie Ward, City Internal Auditor  
Office of City Internal Auditor

FROM: Deborah Scott Brooks, Acting Commissioner  
Department of Administrative Services

RE: Draft Audit Report, Stanton Park Remediation Project

The appropriate staff for the Department of Administrative Services have reviewed the Draft Audit Report, Stanton Park Remediation Project, and are herein providing a response. Parties involved/responding are: Purchasing Agent, Felicia Strong Whitaker, Bureau of Purchasing and Real Estate and Acting Commissioner, Deborah Scott Brooks, Department of Administrative Services.

It should be noted that our response is being submitted per our understanding that the final document will contain a notation that the Purchasing Agent adhered to City Code, specifically as it relates to the procurement process and neither signed nor authorized the additional and questioned work phases of this subject project. We are concerned that the Draft Audit Report should document that the Purchasing Agent either acted pursuant to procurement code and/or authorizing legislation.

Additionally, the Purchasing Agent would have made all efforts to ensure complete compliance to processes, as outlined in City Code Section 2 - 1102, 1192 and 1270 (Ref. Recommendations - Draft Audit Report), had not the Procurement process been circumvented or the Purchasing Agent's authority usurped.

This present Department of Administrative Services Commissioner (Acting), as well as the Purchasing Agent, fully understand and ensure commitment to compliance as it relates to the authority and duties of the department and bureau, specifically as outlined in the Code, Sections 2-1137, 1138.

The Department of Administrative Services thanks you for your time and attention to this matter.

/dsb

c: Honorable Shirley Franklin, Mayor  
Felicia Strong-Whitaker, Purchasing Agent, Bureau of Purchasing & Real Estate

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# CITY OF ATLANTA

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COUNCIL PRESIDENT CATHY WOOLARD

## MEMORANDUM

DATE: February 21, 2003

TO: Honorable Mayor and Members of City Council

FROM: Leslie Ward *[Signature]*

SUBJECT: D. L. Stanton Park Land Remediation Project – Follow-up Report (corrected)

This memorandum provides a corrected copy of the results of follow-up work on the Stanton Park project. The total amount of overpayment to R&D is \$1,256,596. This figure has been corrected in Table 1 (page 3) and on page 7. I initiated this work to address questions raised at the October 9, 2002 work session of the Finance/Executive Committee on the project and my July 2002 audit report. These questions called for additional information from R&D invoices and City payments on this project. As a result of a more detailed review of these documents, as well as related subcontractor invoices, I have drawn additional conclusions and made additional recommendations that are presented here.

### Introduction

The Finance/Executive Committee held a work session on October 9, 2002 to discuss the D.L. Stanton Land Remediation Project and the audit report I issued on July 9, 2002. Attendees included representatives from R&D Testing and Drilling, R&D Environmental, subcontractors that worked on the project, and City departments involved in the project. During the work session, Committee members were concerned about several issues and raised questions that called for additional details from the audit work. Issues we address in this memorandum include the following:

- Confirm the amounts owed to specific subcontractors.
- Confirm that the City already paid R&D for all landfill disposal.
- Confirm the status of R&D's last invoice to the City for this project.
- Confirm the amounts R&D billed the City at various times throughout the project.
- Provide more detail on R&D's own costs on the project, and how the \$1.7 million the firm retained is accounted for.
- Provide more detail on R&D's markups on subcontractors' unit prices.





### **Work Performed**

In addition to review of the previous audit work, the follow-up work included additional detailed review of R&D invoices and supporting documentation. Audit staff also interviewed representatives of R&D and Omegasys, a first-tier subcontractor, and obtained written confirmation from them of information relevant to our conclusions.

We discussed our analysis with R&D and Omegasys representatives in meetings and by telephone. We met with Omegasys on November 7, 2002 and with R&D on December 10, 2002. Representatives of both companies confirmed the accuracy of our information either during the meetings or in subsequent telephone calls.

Following the meetings, we requested written confirmation of the documents and analysis we had discussed. We sent a letter of confirmation to Omegasys on November 5, 2002 and they returned it completed on November 12, 2002. We sent a confirmation letter to R&D on November 14, 2002 and they responded in writing on January 28, 2003. Between December 10, 2002 and January 28, 2003 R&D confirmed most of our information verbally.

### **Conclusions**

Based on the above, I conclude that two subcontractors, BFI and C&S Environmental have not been paid for a portion of work they performed on the Stanton Park project. I recommend that the Department of Parks, Recreation and Cultural Affairs identify a source of funds to pay them, based on the Law Department's review of the City's position. The amount due BFI, stated in my July 2002 report, is unchanged. The amount due C&S Environmental is higher than stated in my previous report because we obtained additional information that contradicts earlier statements given to us. A third subcontractor, Omegasys, has an outstanding balance on its last statement for the project, which is still the subject of discussion and dispute resolution between Omegasys and R&D. I do not believe that further audit work can resolve disagreements between the two parties.

I also conclude that the City has paid R&D for all landfill disposal, but R&D has not in turn paid all landfill charges. This constitutes an overpayment to R&D that the City should seek to recover. Further, R&D charged the City, and the City paid, for excess quantities of other excavation work, security services, and R&D staff time. The City should also seek to recover these overpayments.

Finally, I conclude that a portion of R&D's final invoice, submitted to but not paid by the City, includes amounts that the City should now pay directly to C&S Environmental, not to R&D. R&D's final invoice also includes an amount that the firm has already paid to C&S. However, I do not recommend that the City reimburse R&D for this or any other amount, because the amount the City should seek to recover from the firm far exceeds any portion of their final invoice that might be considered legitimate. In addition, as stated in my July 2002 audit report, R&D did not complete all work on Stanton Park for which the Parks Department had reserved a portion of project funds.

The following table summarizes these conclusions and their financial impact.



**Table 1. Summary of Findings and Recommendations**

Finding	Recommendation	Amount
The City should pay two subcontractors that R&D has not paid for all landfill charges and a portion of an outstanding backfill invoice.	The Parks and Recreation Department should identify funds to pay the outstanding amounts.	City should pay BFI: \$626,684 City should pay C&S: Up to \$373,529
The City has paid R&D for all landfill disposal, but R&D has not paid all landfill charges.	The City should seek to recover the overpayment for landfill disposal from R&D.	R&D owes City: \$982,782
The City overpaid R&D for excavation, security, and staff time.	The City should seek to recover these overpayments from R&D.	R&D owes City: \$273,814
		Total City overpayment to R&D: \$1,256,596

The findings and recommendations on each of the above are detailed below. Pages 9 and 10 include responses to the other questions and requests for additional information from the October 9 work session.

**Finding #1: City Should Pay Two Subcontractors**

In our July 2002 report we stated that two subcontractors are still owed for some of their work on the Stanton Park project: BFI for landfill disposal and C&S for backfilling. We have not changed our conclusion that these two firms have not been paid, and based on the Law Department's review, the City should pay them. The amount owed to BFI is unchanged at \$626,684. However, we have revised the amount owed to C&S based on new information that was not available to us previously. I now conclude that the City should pay C&S up to \$373,529 depending on availability of funds.

**Table 2. Amounts owed to subcontractors**

BFI	\$ 626,684
C&S Environmental	up to 373,529
Total owed	up to \$1,000,213

**Overpayment to C&S Environmental is less than we concluded in July 2002 report.** On July 13, 2001, R&D entered into a contractual agreement with C&S Environmental for hauling, placement, and compaction of clean backfill materials. C&S has billed R&D \$857,738 for these services, of which R&D has paid \$426,209, leaving a balance of \$431,529. The July 2002 audit report concluded that most of the balance was offset by overpayments to C&S during the first phase of the project.

The previous audit work on the C&S payments relied on statements from the head of the firm about his invoices and his relationship to first-tier subcontractor Omegasys during the first phase of the project. Omegasys has since provided us with documentation of their contractual



relationship with C&S. The two firms had a profit-sharing agreement, under which most of the \$309,801 that we previously concluded was an overpayment to C&S was authorized.

However, Omegasys also provided us with documentation that C&S received \$58,000 (paid by R&D on behalf of Omegasys) in excess of the profit-sharing arrangement. This payment apparently was based on excess quantities that R&D directed Omegasys to reduce (see Finding #3). Therefore we applied the \$58,000 to C&S Environmental's outstanding invoice for backfilling in the second phase of the project and deducted it from the balance due on that invoice.

The remaining balance on the C&S invoice for backfilling is \$373,529. This amount includes an unknown amount of profit, since C&S had a lump-sum contract with R&D for this work. Because of their previous profit-sharing arrangement, I estimate that C&S received a profit of about 36 percent on the first phase of the Stanton Park project. Further, this profit was on top of hourly wages for the proprietor of C&S included in the firm's invoices for direct costs. Both the profit margin and billing for the proprietor's time are unusual. Therefore I recommend that the City treat the \$373,529 balance on the C&S invoice for backfilling as a maximum and that the amount paid to C&S be based on the Parks Department's available funds for this project.

**Table 3. C&S Environmental charges and payments for backfill**

C&S invoice amount to R&D	\$ 857,738
R&D's partial payment on invoice	(426,209)
R&D's previous overpayment to C&S	(58,000)
Balance on C&S invoice	<b>\$ 373,529</b>

**Balance due to Omegasys remains in dispute.** The work session included discussion of the role of Omegasys and raised questions as to amounts that may be owed to them by R&D or the City. We make no recommendation for City payment to Omegasys at this time. As I stated at the October work session, our previous audit work had not identified a claim by Omegasys for a specific amount due from the City, and Omegasys and R&D had not resolved what that amount should be. The last Omegasys statement in our files indicated a balance due of \$95,076 (net of the amount due to BFI for landfill charges). Because the final balance is a result of numerous partial payments and adjusted invoices, it is difficult to determine precisely the work the balance due represents. The situation is further complicated by R&D's direct payments to second-tier subcontractors, whose work is included in the Omegasys statement.

During our follow-up work, Omegasys has discussed adjustments to this amount with us, and R&D has also told us that discussions of disputed amounts between the two firms continue. R&D informed me in a letter dated January 28 that they intend to commission an internal review of invoices from and payments to all subcontractors on this project. It appears that the disputed items arise from R&D's termination of its contract with Omegasys midway through the Stanton Park project and Omegasys' final charges for demobilizing at the site.



I do not think it prudent to recommend that the City make a payment to Omegasys in the midst of these events. Further, I do not believe that additional audit work will resolve disagreements between the two parties.

**Recommendation:** We recommend that the Parks Department immediately identify a source of funds from which to pay BFI and C&S Environmental.

**Finding #2: Some Landfill Charges Remain Unpaid Despite City Payment to R&D**

As stated at the work session and confirmed by R&D representatives, the City has already paid for all landfill disposal from Stanton Park.

**The City paid R&D for all landfill disposal.** The City paid R&D for 161,548 tons of landfill disposal, yet R&D paid for only 125,416 tons. The remaining 36,132 tons were disposed, but R&D did not pay for it. At R&D's rate of \$27.20 per ton, this represents an overpayment by the City of \$982,782. This amount includes R&D overhead.

**R&D has not paid for all landfill disposal.** As stated in the July 2002 report, an outstanding invoice from BFI for 36,132 tons of landfill disposal remains unpaid, despite R&D's acknowledgement that the City has paid R&D for this work. Based on the City's legal position, the City now needs to pay BFI directly for this work (see Finding #1).

**Table 4. Tons of landfill disposal paid**

	Tons	City Payment @ \$27.20/ton
Quantity City paid for:	161,547.7	\$ 4,394,097
Quantity R&D paid for:	125,416.0	3,411,315
Difference:	36,131.7	\$ 982,782

**Recommendation:** The City should seek to recover \$982,782 from R&D. This amount includes the landfill charges for which the City paid R&D but R&D did not pay, plus related R&D overhead and markup.

**Finding #3: City Overpaid R&D for Several Other Items**

Among other things, the City paid R&D for excavation and related site work, site security, and staff time based on itemized invoices. Our review of the invoices, supporting documentation, and payments for these services indicates that the City overpaid R&D for these items as explained below.

**City paid R&D for larger quantities of some work than R&D paid subcontractors.** R&D paid its primary subcontractor, Omegasys, for smaller quantities of transportation, excavation, site maintenance, extended haul, backfill and compaction than it billed to the City. City payments were based on R&D invoices dated April 9, 2001 to July 31, 2001. On August 1,





R&D directed Omegasys to reduce the quantities on Omegasys invoice 01097 dated July 24. Omegasys submitted a revised invoice 01097 to R&D dated August 24, 2001, complying with the directive.

**R&D did not adjust its invoices to the City based on lower quantities.** After directing its subcontractor to reduce quantities on its invoice, R&D did not make a corresponding adjustment on its invoices to the City, which the City paid in full. R&D confirmed the quantities it billed to the City, and Omegasys confirmed the quantities it billed to R&D. By paying for the higher quantities, the City overpaid R&D \$222,629 as shown in the following table.

**Table 5. Excavation and related quantity differences and dollar amounts**

Type of Work	Quantity City Paid to R&D (cubic yards)	Quantity R&D Paid to Omegasys (cubic yards)	Excess City Payment to R&D		
			Quantity	Rate per cy	Excess \$
Transportation, Excavation, Site Maintenance	126,506	110,828	15,678	\$ 11.65	\$ 182,649
Extended Haul Route	10,200	7,344	2,856	1.69	4,827
Backfill, Compaction	12,000	7,344	4,656	7.55	36,153
Total City Payment to R&D for Excess Quantities Billed					\$ 222,629

**City overpaid R&D for security services.** R&D submitted some subcontractor invoices twice as backup for its invoices to the City. As a result, the City overpaid R&D \$37,440 for this service.

**Again, R&D did not adjust its invoices to the City.** Based on their payment records, R&D did not overpay the security firm. R&D confirmed that the City overpaid them for security in their letter of January 28 and acknowledged the City was due a credit for this error. The following table shows double billings on R&D invoices.

**Table 6. Security services for Stanton Park site**

R&D Double Billings:	
R&D Invoices 16514/2711	\$ 20,880
16562/2711	5,760
16562/2711	5,400
16562/2711	5,400
Total City overpayment	\$ 37,440

**City paid R&D twice for staff time.** The City paid R&D twice for staff time on R&D's invoice #2711 dated July 19, 2001. The City paid the invoice total of \$890,900 on November 30, 2001. It included R&D's staff charges for R&D Environmental of \$24,210 and \$22,390. The



overcharge of \$22,390, less invoice addition errors, reduced the overcharge to \$13,745. R&D confirmed that there was an overcharge for staff time on this invoice.

**Recommendation:** The City should seek to recover \$273,814 from R&D for the overpayments described above. The following table summarizes the amounts.

**Table 7. Summary of City overpayments to R&D**

Item	Amount
Excess quantities	\$ 222,629
Security services billed twice	37,440
Staff time billed twice	13,745
Total overpayment	\$ 273,814

Adding this amount to the overpayment for landfill disposal of \$982,782 increases the City's total overpayment to R&D to \$1,256,596.

**Finding #4: City Should Not Pay R&D's Final Stanton Park Invoice**

As stated in our July 2002 report, the City has not paid R&D's final invoice dated October 3, 2001 for \$1,014,385. This invoice includes charges for R&D staff time, backfill work by C&S Environmental, security services provided by a subcontractor, and another minor subcontractor payment. A portion of the invoice includes amounts that the City should now pay directly to C&S Environmental, not to R&D. The invoice also includes an amount that the firm has already paid to C&S and small amounts to other subcontractors.

The following table shows the amounts included in R&D's final invoice to the City that the firm has already paid out, about \$445,000. The remainder of the invoice, over \$569,000, includes the amount the City must now pay directly to C&S, plus R&D markup and staff time.

**Table 8. R&D final invoice**

Item	Amount Owed
Payment to C&S for backfill	\$ 426,209
Payment for security	11,664
Other subcontractor payment	7,095
Total R&D has already paid	\$ 444,968
C&S balance for backfill	431,529
R&D markup and staff time	137,888
Invoice total	\$ 1,014,385

I do not recommend that the City reimburse R&D for any portion of this invoice. The amount the City should seek to recover from the firm far exceeds any part of their final invoice that might be considered legitimate. In addition, as stated in my July 2002 audit report, R&D did not



complete all work on Stanton Park for which the Parks Department had reserved a portion of project funds. As stated in the July 2002 audit report, this work included drainage structures, some remaining backfill, and hydroseeding to prevent soil erosion. In the fall of 2001, this work was estimated at about \$300,000.



### Responses to Questions and Additional Information Requests

At the work session, Committee members asked me to address other issues regarding this project. Following are the issues and my responses, compiled from previous audit work.

#### **Issue #1: Confirm the amounts R&D billed the City at various times throughout the project.**

From August 2000 through July 2001, R&D billed the city \$7.6 million for the remediation and related work, as stated at the work session. The following table shows the cumulative total of R&D invoices for Stanton Park from March 1999 through October 2001. From March 1999 through March 2000, R&D charged the City about \$170,000 for initial testing and sampling. Except for a \$222,000 adjustment on a June 2001 invoice, all other invoices were paid. The adjustment, according to the Parks Department, was intended to withhold a portion of the total project expenditures until the work was finished.

**Table 9. R&D invoice totals for Stanton Park through July 31, 2001**

Project Phase	Time Period	Amount Invoiced	
		- Period	Cumulative
Testing	January 1999 - June 2000	\$ 169,497	\$ 169,497
Remediation	July-December 2000	246,445	246,445
	January-March 2001	985,085	1,231,530
	April-June 2001	5,360,046	6,591,576
	July 2001	\$ 1,016,845	\$ 7,608,421

As noted in the audit report, R&D submitted in October 2001 a final invoice for about \$1 million, which the City did not pay. (See page 7.)

#### **Issue #2: Provide more detail on R&D's own costs on the project, and how the \$1.7 million the firm retained is accounted for.**

The City has paid R&D about \$370,000 for staff time, equipment and materials. The following table shows their charges to the City for direct costs during both the early testing work and the remediation project, excluding R&D's overcharge for staff time of \$13,745 identified on page 7.

**Table 10. R&D charges for direct costs**

Project Phase	Salaries	Materials & Equipment	Phase Total
Testing	\$ 32,475	\$ 34,030	\$ 66,505
Remediation	191,318	98,381	289,698
Project Total	\$ 223,793	\$ 132,411	\$ 356,203





R&D confirmed their direct costs in our meeting on December 10, 2002. We have no way of knowing what markup is included in R&D charges for its own staff time and materials, and there was no information in their proposals concerning an overhead or indirect cost rate. However, R&D Environmental Consultants followed the unusual practice of including staff time for the head of the firm in their invoices for direct project costs.

The following table shows a breakdown of the additional amount retained by R&D, beyond their direct costs, from City payments to date. The amount retained plus direct expenses equal the figure in my July 2002 report of \$1,719,041, the difference between the City's payments to R&D and R&D's payments to subcontractors.

**Table 11. Amounts billed, paid, and retained by R&D**

	Testing	Remediation	Total
Total R&D Invoices (thru July 31)	\$ 169,497	\$ 7,608,421	\$ 7,777,918
Invoice adjustment by City	0	(222,763)	(222,763)
Payments to subcontractors	(80,157)	(5,755,956)	(5,836,113)
Invoices for direct expenses	(66,505)	(289,698)	(356,203)
Additional retained by R&D	\$ 22,835	\$ 1,340,004	\$ 1,362,839

**Issue #3: Provide more detail on R&D's markups on subcontractors' unit prices.**

R&D markups on subcontractor work varied widely. The following table shows unit prices for various elements of the excavation work at Stanton Park for R&D's charges to the City, and for Omegasys' charges to R&D. R&D's unit prices ranged from 3 percent to 44 percent higher than those it was paying to its primary subcontractor.

**Table 12. R&D and Omegasys unit prices per cubic yard**

Item	R&D Unit Price	Omegasys Unit Price	R&D Markup
Transportation	\$7.50	\$7.25	3.4%
Excavation	4.00	3.85	3.9%
Odor Control	0.33	0.28	17.9%
Site Maintenance	0.15	0.12	25.0%
Disposal	27.20	21.26	27.9%
Extended Haul	1.69	1.22	38.5%
Backfill/Compaction	7.55	5.25	43.8%



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