



CITY OF ATLANTA
City Auditor's Office
Amanda Noble, City Auditor
404.330.6750

November 2019

Closeout Construction Audit:

Martin Luther King Jr. Recreation and Aquatic Center Project

What Carr, Riggs, and Ingram LLC Found

Change directives increased the total contract by \$1,372,119 to a final value of \$24,472,119. Of the 18 change directives, one was voided, three contained pricing details to support the underlying subcontract costs and did not include any Design Builder markups, and 14 were missing at least some supporting documentation of either subcontractor costs or the Design Builder's markups. The majority of the changes were related to the design of the building.

As this was a lump sum agreement, properly approved change order amounts become a part of the lump sum total of the project. However, the change orders, unlike the original subcontract values, are not competitively bid and thus should be subject to review by the city for proper pricing and adherence to contractual requirements for markups.

The change directives were added to the contract value as they were approved and executed by the Department of Parks and Recreation, but Renew Atlanta did not approve of adding the change directives and had the amounts removed. The change directives were ultimately added back as an accumulated change order.

The builder's risk certificate of insurance contained a limit of \$23,100,000 (the original contract value). As the change order increased the final value of the contract, the builder's risk coverage should have increased. The Design Builder did not provide an updated certificate but stated in an email that "the policy automatically increases to reflect any changes to the contract value."

Additionally, the contract required that mobilization costs be substantiated with backup documentation, but such documentation was not required by the city and mobilization costs were not separately approved by the city's representative.

Why We Did This Audit

We contracted with Carr, Riggs, and Ingram LLC to perform this closeout construction audit because it was a large project with a budget of over \$23 million. Renew Atlanta, which provided \$17 million of the funding, designated the project as high risk. The Department of Parks and Recreation administered the project.

What We Recommended

The Department of Parks and Recreation should:

- Require mobilization to be separately identified and approved as part of the original Schedule of Values.
- Formalize the process by which a change directive becomes an addition or reduction to the contract value.
- Analyze the documentation submitted to support change order costs.
- Thoroughly review drawings and specifications to prevent or limit design change orders on future projects.
- Require accurate and detailed supporting documentation for all allowance usages.
- Require the Design Builder to update payment applications in the source software and resubmit with all corrections properly reflected.
- Obtain updated certificates of insurance for all insurances.
- Include analysis of non-conforming work and actions to address non-conforming work with the project close-out package.
- Maintain a log of RFIs.

The Law Department should:

- Consider adopting contract language requiring the Design Builder to provide specific additional support for all line items of a change order.

For more information regarding this report, please use the "contact" link on our website at www.atlaudit.org

Management Responses to Audit Recommendations

Summary of Management Responses		
Recommendation #1:	The Department of Parks and Recreation should either require mobilization to be separately identified and approved as part of the original Schedule of Values and subsequently substantiated by invoice and other backup documentation, or request the Law Department remove the language from contract documents.	
Response & Proposed Action:	The Department of Parks and Recreation (DPR) has subsequently required a separate line item for mobilization on other projects. The total amount not to exceed 2% of the total lump sum amount as indicated in the Design Criteria Package.	Agree
Timeframe:	January 2018	
Recommendation #2:	The Department of Parks and Recreation should formalize the process by which a change directive becomes an addition or reduction to the contract value and is reflected as such on the pay application.	
Response & Proposed Action:	DPR will formalize the process on current and future projects.	Agree
Timeframe:	October 2019	
Recommendation #3:	The Law Department should consider adopting contract language requiring the Design Builder to provide the following support for all line items of a change order: <ul style="list-style-type: none"> • Itemized detail from the subcontractor performing the work, to include labor, materials, equipment, subcontractor costs, and all markups • Itemized detail from the Design Builder showing all markups and changes associated with the change orders (e.g. fee, insurances and bonds). 	
Response & Proposed Action:	DPR supports this recommendation as listed. This language should be added to Section 9.4, Contract Price Adjustments in the Standard Form of the General Conditions of the Contract.	Agree
Timeframe:	October 2019	
Recommendation #4:	The Department of Parks and Recreation should analyze documentation submitted to support change order costs.	
Response & Proposed Action:	DPR will analyze documentation submitted to support change order costs, if any, on current and future projects.	Agree
Timeframe:	October 2019	
Recommendation #5:	The Department of Parks and Recreation should thoroughly review drawings and specifications at 25%, 50% and 75% of design completion to prevent or limit design change orders on future projects.	
Response & Proposed Action:	DPR thoroughly reviewed the drawings and specifications at the preliminary design, detailed design and final design phases. However, several design elements were requested after permitting. DPR will strive to control such requests on current and future projects.	Agree
Timeframe:	October 2019	

Recommendation #6:	The Department of Parks and Recreation should require accurate and detailed supporting documentation, including evidence of payment to the subcontractors, for all allowance usages.	
Response & Proposed Action:	DPR has and will require accurate and detailed supporting documentation for all Allowance usages on current and future projects.	Agree
Timeframe:	October 2019	
Recommendation #7:	The Department of Parks and Recreation should require the Design Builder to update payment applications in the source software and resubmit with all corrections properly reflected. Additionally, the department should require the Design Builder to include updated schedules and a list of changed activities, as applicable when modifications are made to the payment application.	
Response & Proposed Action:	DPR will required the future Design Builders (DB) to update payment applications in the source software and resubmit with all corrections properly reflected. DPR will require the DB to include updated schedules and a list of changed activities as applicable when modifications are made to the payment application.	Agree
Timeframe:	October 2019	
Recommendation #8:	The Department of Parks and Recreation should obtain updated certificates of insurance for all insurances to demonstrate contractual compliance with the insurance limits throughout the life of a given project.	
Response & Proposed Action:	DPR will obtain updated certificates of insurance for all insurance limits throughout the life of current and future projects.	Agree
Timeframe:	October 2019	
Recommendation #9:	The Department of Parks and Recreation should include analysis of non-conforming work and actions to address non-conforming work with the project close-out package.	
Response & Proposed Action:	DPR will ensure the DB includes analysis of non-conforming work and actions to address non-conforming work with the project close-out package on current and future projects.	Agree
Timeframe:	October 2019	
Recommendation #10:	The Department of Parks and Recreation should maintain a log of RFIs.	
Response & Proposed Action:	DPR will request a log of RFIs from the DB on current and future projects.	Agree
Timeframe:	October 2019	