



Construction Audit for Northside Drive Pedestrian Bridge (FC-10634)



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EXECUTIVE SUMMARY

Talson Solutions, LLC (Talson), an independent construction auditing firm, conducted a closeout construction audit of the Northside Drive Pedestrian Bridge (Bridge). The objective of the audit was to determine if the contractor, Georgia Bridge and Concrete, LLC and SD&C, Inc., Joint Venture (Georgia Bridge) was compliant with the terms of the Design-Build Lump Sum (DB Lump Sum) Agreement executed on October 18, 2016.

Overall, the DB Lump Sum Agreement was fulfilled with the delivery of the completed bridge on November 30, 2018. Talson found that Georgia Bridge was compliant with the terms and obligations of the DB Lump Sum Agreement. Talson determined that the contract was paid in full at \$23.2 million with no change orders to the original contract value.

Talson identified four (4) observations that relate to administration of the contract:

1. Variances between the City of Atlanta's accounting records and transactions reported on Atlanta's Open Checkbook website
2. Contract allowance used to pay interest charges to Georgia Bridge
3. Contract allowances used to pay construction costs for MARTA parking without written approval
4. Two (2) instances of overpayments (which were eventually reconciled)

These observations are discussed in detail beginning on page 6 of this report along with associated management action plans obtained by the City Auditor.



Kenneth Brzozowski, CCA, CCP

Manager, Internal Audit

Talson Solutions, LLC



Project Background

The City of Atlanta, City Auditor's Office, engaged Talson to conduct a closeout construction audit of the Northside Drive Pedestrian Bridge project.

The project encompassed the construction of a single span pedestrian bridge approximately 15 feet wide by 110 feet long over Northside Drive, a series of ramps at each end providing access to the bridge, and a unique requirement for a steel mesh tube enclosure structure around the main span.

The Department of Public Works (DPW) entered into a \$23.2 million DB Lump Sum Agreement with Georgia Bridge in October 2016. The Bridge was funded using several sources including Renew Atlanta Bond Funds and the DPW General Fund.

The Bridge was completed and delivered to DPW on November 30, 2018. The original contracted completion date was December 31, 2017. According to Georgia Bridge's final request for payment, final Bridge delivery was 353 days delayed. DPW was aware of the scheduling delays contemporaneously throughout the project.

Audit Scope & Methodology

Talson conducted the closeout construction audit in accordance with Generally Accepted Government Auditing Standards (GAGAS) and in alignment with the International Standards for the Professional Practice of Internal Auditing issued by the Institute for Internal Auditors. Those standards require planning and performing the audit to obtain sufficient, and appropriate evidence to provide a reasonable basis for observations and conclusions within a detailed audit report based on the audit objectives. Talson believes that the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

The audit focused on the activities related to the construction of the Bridge and compliance to contractual terms, obligations and deliverables identified within the DB Lump Sum agreement. The scope included assessment of contract management, cost management, quality assurance/control, contract closeout activities, and included a field visit. The scope did not contain a review of internal controls in place related to disbursements made, as this process is part of the City of Atlanta Controller's office, nor did it contain a review of the City of Atlanta's procurement process.

Work Performed

Talson reviewed documents at its headquarters followed by field work at the City of Atlanta's Auditor's Office on July 15 through July 17, 2019. Talson personnel visited the Bridge site on July 16, 2019. Field work consisted of documentation review, conducting project team interviews including with Georgia Bridge staff. Talson reviewed additional documentation and follow-up on supplemental information requests after the onsite audit activities concluded.

Audit activities comprised of a review of the DB Lump Sum Agreement, applications for payment (AFP), invoices for release of retainage, third party engineering inspection reports, progress reports, project

accounts payable ledgers, and project documents provided by Georgia Bridge including the Final Billing & Payment Reconciliation (See Appendix A for listing of documents reviewed).

The period audited was October 2016 through June 2019 and included the following audit procedures:

Risk Assessment

- Reviewed project documentation to determine potential risks that may warrant further review

Contract Management

- Reviewed DB Lump Sum Agreement for the following, included but not limited to:
 - to assess key contractual deliverables and obligations, specifically definitions for “cost of work” to ensure work was performed in accordance with the plans and specifications
 - for financial deliverables including cost reconciliations, AFPs and cost reporting, if any
 - clauses for claims process and resolution processes
- Reviewed compliance to obligations, policies and procedures, approved construction schedules, and closeout procedures

Cost Management

- Conducted a detailed review of the Contractor’s AFP Nos. 1 through 29
- Reviewed the City of Atlanta’s accounts payable subledger, related to the Bridge’s construction activities
- Reviewed and reconciled expenses from Atlanta’s Open Checkbook website¹ to the City’s general ledger and accounts payable ledger
- Verified all project costs were approved and processed accurately
- Verified payments made to Georgia Bridge were within contractual terms and identified any interest charged on late payments
- Confirmed performance bond and insurance cost reconciliations were conducted and any necessary credits provided to the City

Quality Control Review

- Reviewed select quality inspection reports prepared by contractors and consultants for compliance
- Inquired with project personnel to verify compliance to concrete slump specifications and performance results for a sample of concrete pours

Closeout Activities

- Reviewed final AFP including approval process, costs spent to date, retainage release, final lien waiver formats, and status of schedule of value costs
- Performed a reconciliation between actual costs expended and the final DB Lump Sum value
- Reviewed final release of contractor retainage
- Verified if there are any open claims or potential claims that could impact contract closeout
- Verified the Contractor’s submission of all obligated final record documents, including as-built drawings, final lien waivers, operation and maintenance manuals, warranties, asset log, etc.

¹ checkbook.atlantaga.gov

SCHEDULE OF OBSERVATIONS AND RECOMMENDATIONS

Observation No. 1: Atlanta’s Open Checkbook website does not reconcile to actual payments made to Georgia Bridge.

The City of Atlanta Mayor’s Office has created a website “Atlanta’s Open Checkbook” in order to “...provide(s) taxpayers the access and ability to see and track how their money is being spent”. The Bridge project transactions had been reported on the website prior to the audit. Talson reviewed data available on the website at the time of the audit and post fieldwork and noted variances between the data.

As of July 2019, Atlanta’s Open Checkbook incorrectly depicted a total of \$33.6 million in expenditures. This amount included \$10.4 million of expenditures above the approved DB Lump Sum Agreement value of \$23.2 million.

After audit fieldwork was concluded, the City of Atlanta Financial Systems Services department reviewed the data populating Atlanta’s Open Checkbook and revealed the over reporting was due to incorrectly including retainage portion of invoices. The website was updated to reflect a total of \$22,735,399 on or around August 8, 2019 and was verified by Talson on August 12, 2019. However, an unknown difference of \$487,125 remains.

Due to the various funding sources and extensive amount of entries, Talson was unable to reconcile the \$487,125 remaining variance.

	July 15, 2019	August 12, 2019
Total Expenditures per Open Checkbook	\$33,638,642	\$22,735,399
Total Invoiced and Paid to Georgia Bridge	<u>\$23,222,524</u>	<u>\$23,222,524</u>
Difference	\$10,416,818	\$487,125
Retainage	\$2,017,480	\$0
Duplicates	<u>\$4,397,970</u>	<u>\$0</u>
Remaining Unknown Difference	<u>\$4,000,668</u>	<u>\$487,125</u>

Despite the difference in Open Checkbook, Talson concluded the total amount paid to Georgia Bridge equals the amount of the DB Lump Sum Agreement.

<p>Recommendation: The chief financial officer should work to identify the remaining \$487,125 difference and adjust accordingly. Additionally, the City should strive to ensure future transactions posted to Atlanta’s Open Checkbook website reflect executed transactions (e.g. payments made to third parties).</p>	
<p>Proposed Action: We reviewed the information in the audit and noticed that the total in the audit report reflects everything invoiced and not paid. In addition, the audit report reflected a date of August 12th. August 12th is the date the information was retrieved from Open Check Book. In order to reconcile, we had to compare the</p>	<p>Response: Agree</p>

<p>last invoice that was posted in Open Check Book when the report was retrieved on August 12th.</p> <p>As a result of the reconciliation, Open Check Book compared to Oracle had a difference of \$127,496.10. The difference was identified as the amount paid to Georgia Concrete for a different project that was not related to Northside Bridge. Therefore, Open Check Book is properly stated for the Northside Bridge Project.</p>	
<p>Person Responsible: Financial Information Systems and Accounts Payable</p>	<p>Implementation Date: January 7, 2020</p>

Observation No. 2: Owner’s allowance was used to pay \$14,257 in interest charges due to late payments resulting from greater than 90 days outstanding. Additionally, of the thirty-five (35) payments made to Georgia Bridge, eight (8) exceeded the contractual forty-five days with the longest lag time at 132 days.

Georgia Bridge invoiced a total of \$14,257 in interest charges relating to outstanding invoices for July, August, and September 2018. The contract expressly allows for interest to accrue at an annual rate of 1% plus the Prime Rate for undisputed amounts aging over ninety (90) days Georgia Bridge utilized contractual *Differing Site Conditions Owners Allowance* to fund the interest charged and paid.

Georgia Bridge utilized contractual *Differing Site Conditions Owners Allowance* to fund the interest charged and paid.

Talson’s analysis of project cash flow, revealed an increase in the balance due to Georgia Bridge beginning in October 2017 which increased to \$3.4 million by January 2018.

The contract stipulates the City would make payments within 45 days of an approved AFP. Talson calculated the number of days outstanding from the AFP ending date and payment date. Of the thirty-five payments, eight (8) were outside of 45 days, with two (2) in excess of ninety days which would trigger a finance charge (February and March 2018).

Recommendation:

The commissioner of the Department of Public Works and the chief financial officer should identify the cause for the late payments to Georgia Bridge.

Proposed Action:

The late payments were due to delays in the posting of the funds allocated to the project. (GDOT funding which did not materialize). Also, the initial legislation only authorized \$14M, however, the contract amount was for \$23M.

Response:

Agree

Person Responsible: Department of Public Works Administrative Program Manager

Implementation Date:

November 5, 2019

Observation No. 3: Georgia Bridge invoiced a total of \$398,785 in design and construction charges relating to MARTA station parking improvements. DPW was unable to provide the allowance usage request from Georgia Bridge and the corresponding DPW approval as required by the DB Lump Sum for \$318,885 in costs.

Of the \$398,785 in total design and construction costs for the MARTA station parking improvements, DPW provided written approval for \$79,900 in design fees. DPW stated the remaining \$318,885 in material and labor costs were approved through verbal conversations which is non-compliant with the DB Lump Sum Agreement, specifically Section 6.3.

Without the original cost proposals from Georgia Bridge and the corresponding from DPW, Talson was unable to verify that the cost of work estimates were reasonable and accurate to the invoiced work activities.

Additionally, Talson noted that Georgia Bridge utilized contractual *Differing Site Conditions, Unsuitable Soil Removal and City Requested Additional Site Improvements Owners Allowance* line items to fund the cost activities for the MARTA station parking improvements.

Recommendation:	
The commissioner of the Department of Public Works should confirm if Georgia Bridge submitted the appropriate cost proposals for the MARTA parking improvements and that the DPW provided written approval prior to incurring the expense in accordance with the DB Lump Sum Agreement.	
Proposed Action: The Department confirmed that no written approval was given. Approvals occurred verbally during an on-site meeting regarding relocating the MARTA parking.	Response: Agree
Person Responsible: Department of Public Works Office of Transportation Program Management Officer - Engineering	Implementation Date: January 7, 2020
Recommendation:	
For future projects, the Department of Public Works should adhere to the contract provisions for changes to projects including usage of allowances that should include approval prior to commencing work.	
Proposed Action: All Capital projects and construction contracts will be entered in to our e-Builder system from notice to advertise to project completion. Every aspect of the project will be chronicled in this system. A flow process will be completed to show the actions taken from start to finish. All team members will be trained on the use of the system, and training will be documented. This should ensure that all contract provisions are adhered to. These responsibilities will reside with the new Department of Transportation.	Response: Agree
Person Responsible: Department of Transportation	Implementation Date: July 1, 2020

Observation No. 4: City of Atlanta made two overpayments totaling \$154,402 to Georgia Bridge. The overpayments were reconciled prior to project completion and therefore had no negative financial impact to the City.

In January 2017, the City of Atlanta made a payment of \$259,674 on a balance due of \$233,707 resulting in an overpayment of \$25,967. In March 2018, the City made a payment of \$2,813,311 to Georgia Bridge on a balance due of \$2,684,876 resulting in an overpayment of \$128,435.

The overpayments appear to have carried until November 2018 and when the final invoice from Georgia Bridge was submitted. The submission of the final invoice included a reconciliation by Georgia Bridge to ensure total disbursements did not exceed payment requests.

Talson confirmed that the final payment to Georgia Bridge did not exceed the DB Lump Sum Agreement value.

Recommendation 5: The commissioner of the Department of Public Works and the chief financial officer should review the accounts payable processes in place for construction contracts to determine the cause of the overpayments to reduce risk in future projects.	
Proposed Action: Overpayments were due to retainage not being withheld as per the pay applications. The department will work to ensure that the disbursement document reflects the correct amount to be paid.	Response: Agree
Person Responsible: Department of Public Works Administrative Program Manager	Implementation Date: November 5, 2019

APPENDIX A LISTING OF DOCUMENTS REVIEWED & INTERVIEWS CONDUCTED

From the City of Atlanta, Department of Public Works

- Weekly Progress Reports dated January 2, 2018 through October 19, 2018
- Executed Design-Build Lump Sum Contract with Georgia Bridge
- Applications for Payment/Invoices Numbers 1 through 29
- Application for Payment/Invoices for Retainage dated April 2018 and December 2018
- Field Reports from Willmer Engineering, Inc. for the period August 25, 2018 through September 21, 2018
- Email correspondence regarding the use of owner's allowances

From the City of Atlanta, Controller's Office

- Accounts Payable sub-ledger for the Bridge Project
- Atlanta's Open Checkbook detail as of June 3, 2019 and August 12, 2019

From Georgia Bridge and SD&C (from letter dated June 14, 2019)

- Final Application for Payment/Invoice No. 29 dated December 6, 2018
- Final Application for Payment/Invoice for release of Retainage dated December 19, 2018
- DB Lump Sum Agreement - Schedule of Values Breakdown dated April 29, 2016

From the City of Atlanta, City Auditor's Office

- Audit Report: Renew Atlanta and TSPLIT – Review of Expenditures dated December 20, 2018
- Audit Report: Renew Atlanta Bond Program – Contract Language dated June 20, 2016

Project Management Interviews

- Ben Colson, Estimator – Georgia Bridge and Concrete
- Gene Boullain, Senior Project Manager – Georgia Bridge and Concrete - Retired
- Michael Ayo, Bridge Engineer, City of Atlanta – Department of Public Works
- Rita Braswell, Program Manager, City of Atlanta – Department of Public Works