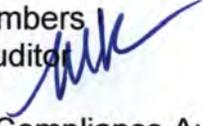




CITY AUDITOR'S OFFICE

TO: Mayor and Council Members
FROM: Margaret Krym, City Auditor 
DATE: May 29, 2014
SUBJECT: Construction Contract Compliance Audit
Emergency Operations Center Expansion

The FY2014 Audit Plan included a review of a project in the Department of Public Works. We selected a recently completed construction project, the expansion of the Emergency Operations Center, and engaged R.L. Townsend & Associates to perform a Construction Contract Compliance Audit. Mr. Townsend's report is attached for your review.

We would like to thank Oliver Clarke, Project Manager, and the contractor, Gates Butz Institutional LLC for their assistance and cooperation in completing the audit work.

We will be happy to respond to any questions or concerns. You may contact either Mr. Townsend at 972-679-6762 or me at 239-242-3380.

C: John Szerlag, City Manager
Dolores Menendez, City Attorney
Rebecca van Deutekom, City Clerk
Steve Neff, Public Works Director
Mark Ridenour, Facilities/Project Manager
Oliver Clarke, Project Manager
Audit Committee

Construction Audit Report

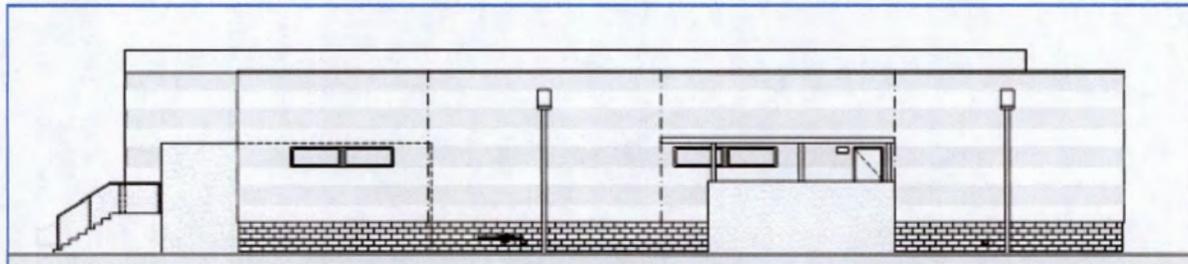
Prepared for:

City of Cape Coral, Florida

Contractor: Gates Butz Institutional LLC

Project:

Expansion of Existing
Emergency Operations Center



Report Submitted By:

R. L. Townsend & Associates, Inc.

www.rltownsend.com

(972) 679-6762
Plano, Texas

April 11, 2014

Construction Audit Report
Expansion of Existing Emergency Operations Center
Project Location: City of Cape Coral, FL

Contractor: Gates Butz Institutional Construction LLC

Report as of April 11, 2014

Project and Background

As a part of an overall program of controlling construction costs, the City of Cape Coral engaged R.L. Townsend & Associates, Inc. to perform an audit review of records associated with the construction of the Expansion of the Existing Emergency Operations Center (EOC) project in Cape Coral, FL. The City of Cape Coral contracted with Gates Butz Institutional Construction LLC (Gates) for the construction of this project on October 24, 2012.

The following is a summary of the base construction contract and change order documentation that was provided to our office for review during this audit:

Payment Application Date	Description	Amount
12/24/2012	Base Contract	\$ 778,858.00
1/31/2013	Change Order #1	\$ 19,159.72
2/13/2013	Change Order #2	\$ 3,735.08
3/27/2013	Change Order #3	\$ 10,070.91
4/10/2013	Change Order #4	\$ 8,151.69
4/24/2013	Change Order #5	\$ 2,136.32
5/14/2013	Change Order #6	\$ 22,650.66
5/23/2013	Change Order #7	\$ 1,872.26
10/21/2013	Change Order #8	\$ 1,699.28
Total		\$ 848,333.92

Audit Executive Summary and Conclusion

Our audit of this project found the City's contract administration controls and related records to be in excellent order. No major internal control weaknesses were noted.

- The competitive bidding process and procedures were adequate and appropriate for the scope and complexity of the project.
- The City's Project Management review and administration of the quality of work performed by the contractor appeared to be adequate for the scope and complexity of the project.
- The documentation obtained from the contractor to support the proposed and approved change orders and the City's level of Project Management review of the contractor's change order request documentation was adequate in relation to the financial risk related to the proposed change order amounts.

Construction Audit Report
Expansion of Existing Emergency Operations Center
Project Location: City of Cape Coral, FL

Contractor: Gates Butz Institutional Construction LLC

Report as of April 11, 2014

Audit Report – Appendix "A"
Summary of Construction Audit Procedures Performed

The following is a summary of the key components of the scope of work performed during this audit:

1. The "invitation to Bid" advertisement published in the Cape Coral Breeze was reviewed.
2. The Invitation to Bid documents issued by the City were reviewed.
3. Addenda #1 was reviewed.
4. The Pre-bid meeting attendance record was reviewed.
5. The City's Bid Receipt Log was reviewed.
6. The City's Official Tabulation Form for Proposal Opening was reviewed.
7. Bid received by the city from the various general contractor bidders were reviewed.
8. The bid evaluation and related tabulation of bids prepared by the City was reviewed.
9. The project plans and specifications issued to the bidders were reviewed.
10. The executed construction contract was reviewed.
11. The contractor's performance and payment bond was reviewed.
12. The contractor's Certificate of Liability Insurance was reviewed.
13. The contractor's state license was reviewed.
14. The contractor's bid bond was reviewed.
15. Approved construction contract change order documentation was reviewed. Change orders were reviewed for:
 - a. appropriateness of scope of work
 - b. adequacy of the level of documentation
 - c. compliance with the terms of the contract
 - d. appropriateness of pricing
16. The scope of work performed by the contractor was reviewed during a tour of the project with the City's Project Manager.
17. An audit of the construction contractor's records was performed which included a review of the following documentation:
 - a. Bids from subcontractors that were received by the contractor
 - i. Bids were reviewed for appropriateness of scope of work
 - ii. Bids were reviewed for unaccepted credit alternates requiring special audit follow-up
 - b. Executed subcontracts that were issued to the subcontractors
 - c. Change orders that were issued by the contractor to the subcontractor
 - i. Change orders were reviewed to ensure that the amounts were the same as the amounts quoted to the City
 - ii. Change orders were reviewed to ensure that no credit change orders were processed without a corresponding credit change order issued to the City
 - d. Payment applications received from subcontractors
 - e. The contractor's job cost accounting records