



FULTON COUNTY, GEORGIA
OFFICE OF THE COUNTY AUDITOR
Audit of the Fulton County Public Library System
Design/Build Services for Library CIP Renovations
Contract – Group 1
May 19, 2021

TABLE OF CONTENTS

TABLE OF CONTENTS 1

INTRODUCTION 1

BACKGROUND 1

OBJECTIVE 2

SCOPE 2

METHODOLOGY 2

FINDINGS AND RECOMMENDATIONS 3

 Finding 1 – Incomplete Pay Applications 3

 Recommendation 3

CONCLUSION 4

INTRODUCTION

In accordance with the 2021 approved Audit Plan, the Office of the County Auditor conducted a review of the Fulton County Public Library System contract for Design/Build Services for Library Capital Improvement Project Renovations to determine if the renovation costs were under the Guaranteed Maximum Price at the conclusion of the project, excluding owner contingency.

BACKGROUND

The Fulton County Public Library System serves the citizens of Fulton County and the City of Atlanta, including the portion of the city located in DeKalb County. With thirty-four (34) libraries and a collection of more than 2.5 million items, Fulton County has the largest library system in the state of Georgia and offers innovative programs, services and virtual resources tailored to meet the needs of each branch community.

The Capital Improvement Project (CIP) is divided into two phases. Phase I involves the design and construction of eight (8) new branch libraries and the expansion of two (2) libraries. The construction of all ten (10) Phase I libraries has been completed. The Phase II Library CIP involves the renovation of twenty-two (22) existing libraries, with construction beginning in Spring 2017.

Fulton County Government approved and entered into a contract with Hogan Construction Group, LLC (16RFP0892016K-JAJ) on March 29, 2017 to provide Design/Build Services for Library CIP Renovations, Phase II – Group 1, libraries on behalf of Fulton County, in the amount of \$12,635,524. A change order was approved for \$899,859.24 and \$1,875,000 for a total contract amount and Guaranteed Maximum Price (GMP) of \$15,410,383.

The scope of work consisted of the redesign and construction of seven (7) libraries included in the Phase II – Group 1 contract. They are:

1. Roswell, a 23,716 square foot library located at 115 Norcross St Roswell, GA 30075
2. Sandy Springs, a 25,000 square foot library located at 395 Mount Vernon Hwy Sandy Springs GA 30328
3. Kirkwood, a 7,500 square foot library located at 11 Kirkwood Rd NE Atlanta, GA 30317
4. Southwest/Cascade, a 27,270 square foot library located at 3655 Cascade Rd Atlanta GA 30331
5. Dogwood, a 6,200 square foot library located at 1838 Donald Lee Hollowell Pkwy Atlanta GA 30318
6. Washington Park, a 8,120 square foot library located at 1116 Martin Luther King Jr. Dr Atlanta GA 30314
7. West End, a 7,980 square foot library located at 525 Peoples St SW Atlanta GA 30310

Each library shall be considered to be a Project. Hogan Construction shall manage each Project (library facility) individually.

Hogan Construction prepared a Guaranteed Maximum Price (GMP) proposal that utilized Fulton County’s approved design documents. Upon approval of the GMP proposal, an agreement was amended to include the cost of construction for each project and an Owner’s Controlled Contingency (OCC). OCC funds shall be used to cover costs that arise during construction that are not identified in the construction documents. The total contract amount of \$15,410,383, included the OCC amount. Any unused OCC remaining at the end of the project will be credited, from the contract amount, in which the design/builder has no entitlement to any portion of the unused contingency amount. Therefore, any unused OCC will go to the Fulton County Government as a cost savings.

Per the contract, the savings is defined as, the amount of dollars under GMP of the actual costs at the conclusion of the project.

The Design/Builder shall provide to the Program Manager multiple itemized options for scope of renovations/improvements and their associated costs so that the Owner can make informed decisions on scope of renovation to occur. As the Design documents are approved for each project, the design/builder will prepare GMP proposals utilizing the Owner approved design development documents as the basis of design for each proposal. Upon owner approval of each GMP proposal, the Agreement will be amended to include the cost of construction for each project using the approved negotiated costs.

OBJECTIVE

The objectives of the audit are to verify whether the completion of the Library’s construction projects resulted in a savings and to determine if proper approvals were given for the monthly installment payments.

SCOPE

The scope of this review focused on the start and completion of the Library CIP Renovations, Phase II – Group 1 libraries for Fulton County Public Library System with dates ranging from August 2017 through January 2021.

METHODOLOGY

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our finding and conclusion based on our audit objectives.

To achieve our audit objectives, we performed the following audit procedures:

- Obtained and reviewed the contract agreement between Fulton County Government and Hogan Construction Group, LLC (16RFP0892016K-JAJ); and
- Reviewed Construction Pay Applications for each library project to include:
 - Contractor Utilization Reports;
 - Schedule of Values reports;
 - Billing Logs; and
 - Application and Certification of payment report, to ensure accuracy and approval of monthly payments based on the supporting documentation submitted by the Construction Manager.

Additionally, we interviewed key personnel involved in the project management and operations. We believe that the evidence obtained provides a reasonable basis for our finding and recommendation detailed in the section below.

FINDINGS AND RECOMMENDATIONS

Finding 1 – Incomplete Pay Applications

According to the construction contract, prior to the first application for payment, Hogan Construction should submit to Fulton County, a Schedule of Values (SOV) for each project for review and approval. The SOV should contain design services and management fees related to each design and construction phase.

During our review, we reviewed two hundred and twelve (212) pay applications received from all seven (7) libraries and noted the following:

- Eleven (11) of the two hundred and twelve (212) pay applications, or 5%, did not reconcile to their respective SOV report. A SOV should be completed for each pay application received. As a result, we were unable to verify the accuracy of the SOV to the pay applications;

This may have occurred as a result of inadequate reviews upon submission of the construction pay applications. Inadequate and/or incomplete reviews can lead to inaccurate approval of pay applications.

Recommendation

Although management appeared to keep an ongoing record of construction costs, in order to comply with the contract requirements, we recommend that management strengthen its internal controls to ensure pay applications are completed and approved to allow for accurate reporting

and to ensure information is accurately documented and easily traceable to supporting documentation.

CONCLUSION

During our review of the pay applications, we verified the accuracy of the total savings amount of \$2,416.21 submitted by Hogan Construction. The total costs for the project and calculations to determine the savings and any unused Owner’s Controlled Contingency OCC is detailed below:

Total GMP	\$15,410,383.24
Final Construction Cost	(\$15,407,967.03)
Total Unused Owner’s Controlled Contingency	\$ 2,416.21

According to the contract, the total unused OCC remaining at the end of the project will be credited in the amount of \$2,416.21.

Based on our review of the Library CIP Renovations, Phase II – Group 1 libraries for Fulton County Public Library System, we identified one (1) weakness that has resulted in a finding of incomplete and/or missing pay applications. We recommend management and staff give immediate attention to the above finding and recommendation.

Please provide a written response to this audit within ten (10) business days. This response should be addressed to Anthony Nicks, County Auditor and should be submitted through the County Manager’s Office to Joi Hargis, Audit Coordinator, in the Office of the County Auditor at Joi.Hargis@fultoncountyga.gov. We would like to thank management and staff for their timely cooperation and assistance during this audit. The distribution of this report is reserved for the executive management of Fulton County and the Board of Commissioners.