



## INTEROFFICE MEMORANDUM

**TO:** Kun Suwanarpa, Interim Director  
Public Works and General Services  
*Anthony Nicks*  
**FROM:** Anthony Nicks, County Auditor  
**DATE:** April 13, 2015  
**RE:** Review of Construction Pay Applications-Wolf Creek

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Pursuant to your request, the Office of Internal Audit conducted a high-level review of pre-construction and construction pay applications submitted by Hogan Construction Group for the construction of the Wolf Creek Library. This review was conducted to verify the savings amount realized in the Guaranteed Maximum Price (GMP) as defined in the contract. The saving is the amount of dollars under the GMP of the actual costs of the conclusion of the project excluding the Owner Contingency.

Based on our review of the pay applications, we verified the accuracy of the total savings amount of \$155,734.74 submitted by Hogan Construction Group. The total costs for the project and calculations to determine the savings are detailed below:

<b>Wolf Creek Library Construction</b>	
Guaranteed Maximum Price	\$ 8,652,776.00
Less: Total Construction Costs	8,458,024.82
Less: Unused Owner's Contingency	39,016.44
<b>Total Savings</b>	<b>\$ 155,734.74</b>

Additionally, during our review we noted areas where procedures may need to be implemented or areas that may require improvements in the approval process of the pay applications. Our observations are reflected below:

- 1. The individuals that approve the pay applications should sign and date each pay application upon verification at each level of the process.**
  - a. Seven of the nine (77%) Pre-Construction Services pay applications were missing dates.
- 2. All respective reports submitted should be complete and accurate.**
  - a. Several pay applications had incorrect information i.e., mathematical errors, inaccurate information reflected for the subcontractors, etc.
- 3. All respective reports should be included in the monthly pay applications.**
  - a. The *Billing Summary* and the *Attachment L* spreadsheet were missing from several of the pay applications.
- 4. The Schedule of Values, the Continuation Sheet, and the Utilization Report should agree.**
  - a. Seven of the 18 (39%) Construction Services pay applications reflected

figures that did not tie back to their respective schedules.

As a result of the aforementioned observations, we recommend that management strengthen internal controls to ensure pay applications are valid, properly authorized (signature and date), and complete. Poor recordkeeping can hinder the program's ability to provide accurate information for sound decisions for the program in the future.

We also have concerns regarding the amount of time required for our office to complete this review. There are nine additional library construction projects slated to be completed in Phase I. Each of these projects will require a similar review to determine possible savings. Based on our analysis of the manpower we utilized to complete this review, we determined the following:

*Two individuals worked on this high level review for two months. They devoted a total of 298 hours to this project. If there are nine additional library constructions and at least 298 hours are allocated to each project, the total hours would be 2,682\*.*

$$*298 \text{ hours} \times 9 \text{ projects} = 2,682 \text{ hours}$$

*Currently, an Auditor I earns \$24.19/hour, which would equal a total cost of \$64,877.58\* if the 2,682 hours were utilized for the remainder of the projects.*

$$*\$24.19 \times 2,682 \text{ hours} = \$64,877.58$$

This information is based on the fact that only 298 hours would be utilized for each of the nine projects remaining. This number could increase or decrease based on the needs of each project. Reviewing pay applications and confirming possible savings would be more timely and efficient if an auditor was hired to perform the review during the construction process and not being inundated with information once the construction is complete. Based on the amount of time and the number of libraries that will require a review, we recommend that Facilities and Transportation Services obtain these services through the use of a contracted vendor.

We would like to thank the management and staff of Facilities and Transportation Services for their timely cooperation and assistance during this review. If you have any additional questions, please contact me at extension 21019. Thank you.

Cc: Richard Anderson, County Manager  
Al Collins, Assistant Director, General Services  
Khandi Flowers, Construction Manager, General Services