

Biscayne Building
19 West Flagler St., Suite 220
Miami, FL 33130
Phone: (305) 375-1946
Fax: (305) 579-2656
www.miamidadeig.org

**Office of the Inspector General
Miami-Dade County**

Memorandum

To: Steve Shiver, County Manager

Received by Date

Mr. Aristides Rivera, P.E., Director
Public Works Department

Received by Date

From: Christopher Mazzella, Inspector General

Date: April 23, 2003

Re: Audit Final Report on the Resurfacing and Drainage Contracts within the Quality
Neighborhood Improvement Program (QNIP)

Attached please find a copy of the Final Audit Report that was conducted by the Office of the Inspector General (OIG) of the Public Works Department's (PWD) resurfacing and drainage contracts within the Quality Neighborhood Improvement Program (QNIP). This report is the third in a series of four (4) audit reports on the QNIP program. This third report presents a summary of conditions identified during our review of the QNIP contract management process. The fourth and final report will address questionable costs.

cc: Commissioner Dr. Barbara Carey-Shuler, Chair, Board of County Commission
Commissioner Jimmy Morales, Chair, Budget and Finance Committee
Commissioner Natacha Seijas, Chair, Govt. Operations and Environment Committee
Mr. Bill Johnson, Assistant County Manager
Mr. Pete Hernandez, P.E., Assistant County Manager
Mr. Roger Hernstadt, Capital Improvements Construction Coordinator
Ms. Cathy Jackson, Director, Audit and Management Services
Mr. Eric McAndrew, Chief Legislative Analyst, Board of County Commissioners

Clerk of the Court (copy filed)

I. INTRODUCTION

The Office of the Inspector General (OIG) randomly selected for audit nine (9) Quality Neighborhood Initiative Bond Program / Quality Neighborhood Improvement Program (QNIBP/QNIP)¹ resurfacing / drainage contracts that have had payments made under them. Five (5) different contractors, with four (4) of the five (5) contractors holding two (2) contracts each, hold these nine (9) contracts. The Miami-Dade County Public Works Department (PWD) prepared and approved these contracts pursuant to the Expedite Ordinance No. 00-104. These contracts were awarded and subsequently ratified by the Board of County Commissioners (BCC) during the period of January 2000 thru May 2001.

This report is the third in a series of four (4) audit reports on the QNIP program. Specifically, this third report presents a summary of conditions identified during our review of the QNIP contract management process. The fourth and final report will address questionable costs.

We found the contract administration process to be a collection of poorly managed and flawed practices. It included poor project planning and lacked efficient contract monitoring. These weaknesses can lead to inappropriate use of funds, lack of accountability and wasteful spending. Our findings relate to weaknesses in the contract administration process, specifically project planning and monitoring.

GOVERNING AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the OIG has the authority to review past, present, and proposed County and Public Health Trust programs, accounts, records, contracts and transactions. This includes conducting contract audits regardless of whether the contract contains an OIG random audit fee.

BACKGROUND

In an effort to develop and maintain Miami-Dade County's (the County) infrastructure, the Board of County Commissioners (BCC) in Fiscal Year 1998/1999 approved the Quality Neighborhoods Improvement Program (QNIP). QNIP consists of a series of capital improvement projects funded by two series of general obligation / bond issues.

QNIP is a neighborhood restoration program that sets aside \$70 million for drainage improvements, \$28 million for park improvements, \$26 million for sidewalk improvements and repairs, \$11 million for resurfacing streets, and \$7.5 million for building safe routes to schools.

¹ The nine (9) contracts identified in our audit report were funded by two series of general obligation / bond issues, "Quality Neighborhood Initiative Bond Program" (QNIBP) and "Quality Neighborhood Improvement Program" (QNIP). For clarity purposes, "QNIP" is used hereafter to describe both programs.

The intent of this program is to revitalize deteriorating neighborhoods and improve the safety of Miami-Dade County residents, motorists, pedestrians, and school children.

Specifically, QNIP projects include drainage improvements, roadway paving, and sidewalk projects (repairing existing sidewalks and adding new sidewalks) within the unincorporated areas of the County.

II. SUMMARY OF AUDIT WORK PERFORMED

During our review of QNIP's contract management, we identified *three (3)* areas of concern regarding PWD's project planning:

1. Unauthorized usage of contract contingency allowance;
2. Significant cost variances between work order estimates and final work order costs; and
3. Questionable completeness and accuracy of work order contingency allowance amounts, which invalidate their value as budget / cost control measures.

SUMMARY RECOMMENDATIONS:

Based on our review, we have concluded that:

1. Public Works should add items that are commonly used in resurfacing / drainage contracts to the bid and contract specifications thereby restricting the use of the contingency allowance to appropriate items (i.e. permits and office duty police officers);

See PWD's response on page 4 (attached).

*The OIG does not disagree with PWD's response. **All** QNIP contracts (not just drainage contracts²) should provide for unforeseen conditions.*

2. Public Works should prepare a complete and accurate work order estimate before construction; and

See PWD's response on page 4 (attached).

The OIG disagrees that the work orders are reasonably complete. The material variances noted on pages 9 through 11 of the report clearly substantiates the OIG's

² The OIG's report (Finding No. 1) did not take issue with Drainage Project No's 630116Q, 630117Q and 630118Q as they in fact contained the proper contract language in Article 35.

position. The OIG recognizes that plans must be flexible to provide for changes, however, as stated in the report, large variances, whether positive or negative indicates that PWD often used incomplete and / or inaccurate estimates to establish the original work order scope and costs.

3. Management should develop policies and procedures to include evaluating personnel who are involved in the planning and seek to hold them accountable for the quality of their work.

See PWD's response on page 4 (attached).

The OIG's finding related to individual pay items and contingency amounts, not the work order as a whole, as those figures may be misleading. The frequent occurrences of significant cost variances between work order estimates and final work order costs more specifically relates to certain items within the work order exhibiting the cost variances. Our recommendation did not address PWD's employee performance evaluation activities. We recommended that those "holding higher positions in the chain of command" require their subordinates to prepare written justifications for the large item variances. As noted, some variances reflected cost increases of over 2000% for one item alone.

III. SCOPE, OBJECTIVES AND METHODOLOGY

Our audit objective was to determine whether Public Works effectively managed the QNIP projects, by evaluating its project planning (field surveys, plan preparations and work order estimates) and monitoring (daily / weekly inspection reports, project diaries, on-site monitoring).

Public Works management informed the OIG that there were no written policies and procedures regarding project planning and monitoring. Therefore, the OIG auditor documented the procedures utilized by the department based on interviews, observations and inquiry of department personnel. Using the information provided, we reviewed all change order and contingency payments executed from the notice to proceed date thru August 2002 (end of audit fieldwork) for the nine (9) contracts.

Additionally, OIG auditors examined the bid documents for each of the nine (9) contracts. We also reviewed project surveys, estimates and certificates of completion for selected work orders.

IV. FINDINGS AND RECOMMENDATIONS

Public Works engages the services of consultants to conduct field surveys, prepare the plans and estimates and conduct on-site monitoring for all work orders issued under a QNIP contract. The work order estimate ultimately becomes a work order attached to a QNIP contract. **(See QNIP Work Order Flowchart, attached as Exhibit A).** A typical QNIP contract generally has between 10-12 work orders each representing work scope and costs.

Public Work's Construction Division was not properly and effectively planning the work to be performed resulting in its using repetitive non-bid pay items that were not included in the original contract bid documents or contract specifications.

Finding No.1: Unauthorized usage of contract contingency allowance.

QNIP contract Article 9 **CONTINGENCY ALLOWANCE** states that:

“The Contractor will be reimbursed for the direct (actual) cost of permit fees and the hiring of off-duty police officers (when required and approved by the Engineer), from this Contingency allowance. All monies not utilized, as described above, shall be retained by the County.”

While the above contract article pertains to the contract's contingency allowance account, PWD does not establish its work order contingency allowance following this guideline. Instead, Public Works uses the work order contingency allowance as a method to pay for various, repetitively used, non-competitively bid work items, such as “Adjust Valve Boxes” and “Night Differential for Milling / Paving”. **(See QNIP Contract Flowchart attached as Exhibit B).** As a result, the total contingency allowance amounts attached to and paid under all work orders issued under any given QNIP contract invariably exceed the stated contract contingency allowance amount. This condition is reflected in the table below which summarizes the nine contracts selected for audit.

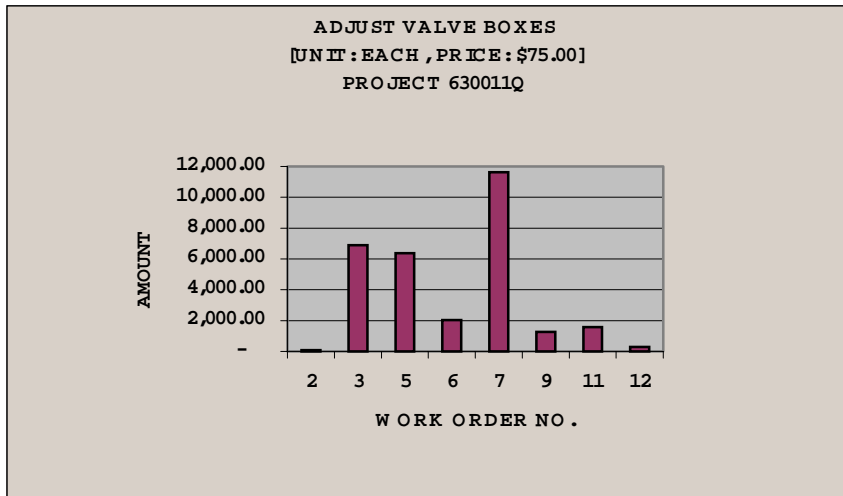
PROJECT NO .	CONTRACT AMOUNT	CONTINGENCY ALLOWANCE	CONTINGENCY PAID THRU DATE OF FIELDWORK
630011Q	1,760,000.00	20,000.00	221,957.20
630012Q	1,760,000.00	20,000.00	281,677.96
630013Q	1,760,000.00	175,000.00	64,213.27
630014Q	1,760,000.00	175,000.00	87,986.70
630015Q	1,750,000.00	175,000.00	372,628.04
630016Q	1,750,000.00	175,000.00	-
630116Q	2,000,000.00	50,000.00	29,679.60
630117Q	1,000,000.00	25,000.00	152,544.92
630118Q	2,200,000.00	50,000.00	42,376.70
	\$ 15,740,000.00	\$ 865,000.00	\$ 1,253,064.39

Because Public Works does not restrict work order contingency allowance usage to authorized contract uses (permits & off-duty police officers), Public Works makes inappropriate payments to contractors using funds ultimately paid from the contract contingency allowance that may otherwise be retained by the County.

The four tables below (Pavement Resurfacing contracts, project numbers 630011Q, 630012Q, 630013Q and 630014Q) illustrate two examples of repetitively used, non-competitively bid items. In these four contracts, neither “adjust valve boxes” nor “night differential for paving” were listed in the contract as a priced line item. This fact alone necessitates that they be paid from the work order contingency allowance and therefore ultimately paid through the contract contingency.

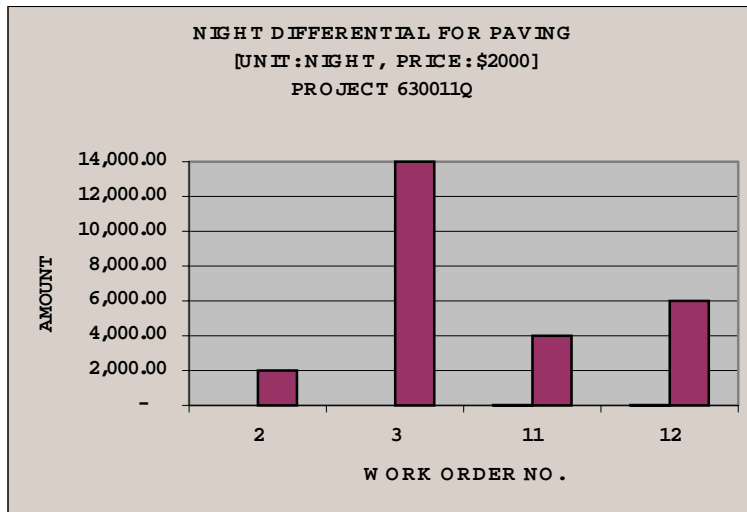
RESURFACING PROJECT NO. 630011Q (Awarded 7/20/00)

Public Works paid \$30,150 to adjust the valve boxes and \$26,000 in night differential throughout the duration of Project 630011Q.



LEGEND

W O #	Quantity	AMOUNT CHARGED
2	1	75.00
3	92	6,900.00
5	85	6,375.00
6	27	2,025.00
7	155	11,625.00
9	17	1,275.00
11	21	1,575.00
12	4	300.00
	402	\$ 30,150.00

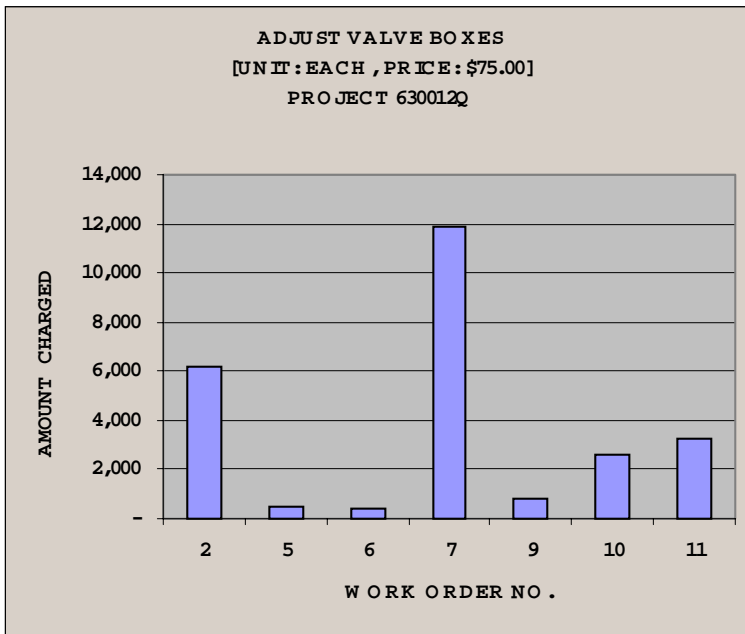


LEGEND

W O #	Quantity	Amount
2	1	2,000.00
3	7	14,000.00
11	2	4,000.00
12	3	6,000.00
	13	26,000.00

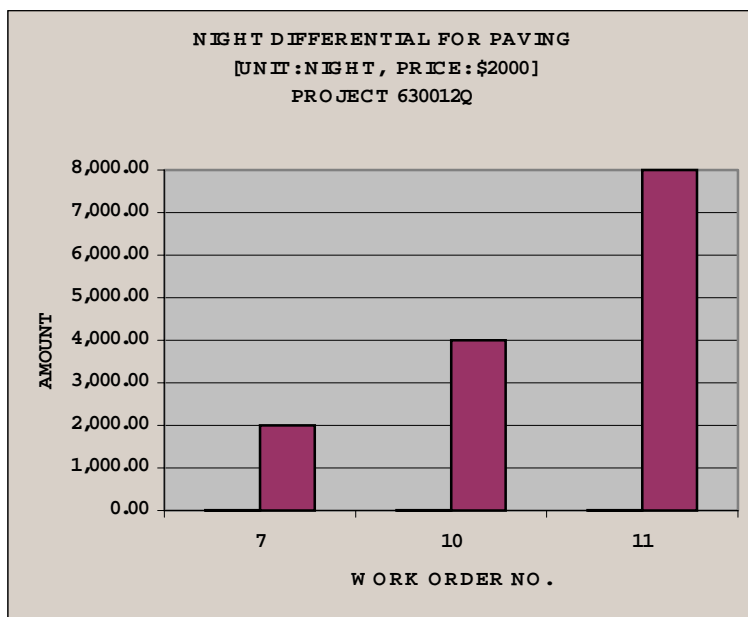
RESURFACING PROJECT NO. 630012Q (Awarded 7/20/00)

Public Works paid \$26,650 to adjust the valve boxes and \$14,000 in night differential throughout the duration of Project 630012Q.



LEGEND

W O #	Q uantity	A MOUNT CHARGED
2	83	6,225.00
5	7	525.00
6	5	375.00
7	158	11,850.00
9	11	825.00
10	35	2,625.00
11	43	3,225.00
	342	\$ 25,650.00

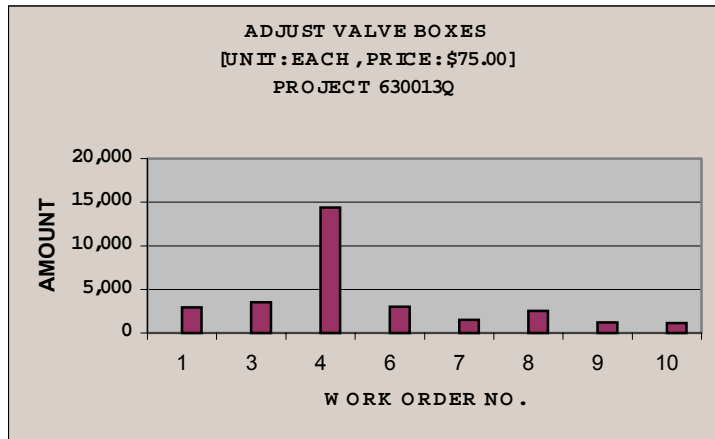


LEGEND

W O #	Q uantity	A MOUNT CHARGED
7	1	2,000.00
10	2	4,000.00
11	4	8,000.00
	7	\$ 14,000.00

RESURFACING PROJECT NO. 630013Q (Awarded 7/19/00)

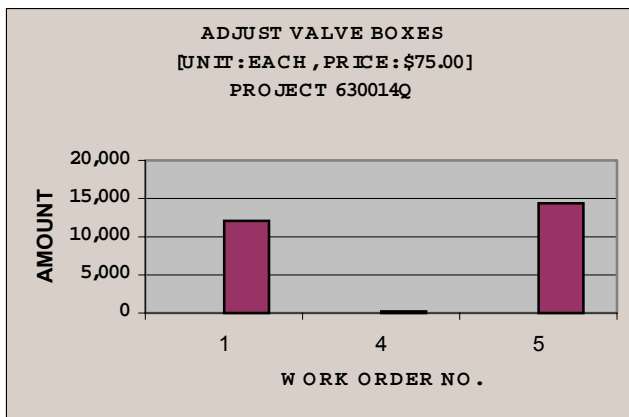
Public Works paid \$30,225 over several work orders to adjust the valve boxes throughout the duration of Project 630013Q.



LEGEND		
W O #	Q uantity	A M O U N T C H A R G E D
1	39	2,925.00
3	47	3,525.00
4	20	14,400.00
6	40	3,000.00
7	20	1,500.00
8	34	2,550.00
9	16	1,200.00
10	15	1,125.00
231		\$ 30,225.00

RESURFACING PROJECT NO. 630014Q (Awarded 8/9/00)

Public Works paid \$26,700 over several work orders to adjust the valve boxes throughout the duration of Project 630014Q.



LEGEND		
W O #	Q uantity	A M O U N T C H A R G E D
1	161	12,075.00
4	3	225.00
5	192	14,400.00
356		\$ 26,700.00

Recommendation to Finding No. 1:

Public Works should include items that are consistently required on work orders (e.g., adjust valve boxes, night differential for milling / paving) in the bid documents and contract specifications for all resurfacing / repaving contracts. This would eliminate the need to later include these otherwise contractually unauthorized contingency allowance payments.

According to the response to the draft report, PWD agreed that pay items should be included in all paving contracts for adjusting valve boxes, night differential for milling/paving and other items which are typically needed.

Finding No. 2: There were significant cost variances between work order estimates and final work order costs.

Actual project needs can vary from the project estimates in terms of the quantity of work required for completion, however, the significant variances noted below appear to be the direct result of poor project planning. The OIG questions why these quantities and amounts were not included in the work order estimate. This condition is reflected in Paving Resurfacing Contracts, project numbers 630011Q, 630012Q, and 630015Q and Drainage Contract, project number 630117Q, in the tables below.

RESURFACING PROJECT NO. 630011Q

Work Order No. 2										
ESTIMATED					ACTUAL				VARIANCE (Est. vs. Actual)	
Description	Unit	Price \$	Quantities	Amount	Unit	Price \$	Quantities	Amount	\$	%
SOLID TRAFFIC STRIPE (4" Yellow) Thermoplastic ITEM #: 711-36-41	L.F.	\$0.40	512.00	204.80	L.F.	\$0.40	3,046.00	1,218.40	-1,013.60	-83%
Work Order No. 5										
*MILLING IN FRONT OF DRIVEWAY	LF	**3.85	none estimated		LF	\$3.85	4,796.00	18,464.60	-18,464.60	-100%
*SWALE AREA PAVEMENT	SF	**2.25	none estimated		SF *	\$2.25	4,140.00	9,315.00	-9,315.00	-100%
Work Order No. 6										
TYPE S-1 ASPHALTIC CONCRETE ITEM #: 331-3	TON	\$30.00	3,155.97	94,679.10	TON	\$30.00	2,043.77	61,313.10	\$33,366.00	54%
Work Order No. 9										
MILLING EXISTING PAVEMENT (1") ITEM #: 327-70	S.Y	\$1.00	none estimated		S.Y	\$1.00	1,963.00	1,963.00	-\$1,963.00	-100%
TYPE S-1 ASPHALTIC CONCRETE ITEM #: 331-3	TON	\$30.00	170.00	5,100.00	TON	\$30.00	1,278.08	38,342.40	-\$33,242.40	-87%
ADJUST MANHOLE (Storm Sewer) ITEM #: 425-5	EA.	\$150.00	none estimated		EA.	\$150.00	20.00	3,000.00	-\$3,000.00	-100%
SOLID TRAFFIC STRIPE (4" Yellow) Thermoplastic ITEM #: 711-36-41	L.F.	\$0.40	120.00	48.00	L.F.	\$0.40	2,000.00	800.00	-\$752.00	-94%
SOLID TRAFFIC STRIPE (12 White) Thermoplastic ITEM #: 711-6-121	L.F.	\$1.25	none estimated		L.F.	\$1.25	1,253.00	1,566.25	-\$1,566.25	-100%

***This item was paid from the work order contingency allowance**

****This item's price was not competitively bid but instead was a set price determined by the department in the work order estimate even though no quantity for the item was in fact estimated.**

RESURFACING PROJECT NO. 630012Q

W ork Order No. 1										
ESTIMATED					ACTUAL				VARIANCE (Est. vs. Actual)	
Description	Unit	Price \$	Quantities	Amount	Unit	Price \$	Quantities	Amount	\$	%
*MAINTENANCE OF TRAFFIC	LS	no price	none estimated	-	LS	\$5,000.00	1.00	5,000.00	-\$5,000.00	-100%
W ork Order No. 5										
SOLID TRAFFIC STRIPE (4" W hite) Therm oplastic ITEM #: 711-35-41	L.F.	\$0.35	none estimated		L.F.	\$0.35	19,608.00	6,862.80	-\$6,862.80	-100%
SOLID TRAFFIC STRIPE (4" Yellow) Therm oplastic ITEM #: 711-36-41	L.F.	\$0.40	7,226.00	2,890.40	L.F.	\$0.40	2,470.00	988.00	\$1,902.40	193%
SOLID TRAFFIC STRIPE (12 W hite) Therm oplastic ITEM #: 711-6-121	L.F.	\$1.25	none estimated		L.F.	\$1.25	44.00	55.00	-\$55.00	-100%
SOLID TRAFFIC STRIPE (6" Yellow) Therm oplastic ITEM #: 711-36-61	L.F.	\$0.55	none estimated		L.F.	\$0.55	2,714.00	1,492.70	-\$1,492.70	-100%
SOLID TEMPORARY 4" (Yellow /W hite) ITEM #: 102-91-2	L.F.	\$0.12	none estimated		L.F.	\$0.12	6,146.00	737.52	-\$737.52	-100%
SKIP TEMPORARY 4" (W HT/YLL)10' Stripe, 30' Space ITEM #: 102-91-3	L.F.	\$0.12	none estimated		L.F.	\$0.12	1,850.00	222.00	-\$222.00	-100%
W ork Order No. 7										
SOLID TEMPORARY PAVEMENT MARKINGS 4" (Yellow /W hite)	L.F.	\$0.12	144.00	17.28	L.F.	\$0.12	20,518.00	2,462.16	-\$2,444.88	-99%

*This item was paid from the contingency allowance

RESURFACING PROJECT NO. 630015Q

W ork Order No.2										
ESTIMATED					ACTUAL				VARIANCE (Est. vs. Actual)	
Description	Unit	Price \$	Quantities	Amount	Unit	Price \$	Quantities	Amount	\$	%
TYPE S-1 ASPHALTIC CONCRETE ITEM #: 331-3-1	TON.	\$39.65	8,357.00	331,355.05	TON.	\$39.65	5,471.02	216,925.94	\$114,429.11	53%
W ork Order No.6										
SOLID TRAFFIC STRIPE (12 W hite) Therm oplastic ITEM #: 711-6-121	L.F.	\$1.80	none estimated		L.F.	\$1.80	1,187.00	2,136.60	-\$2,136.60	-100%
SOLID TRAFFIC STRIPE (24" W hite) Therm oplastic ITEM #: 711-6-241	L.F.	\$3.15	236.00	743.40	L.F.	\$3.15	1,989.00	6,265.35	-\$5,521.95	-88%

DRAINAGE PROJECT NO. 630117Q

Work Order No. 3										
ESTIMATED					ACTUAL				VARIANCE (Est. vs. Actual)	
Description	Unit	Price \$	Quantities	Amount	Unit	Price \$	Quantities	Amount	\$	%
*STRIPPING		no price	none estimated		LS	\$5,778.75	1.00	5,778.75	-\$5,778.75	-100%
*CULVERT, 18" DIA. PIPE TYPE POLY		no price	none estimated		LF	\$30.00	100.00	3,000.00	-\$3,000.00	-100%
*CULVERT, 24" DIA. PIPE TYPE POLY		no price	none estimated		FL	\$35.00	60.00	2,100.00	-\$2,100.00	-100%
*MILLING EXISTING PAVEMENT		no price	none estimated		SY	\$4.25	1,588.00	6,749.00	-\$6,749.00	-100%
Work Order No. 8										
24" DIAMETER PIPE TRENCH bottom E1/10 ft deep ITEM #443-70-9.3	L.F.	\$55.00		-	L.F.	\$55.00	588.00	32,340.00	-\$32,340.00	-100%
*INLET CURB P-1		no price	none estimated		LF	\$3,100.00	3.00	9,300.00	-\$9,300.00	-100%
Work Order No. 9										
*MANHOLE TYPE J-7T		no price	none estimated		EA	\$2,850.00	1.00	2,850.00	-\$2,850.00	-100%

***This item was paid from the contingency allowance**

The purpose of preparing the work order estimate is to define the scope and quantity of the cost of work to be completed. It is not unreasonable to assume therefore, that large variances, whether positive or negative, indicate that Public Works used incomplete and/or inaccurate estimates to establish the original work order scope and costs.

Recommendation to Finding No. 2:

It is management's responsibility to ensure that accurate and complete work order estimates are prepared and reviewed before issuing the work order to the contractor. Management should hold consultants and its in-house staff accountable for the large variances by requiring them to provide complete, detailed explanations of the circumstances (e.g. why was / were the added items(s) not included in the original estimate and why they were necessary to complete the work order).

PWD did not provide a specific response to this recommendation, this topic was discussed with PWD Management and the OIG maintains its original conclusion.

Finding No. 3: Questionable completeness and accuracy of work order contingency amounts invalidate their value as a budget/cost control measure.

Public Works routinely approves work orders for payment that include contingency allowance amounts far exceeding their approved estimated amounts. For example, one work order with estimated non-bid items for \$55,225 had a contingency allowance of only \$22,494.94. Moreover, PWD approved the final payment for \$64,652.30, which exceeded both the work order contingency and the estimated non-bid item amounts. Without exception, the various added items could be characterized as repetitively used, non-competitively bid and non-priced work items. These items and their costs are often added to the project after the work order estimate has been approved. This may be too late for Public Works officials to determine whether such items and costs are necessary and appropriate to the work order. In another example, the addition of such items raised one work order contingency allowance amount by over 2100 percent (from \$9,570 to almost \$202,000) between the time that the estimate was approved and the final amount was paid.

The following tables illustrate additional examples of these payment types that were processed for Pavement Resurfacing Contracts, project numbers 630011Q, 630012Q, and 630015Q and Drainage Contract, project number 630117Q.

RESURFACING PROJECT NO. 630011Q

Work Order	Contingency Allowance per Work Order Estimate (15%)	Contingency items per Final Work Order	% Increase (Estimated vs. Final)	Unestimated Contingency Items in Final Work Order	% of Final Contingency Payment
5	43,782.48	35,504.60	-81%	29,129.60	82%
7	66,889.66	36,351.00	-54%	22,862.00	63%
10	5,830.20	27,613.30	474%	1,563.30	6%
12	12,027.38	83,307.50	693%	1,399.00	2%
	\$ 128,529.72	\$ 182,776.40		\$ 54,953.90	30%

RESURFACING PROJECT NO. 630012Q

630012Q					
W ork Order	Contingency Allowance per W ork Order Estimate (15%)	Contingency items per Final W ork Order	% Increase (Estimated vs. Final)	Unestimated Contingency Items in FinalW ork Order	% ofFinal Contingency Payment
1	22,494.94	64,652.30	287%	6,419.80	10%
2	33,973.07	13,675.88	40%	6,774.87	50%
6	12,153.57	94,932.62	781%	21,500.80	23%
7	64,423.15	23,831.25	-37%	11,220.40	47%
9	4,249.35	7,219.50	170%	6,394.50	89%
11	27,614.25	125,293.50	454%	3,436.00	3%
	\$ 164,908.33	\$ 329,605.05		\$ 55,746.37	17%

RESURFACING PROJECT NO. 630015Q

W ork Order	Contingency Allowance per W ork Order Estimate (15%)	Contingency items per Final W ork Order	% Increase (Estimated vs. Final)	Unestimated Contingency Items in FinalW ork Order	% ofFinal Contingency Payment
1	26,626.46	61,548.10	231%	5,572.00	9%
3	22,000.00	67,070.35	305%	66,775.35	100%
12	9,570.00	201,979.59	2111%	201,979.59	100%
	\$ 58,196.46	\$ 330,598.04		\$ 274,326.94	83%

DRAINAGE PROJECT NO. 630117Q

W ork Order	Contingency Allowance per W ork Order Estimate (10% /25%)	Contingency items per FinalW ork Order	% Increase (Estimated vs Final)	Unestimated Contingency Items in FinalW ork Order	% ofFinal Contingency Payment
3	37,277.00	100,554.17	270%	39,948.00	40%
5	3,435.00	6,960.00	203%	6,960.00	100%
7	1,728.36	46,368.92	2683%	2,250.00	5%
8	11,753.00	16,718.13	142%	13,574.13	81%
9	844.50	5,048.00	598%	3,590.00	71%
	\$ 55,037.86	\$ 175,649.22		\$ 66,322.13	38%

See PWD response on page 2, paragraphs 4 and 5 (attached).

The significance of the figures in the third column is to illustrate the percentage increase in contingency costs based on the estimates versus the final costs. These significant increases are the result of items being added to the project after the work order estimate has been approved. For example, work order no. 12, Project No. 630015Q estimated a contingency allowance of \$9,570 however; the final contingency amount paid was \$201,979.59, which is an increase of over two thousand percent of the original estimate. The same holds true for work order no. 7, Project No. 630117Q, which estimated a contingency allowance of \$1,728.36 and a final cost of \$46,368.92, which is an increase of 2683%.

The frequent use of non-competitively bid and non-priced items may indicate that the Public Works defined work scope (items listed in the bid documents and contract specifications) is incomplete and should be updated to include the repetitively used items. Another possibility is that PWD field engineers are being too loose in their oversight of projects by allowing new items and their associated costs to be added to an already approved project scope of work without justifying the necessity for the additions. Unit price contracts are most appropriate when work units and work items can be well defined and priced but total project quantities are uncertain. Under PWD's Contracts & Specification and Construction Divisions, it appears that the work items are the uncertain factors, as new work items seem to be frequently added after the work order estimates have been approved.

The OIG questions the value-added benefits of field surveys and work order estimates, which are conducted before any construction begins, when the final expenditures exceed the work order estimates. In addition, the OIG questions contingency allowance payments for items not identified and priced in the work order estimate. The lack of effective and efficient planning and monitoring promotes an atmosphere lacking accountability and wasteful spending.

Recommendation for Finding No. 3:

Public Works management should ensure that work order estimates accurately depict the conditions noted during the field surveys so that all necessary items are included in the work order estimate before construction begins. Furthermore, all non-bid items should be identified and priced before issuing the work order to the contractor.

See PWD response on page 2, paragraphs 6 and 7 through page 4, paragraph 1 (attached).

This finding addresses the use of the contingency allowance, not the work order cost as a whole. The OIG maintains its position that work order estimates be complete and accurately reflect the field conditions in order to minimize the frequent adding of work order items (paid from contingency) after the estimate has been approved.

MANAGEMENT RESPONSES

Management was given an opportunity to respond during the audit process to the above findings. Where provided, such comments helped explain these conditions and in most cases showed management's willingness and intent to correct identified deficiencies. Occasionally, management challenged specific audit findings. However, those comments failed to invalidate either the audit findings or the global issues identified in this report. On March 17, 2003, PWD was presented with our Draft Audit Report and was given the opportunity to formally provide a written response to OIG findings and recommendations. Where PWD has implemented any remedial action or any measures since our meetings during the audit process it should have been noted in the response.

The OIG appreciates the cooperation and courtesies extended by all County personnel who were involved in our audit of the Quality Neighborhood Improvement Program (QNIP).