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**Arcadia Trails Park Playground
Replacements Contract Audit**

December 27, 2021



**City of Fort Worth
Department of Internal Audit**

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Fort Worth, Texas 76102

Audit Staff

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The Arcadia Trails Park Playground Replacements Contract Audit was conducted as part of the Department of Internal Audit's Fiscal Year 2021 Annual Audit Plan.

Audit Objectives

The objectives of this audit were to:

- determine whether the project was completed in accordance with contract terms; and,
- ensure compliance with applicable legislation.

Audit Scope

Our audit included a review of the playground construction project from May 11, 2020 (project commencement date) through June 4, 2021 (City of Fort Worth's notice of project completion date). Activity beyond this period was reviewed as deemed necessary.

Opportunities for Improvement

Documented verification and approval of contractor pay estimates

Executive Summary

As part of the Fiscal Year 2021 Annual Audit Plan, the Department of Internal Audit conducted the Arcadia Trails Park Playground Replacements Contract Audit.

Based on our test results, the contracted vendor (L. J. Design & Construction, LLC) billed for work actually completed. Also, the project was completed within the timeframe specified in the amended contract.

We concluded that L. J. Design & Construction, LLC complied with applicable legislation, insurance and bonding requirements, as well as the 5% minority subcontracting requirement.

Although the City of Fort Worth paid for work actually performed, and did not exceed the amended contract award amount, there was no evidence that the inspector verified quantities billed, and/or approved each invoice. We did note, however, that the Project Manager approved each invoice.

Our audit finding is discussed in further detail within the [Detailed Audit Finding](#) section of this report.

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Background

The Park and Recreation Department maintains close to 300 parks and public spaces, citywide, as well as provides recreational activities and educational programming to make Fort Worth a great place to live, work and play.

- November 2019: The City solicited bids for the replacement of three playgrounds in the Arcadia Park System (Contract No. 53804; M&C 20-0103).
- December 2019: The City received five vendor bids, ranging from \$567,289.24 to \$821,910.50.
- February 18, 2020: The Mayor and City Council authorized a contract with L. J. Design & Construction, LLC, to replace three playgrounds (playgrounds #2, #5, and #6) in the Arcadia Park System, for \$567,289.24.
- April 14, 2020: The City of Fort Worth executed the playground replacement contract with L. J. Design & Construction, LLC.
 - The contract was executed with a 5% Minority Business Enterprise (MBE) subcontracting requirement.
 - The contracted work started on May 11, 2020, and was to be completed in 90 calendar days, or by August 9, 2020.
- October 23, 2020: City of Fort Worth (CFW) Park and Recreation staff completed the final inspection.
- December 17, 2020: A change order was executed to increase the contract term by 79 calendar days, and the contract amount by \$23,169.42. The change order resulted in a contract term of 169 calendar days (October 27, 2020 completion date), and a total contract amount of \$590,458.66.

Supporting documentation indicated that additional days were requested after playground equipment deliveries were delayed because of the COVID pandemic, and that additional funds were necessary to add concrete curbs, replace an existing sidewalk, correct an estimated bid quantity calculation error, and remove concrete sidewalk.

- June 4, 2021: The CFW issued a notice of project completion.



Objectives

The objectives of this audit were to:

- determine whether the project was completed in accordance with contract terms; and,
- ensure compliance with applicable legislation.

Scope

Our audit included a review of the playground construction project from May 11, 2020 (project commencement date) through June 4, 2021 (CFW's notice of project completion date). Activity beyond this period was reviewed as deemed necessary.

Methodology

To achieve the audit objectives, the Department of Internal Audit performed the following:

- interviewed Park and Recreation Department project management and inspection staff;
- reviewed the Park and Recreation Department's capital project delivery, change order, contractor payment and project inspection processes;
- reviewed the bidding and contract award process for compliance with applicable law and City policy;
- verified that the contractor complied with insurance, bonding and MBE requirements;
- reviewed concrete test reports to determine compliance with concrete testing requirements;
- performed site visits to ensure that the City received quantities billed by the contractor;
- verified that payments made to the contractor were properly approved, and were based on agreed-upon unit prices;
- determined whether retainage was correctly computed and recorded;
- verified contractor compliance with prevailing wage requirements; and,
- evaluated internal controls related to the playground replacement construction project.

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 findings and conclusions based on our audit objectives.

Audit Results

Based on our test results, the CFW was accurately billed for work performed. The CFW paid L. J. Design & Construction, LLC the total amended contract amount (\$590,458.66) for work completed under the contract (City Secretary Contract No. 53804). However, when reviewing the nine pay estimates submitted by the contractor, there was no evidence that the project inspector verified billed quantities, or approved contractor pay estimates, prior to payment.

We concluded that the project was completed in a timely manner. Construction records indicate that the Park and Recreation Department conducted a final inspection on October 23, 2020. The project was to be completed by October 27, 2020. We did, however, note that the notice of project completion was not provided until June 4, 2021. Internal Audit was informed that the notice of completion was delayed because contractor invoicing was delayed.

L. J. Design & Construction, LLC complied with insurance and bonding requirements specified within the contract. They also met the 5% MBE requirement, by paying \$29,750.00 (or 5.04%) to a minority subcontractor. Also, contractor payment files indicated that L. J. Design & Construction, LLC paid its staff in accordance with applicable prevailing wage requirements.

Constructed playground equipment was consistent with construction plan diagrams.



Arcadia Playground #2 (Before)



Arcadia Playground #2 (After)



Arcadia Playground #5 (Before)



Arcadia Playground #5 (After)



Arcadia Playground #6 (Before)



Arcadia Playground #6 (After)

While contractor payments were made in accordance with the amended contract, we concluded that the project change order was executed “after-the-fact”.

- A September 8, 2020 entry (within the City’s contract management system) indicated that the City was waiting on playground equipment to be delivered at the last park.
- A subsequent entry (dated September 15, 2020) noted that the playground equipment was being installed at the last park.
- As noted in the Background section of this report, a December 17, 2020 change order was executed to allow for the delivery of playground equipment that was delayed because of the pandemic. Since the playground equipment was installed in September 2020, the change order (allowing for delayed playground equipment) was executed 93 calendar days after the City began installing the playground equipment.

Internal Audit did not consider this a reportable exception, since Article 10.01 of the City’s standard construction specification documents states that extra work shall be memorialized by a change order, which may or may not precede an order of extra work. Also, the change order was considered necessary for pandemic-related issues, and the dollar amount was immaterial (i.e., change order totaled \$23,169.42)

Since concrete work was required to complete the project, the City contracted with D&S Engineering Labs, LLC to provide geotechnical and material testing services related to the project. Based on our review of project documents, D&S Engineering Labs, LLC indicated they were not provided specific mix design standards by which to test the concrete, as was required by the contract. During audit fieldwork, Internal Audit observed faulty concrete that had also been identified by the Park and Recreation Department. The faulty concrete was repaired prior to the completion of our audit fieldwork. As noted in the following photographs, Internal Audit also observed what we considered to be small, hairline cracks in the concrete at playground #6. Upon inquiry, Park and Recreation Department staff indicated that the cracks were normal surface cracks. Internal Audit did not have the expertise to verify the cause of these cracks.



Arcadia Playground #6 (10/15/2021)



Arcadia Playground #6 (10/15/2021)



Overall Risk Evaluation

High	Medium	Low
Verification of billed quantities not documented		



Detailed Audit Finding

There was no evidence of the inspector’s verification of billed quantities and/or approval of contractor pay estimates.

City payments, totaling \$590,458.66, were based on nine contractor pay estimates. While we concluded that the City was billed (and paid) for work actually performed, we saw no evidence that the inspector verified billed quantities and/or approved the nine contractor pay estimates. We did, however, note the Project Manager’s approval of each pay estimate.

Based on the Park and Recreation Department’s construction review process provided to Internal Audit, the inspector is required to verify and approve billed quantities. Park and Recreation Department staff indicated that they complied with the Transportation and Public Works Department’s (TPW) construction policy. The Transportation and Public Works Department’s Capital Project Delivery Manual states that the inspector is responsible for verifying quantities, and the Project Manager is required to approve contractor invoices.

Although the Park and Recreation Department was responsible for managing the playground construction contract, the TPW Department was responsible for ensuring that the contractor constructed the project per plan and specifications. During the audit, we were informed that a TPW inspector electronically approved contractor invoices, and recorded such approvals in BIM360 (the CFW’s construction project management software). However, BIM360 records contradicted the statement. BIM360 records reflected only two (versus nine) transactions related to this contract. Additionally, there was no evidence (within BIM360) that the inspector verified quantities billed on those two transactions. A third transaction was noted within BIM360 as being incomplete, and awaiting Project Manager approval. However, final payment had been made, and the contract had been closed. As previously stated, the Project Manager approved each of the nine construction invoices.

The City’s General Accounts Payable Guidelines state that departments are responsible for verifying invoice quantities and amounts prior to vendor payment. Furthermore, sound business practice would dictate that construction inspectors document their attestation that:

- billed work was completed;
- the quality of work was in accordance with contract documents; and,
- the contractor was entitled to payment in the amount billed.

Recommendation 1A: *The Park and Recreation Department Director should require that the assigned project manager confirm that the project inspector has verified billed quantities, and has documented such verification, prior to authorizing vendor payment.*

Auditee’s Response: Concur. Project manager will verify TPW inspector review and approval within the project management system on all vendor applications for payment prior to payment processing.

Target Implementation Date: Completed

Responsibility: PRM Assistant Director

Applicable Department Head: Richard Zavala, Park and Recreation Department Director



Applicable Assistant City Manager: Valerie Washington

Recommendation 1B: *The Park and Recreation Department Director, in conjunction with the Transportation and Public Works Department Director, should require that project management staff use the project management software (e.g., BIM360) consistently, and as intended.*

Auditee's Response: Concur. The Park & Recreation Department (PARD) will require that all PARD project managers work within the project management software. PARD will work with TPW to develop a management training class as a refresher to existing project managers, and for newly hired managers to ensure proper software protocols are followed.

Target Implementation Date: End of second quarter of FY2022

Responsibility: PRM Assistant Director

Applicable Department Heads: Richard Zavala, Park and Recreation Department Director
William Johnson, Transportation and Public Works Department Director

Applicable Assistant City Managers: Valerie Washington and Dana Burghdoff

Recommendation 1C: *The Transportation and Public Works Department Director should require that the assigned project inspector verify billed quantities (in writing), evidencing review and approval, prior to authorizing payment.*

Auditee's Response: Concur. TPW will continue to require the construction inspector verify billed quantities. The construction inspector will continue to use BIM360 for approvals, tracking, and record keeping.

Target Implementation Date: Completed

Responsibility: PRM Assistant Director

Applicable Department Head: William Johnson, Transportation and Public Works Department Director

Applicable Assistant City Manager: Dana Burghdoff



Acknowledgements

The Department of Internal Audit would like to thank the Park and Recreation, and Transportation and Public Works Departments for their cooperation and assistance during this audit.