



Clerk of the Circuit Court Board of County Commissioners

Marion County



Internal Audit Division

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MEMORANDUM

TO: Lee A. Niblock, County Administrator

FROM: David R. Ellspermann, Clerk of the Circuit Court
Wallace Watford, Internal Auditor

DATE: June 26, 2009

RE: JUDICIAL CENTER EXPANSION PROJECT-STATUS REPORT

Internal Audit is in the process of reviewing the Judicial Center Expansion Project throughout the construction cycle. We have been addressing the expenditures related to the Construction Manager at Risk contract. This review activity, requested by the Facilities Director, will continue throughout the project cycle. This report is to provide information to interested parties on the status of our review activities. Lead auditor of this review is Sachiko León, Senior Auditor.

Background

The Marion County Board of County Commissioners (BCC) approved a framework of the Judicial Center Expansion Project on February 21, 2006. This project is funded from three different sources: Local Option Sales Tax; Capital Project Fund (CPF); and General Fund. See **Attachment A** for summaries of original and current budgeted funding sources. The BCC on June 20, 2006 selected Moss & Associates, LLC, as the Construction Manager at Risk (CM) for the entire project.

The Groundbreaking ceremony was held on October 31, 2007. The original notice to proceed disclosed the project starting date was October 12, 2007 and the substantial completion date was established as January 8, 2010 per the Second Agreement Amendment approved on March 17, 2009.

Financial Information

The CM first performed "Preconstruction Services" (support services of the conceptual and design stages) and received a fixed sum of \$190,000.00. Thereafter the project was divided in two distinct phases in order to expedite the start of construction. Each construction phase has a separate Guaranteed Maximum Price (GMP). The County approved on October 2, 2007 the Phase 1 GMP at \$13,372,674. The Phase 2 GMP was approved on August 5, 2008 at \$23,439,474 (as the first amendment to the original Agreement), resulting in the combined construction costs of \$36,812,148 managed by Moss & Associates.

JUDICIAL CENTER EXPANSION PROJECT-STATUS REPORT

The following summarizes the combined budgets of both phases at March 31, 2009:

Summary of Project

Phase 1 GMP (See Attachment B)	\$ 13,372,674
Phase 2 GMP (See Attachment B)	23,439,474
Architect-Engineering Fees	3,395,536
Other Costs *	2,740,516
TOTAL (See Attachment A)	<u>\$ 42,948,200</u>

(* Other Costs include, but are not limited to, permits, improvements other than buildings, furniture, judges' parking designs.)

On March 17, 2009, BCC approved the second amendment to the Agreement which allowed combining Phase 1 and 2 to clarify the issues raised by us and to allow the CM to use the combined funds without restriction as to construction phase.

The Architect-Engineer for this project is Architecture Studio Inc., in association with HOK. BCC entered into contract with Architecture Studio, Inc. on March 21, 2006. There are other costs for which Marion County is directly responsible but is outside of our current audit scope. We may later expand our scope to include the review of these costs as part of this audit project.

In the Agenda description for Phase 2 GMP proposal on August 5, 2008, it was stated that the County's total estimated project spending would be \$41,975,339, which is within the original budget approved by BCC.

As of the construction period through March 31, 2009, the County paid CM \$8,531,457.75 for Phase 1 and \$7,410,337.15 for Phase 2, including the retainage withheld by the County.

County purchases significant quantify of materials through DOP, which results in Sales Tax savings. Internal Audit reviewed DOP procedures and processing. Estimated Sales Tax Savings realized as of March 31, 2009 exceed \$390,000.

Activities Performed

Internal Audit is currently focusing on CM construction costs and process of DOPs. We have not reviewed any other project costs, including architectural costs, but may do so in the future.

Our activities have included the review of the "Agreement between Owner and Construction Manager at Risk" and its subsequent amendments, the documentation supporting expenditures and many discussions with appropriate County and CM personnel. Internal Audit also suggested and helped arrange separate introductory meetings between CM and Facilities Management and Finance Department personnel concerning cost reporting and draw request processing. This seems to have contributed to a good working relationship of all parties. Our review activities include reviews of draw requests and of processing of Direct Owner Purchases (DOP).

Internal Audit, Facilities and CM mutually agreed to review documentation on site on regular basis so that any issues can be resolved timely. Therefore, responsible CM personnel, Facilities fiscal staff and Internal Audit members meet at CM construction office each month to review project costs. This arrangement has been very effective. We periodically report on the status of our review activities, including findings and recommendations, to the Facilities Director and immediately concerned County and CM personnel.

Conclusions:

We have concluded that the Construction Manager, Moss & Associates, is in material compliance with the terms of the Agreement. We have resolved certain issues which had arisen as result of our ongoing review.

We have concluded that the project costs, including Direct Owner Purchases, as reported by CM are accurate.

We have concluded that there are sufficient internal controls in place for accurate processing and recording of Direct Owner Purchases.

We have concluded that Facilities personnel have performed diligently to accurately track the detailed construction costs and to coordinate DOP processes between CM and various vendors.

Our review processes will continue until the project is complete. All staff members of the Facilities Management Department and Moss & Associates have been very helpful in all our review activities.

c: Bill Kauffman, Administrative Services Bureau Chief
Andy Race, Facilities Director
Susan Olsen, Procurement Director
John Garri, Finance Director
Michael Tomich, Budget Director
Ted Adams, Executive Vice President, Moss & Associates

ATTACHMENT A

JUDICIAL CENTER EXPANSION		
Summary of Original Funding Sources		
Expenditure Schedule	Budget	Funding Source
Planning & Design	\$3,029,200	Sales Tax - Local Option
Buildings	\$17,170,800	Sales Tax - Local Option
Buildings	\$7,950	Capital Project Fund
Buildings	\$17,479,450	General Fund
Subtotal-Buildings	\$34,658,200	
Improvements Other than Bldgs	\$1,300,000	General Fund
Furniture & Equipment	\$3,410,800	Capital Project Fund
Project Grand Total	\$42,398,200	

Summary of Current Funding Sources (at 3/31/09)		
Expenditure Schedule	Budget	Funding Source
Planning & Design	\$3,316,847	Sales Tax - Local Option
Planning & Design	\$ 78,689	General Fund
Subtotal-Planning & Design	\$3,395,536	
Buildings	\$16,883,153	Sales Tax - Local Option
Buildings	\$3,118,750	Capital Project Fund
Buildings	\$18,700,761	General Fund
Subtotal-Buildings	\$38,702,664	
Improvements Other than Bldgs	\$550,000	General Fund
Furniture & Equipment	\$300,000	Capital Project Fund
Project Grand Total	\$42,948,200	

ATTACHMENT B

**Judicial Center Expansion Project Cost Summary
Guaranteed Maximum Price (GMP) as of March 31, 2009**

<u>Work Description</u>	Phase 1 Budget	Phase 2 Budget	Combined Budget
CM Construction Phase Fee	979,141.50	2,275,880.00	3,255,021.50
Ethridge Association	-	150,000.00	150,000.00
Direct Costs-Construction Phase	200,236.00	412,820.00	613,056.00
Subguard	135,789.00	216,377.00	352,166.00
Construction Contingency	1,453,531.74	763,645.00	2,217,176.74
Value Engineering Savings	-	486,631.07	486,631.07
Building Permit	54,526.27	-	54,526.27
Escalation Contingency	-	200,000.00	200,000.00
General Liability Insurance	147,070.00	230,656.00	377,726.00
Performance & Payment Bond	120,330.00	188,719.00	309,049.00
Selective Bldg Demolition at Existing JC	103,744.50	-	103,744.50
Survey, Layout, Bldg Controls & Foundation QC	85,755.00	-	85,755.00
Sitework & Utilities	408,301.71	-	408,301.71
Building Foundation	1,683,446.82	-	1,683,446.82
Concrete Structure	2,620,652.63	-	2,620,652.63
Steel Structure	3,002,815.83	-	3,002,815.83
Elevator System	1,399,247.00	-	1,399,247.00
Temporary Structures	280,932.00	-	280,932.00
Paving and Striping	-	144,673.00	144,673.00
Landscaping/Irrigation	-	80,348.00	80,348.00
Precast	-	491,495.00	491,495.00
Masonry	-	918,562.00	918,562.00
Finish Carpentry & Millwork	-	897,285.00	897,285.00
Caulking & Waterproofing	-	514,040.40	514,040.40
Roofing	-	448,193.54	448,193.54
Applied Fireproofing	-	338,625.00	338,625.00
Doors, Frames & Hardware (non-security)	-	756,571.00	756,571.00
Glass & Glazing	-	1,441,887.00	1,441,887.00
Flooring	-	573,855.00	573,855.00
Drywall & Acoustical Ceilings	-	2,208,356.41	2,208,356.41
Paint & Wall Coverings	-	327,525.00	327,525.00
Specialties & Building Signage	-	171,714.00	171,714.00
Chiller Screens	-	151,727.00	151,727.00
Mechanical	-	3,384,645.30	3,384,645.30
Fire Protection	-	361,192.00	361,192.00
Electrical/Security System Control	-	3,494,954.28	3,494,954.28
Survey	-	45,000.00	45,000.00
Fire Proof Testing	-	5,175.00	5,175.00
Judges Secured Parking	-	575,000.00	575,000.00
Glazing Test	-	7,575.00	7,575.00
CM Overhead & Profit	697,154.00	1,176,347.00	1,873,501.00
Total GMP	13,372,674.00	23,439,474.00	36,812,148.00