

A Capital Project Audit of the  
Salt Lake County  
Health Department's  
Downtown and South Redwood  
Public Health Centers

2017

# Capital Project Audit



*South Redwood Public Health Center*



OFFICE OF THE  
**SALT LAKE COUNTY AUDITOR**  
SCOTT TINGLEY, CIA, CGAP  
Audit Services Division  
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## Our Mission:

To foster informed decision making, strengthen the internal control environment, and improve operational efficiency and effectiveness for Salt Lake County, through independent and objective audits, analysis, communication, and training.

Report Number 2017-05  
October 2017





**SCOTT TINGLEY**  
CIA, CGAP

Salt Lake County Auditor

[STingley@slco.org](mailto:STingley@slco.org)

**CHERYLANN JOHNSON**

MBA, CIA, CFE

Chief Deputy Auditor

[CAJohnson@slco.org](mailto:CAJohnson@slco.org)

2001 S State Street, N3-300

PO Box 144575

Salt Lake City, UT 84114-4575

(385) 468-7200; TTY 711

866-498-4955 / fax

## Transmittal Letter

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October 12, 2017

Transmitted herewith is our report, ***A Capital Project Audit of the Salt Lake County Health Department's Downtown and South Redwood Public Health Centers*** (Report Number 2017-05). An Executive Summary of the report can be found on page 1. The overall objective of a capital project audit is to review project expenditures throughout the project lifecycle, and compare budgeted to actual expenses. Capital project audits ensure that project expenditures are properly reviewed, authorized, and accounted for, and that contractor payments comply with contract terms and agreements.

We compared budgeted to actual costs, reviewed monthly contractor pay requests, and read through general contractor and architect contracts to determine compliance with contract terms. Also, we compared monthly or periodic pay requests from the general contractor and architect to actual payments made, and examined amounts paid to vendors other than the general contractor and architect.

We truly appreciate the time and efforts of the employees of the Health Department and the Facilities Management Division throughout the audit. Our work was made possible by their cooperation and prompt attention given to our requests.

We will be happy to meet with any appropriate committees, council members, management, or advisors to discuss any item contained in the report for clarification or to better facilitate the implementation of the recommendations.

Respectfully submitted,

Scott Tingley, CIA, CGAP  
Salt Lake County Auditor



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of the  
Salt Lake County  
Health Department's  
Downtown and South Redwood  
Public Health Centers

Report Number 2017-05  
October 2017

Scott Tingley, CIA, CGAP  
SALT LAKE COUNTY AUDITOR

Cherylann Johnson, MBA, CIA, CFE, CRMA  
CHIEF DEPUTY AUDITOR

**Audit Manager:**

Larry Decker, CPA, CIA

**Audit Staff:**

James Fire, MBA/Acc

Todd Livingston, JD

Leonardo Flores, CIA

David Lewis, CPA, CIA, CMA

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## EXECUTIVE SUMMARY

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### Background and Purpose

The Salt Lake County Health Department recently completed construction on the new South Redwood Public Health Center located in West Jordan, Utah, and will begin construction on a new downtown Salt Lake City public health center building in April 2017. Originally it was intended that a single public health center building would be built in Midvale City. However, the scope of the project was changed in 2013, to encompass two new public health center buildings. These locations are intended to provide a wide variety of healthcare services to the citizens of Salt Lake County.

During planning and construction, the South Redwood Public Health Center building project as the "West Jordan building" in planning and construction documents. However, in our report, we refer to it by its new name, the South Redwood Public Health Center (South Redwood), or the South Redwood building project. We reference the 610 South 200 East building as the Downtown Public Health Center (Downtown) building project.

The purpose of this capital projects audit was to determine whether:

- Expenditures made during the project lifecycle of each of these capital projects conformed to budgeted amounts.
- Expenditures were appropriately reviewed, authorized, and accounted for.
- Payments to contractors complied with contract terms.

### What We Found

#### **Budget increases occurred over the Public Health Centers construction projects lifecycle to accommodate additional construction costs. (p. 6)**

A budget that started at \$15.1 million in 2012, increased to \$23.3 million, due to changes in in the scope of the projects and building plans.

#### **The South Redwood Public Health Center building project required 64 individual change orders, which increased net project costs by \$193,658. (p. 7)**

County officials anticipate change orders and build a contingency within the budget for these and other unanticipated costs.

#### **Building and demolition permits for the Downtown public health building were not issued in a timely manner. (p. 9)**

Management anticipated issuance of a building permit a month to two months prior to its actual date in April 2017. Delays in construction could result in additional costs, especially during the winter if the building is not enclosed by that time.

#### **Facilities management did not assess liquidated damages, or fines, for late completion of the South Redwood Public Health Center building project, as allowed in the construction contract. (p. 11)**

A late charge of \$500 per day, as per contract terms, was not charged to the contractor for being 26 days late in the completion of the South Redwood Public Health Center.

**The project manager did not track architect work progress in accordance with contract terms. (p. 12)**

Architect contracts for drawings and oversight of construction on the two health buildings included clearly delineated phases with scheduled deadlines for the initial phases of work. The contracts required the County to assess liquidated damages, or fines, against the architects for not completing these phases on time. Despite contractual provisions, the project manager did not assess, track, or document completion times for outlined phases, and therefore lacked the ability to calculate any liquidated damage or fine amounts.

## **What We Recommend**

### **To obtain compensation for projects not completed on time:**

- We recommend that Facilities Management administrators assess liquidated damages, or fines, to general contractors when required.
- We recommend that Facilities Management administrators process a change order to cover any anticipated time extensions at the end of building projects.

### **To track the progress of work performed by architects:**

- We recommend that Facilities Management administrators document the dates that architects complete contracted phases as a reference for any need to assess liquidated damages, or fines.
- We recommend that Facilities Management issue a Notice to Proceed to architects, as specified in contract terms.

### **To facilitate more timely permit processing:**

- We recommend that Facilities Management convene a meeting with representatives of the Mayor's and District Attorney's offices to discuss options for more efficient and timely completion and signing of permit documentation prior to submitting documentation to the cities.

## **Summary of Agency Response**

We received a response from the Facilities Management Division regarding all five recommendations given. For the recommendations that Facilities Management either agreed with, or partially agreed with, an action plan was outlined that included the action management will take to remediate the issue(s), the person responsible for implementing the action plan, and a due date for completion of the action plan. For the full version of Facilities Management's response, see the Agency Response section of this report, beginning on page 15.



## INTRODUCTION

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### Background

Our office recently completed a capital project audit on two new public health center buildings. The South Redwood Public Health Center located in West Jordan, Utah, was completed in October 2016. The Downtown Public Health Center will be in downtown Salt Lake City, and construction was scheduled to begin in April 2017. The anticipated completion date for the Downtown building is July 31, 2018. In our audit, we examined general contractor and architect contracts, reviewed timelines for completion, and analyzed project expenditures.

We determined whether project administrators complied with contract terms, completed construction on time, made expenditures within budget, and supported payments to contractors and vendors with invoices and other documentation.

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**Figure 1. The South Redwood Public Health Center located in West Jordan, Utah**



*Construction on the two-level, 20,000 square foot South Redwood Public Health Center in West Jordan, began in 2015.*

**Table 1. Public Health Center Buildings Budgeted Costs and Financing Sources**

Public Health Center Buildings Budgeted Costs and Financing Sources	
<b>Budgeted Capital Project Costs</b>	
Salt Lake City Downtown Health Center	\$16,842,267
West Jordan Health Center	6,455,358
<b>TOTAL Budgeted Capital Project Costs</b>	<b>\$23,297,625</b>
<b>Financing Sources</b>	
2010 Bond Proceeds	\$2,900,000
2014 Bond Proceeds	547,486
Land Sales 2014 – Abandoned Midvale Site	3,007,872
Remaining 2017 Bonds	16,842,267
<b>TOTAL Financing Sources</b>	<b>\$23,297,625</b>

Source: Mayor's Office of Financial Administration.

## Objectives

Our preliminary audit objectives were:

### 1.0 – Budgeted to Actual Project Expenditures Comparison

- Determine whether actual expenditures during the project lifecycle of each of these capital projects conformed to budgeted amounts.

### 2.0 – Project Expenditures Review

- Determine if project expenditures were properly reviewed, authorized, and accounted for.

### 3.0 – Contract Payments Review

- Determine whether payments to contractors complied with contract terms.

## Scope and Methodology

Our audit covered the project lifecycle starting with its inception in 2013. Our audit work included a formal examination of financial records related to the following project operations:

- Budgeting of costs
- Actual costs as recorded in County financial records
- Contract terms for payments
- Change orders subsequent to the original contract

We compared budgeted to actual costs, reviewed monthly contractor pay requests, and read through general contractor and architect contracts to determine compliance with payment terms. Also, we compared monthly or periodic pay requests from the general contract and architect to actual payments made, and examined amounts paid to vendors other than the general contractor and architect.

## AUDIT RESULTS

### 1.0 – Budgeted to Actual Project Expenditures Comparison

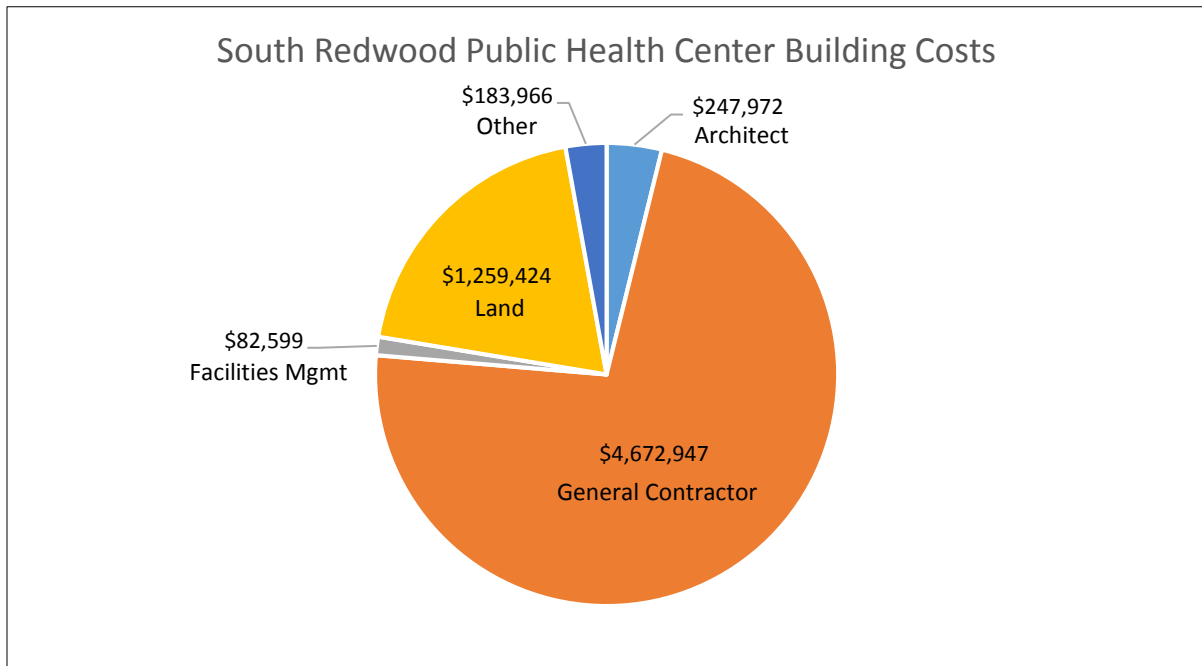
- **Determine whether actual expenditures during the project lifecycle of each of these capital projects conformed to budgeted amounts.**

The Human Services Department fiscal administrator monitors the capital project budget that was approved by the County Council for the two health buildings. The budget has changed over the years, starting at \$15.1 million in 2010 when the Health Department planned for a single building, and increasing to its current \$23.3 million level for two buildings. Of the \$23.3 million, \$6.5 million was allocated for South Redwood, and \$16.8 million for the Downtown building. The most recent budget increase occurred in January 2017 when the County Council approved an additional \$1.9 million for a contingency on the Downtown building project, in case of change orders arising during construction.

Building cost estimates largely originated with outside contracted architects who met with Health managers and staff to assess their needs. Based on these meetings, the architect determined building needs and size, made preliminary drawings, and arrived at budgeted costs.

Figure 2, below, shows the composition of total actual costs of \$6,446,908 for the South Redwood Public Health Center, by expenditure type.

**Figure 2. South Redwood Public Health Center Building Costs**



In our review of budgeted versus actual expenses, we compared County budget documents with reports in the County's financial system. Also, we examined the fiscal administrator's allocation of costs into the two separate projects. While both projects are accounted for in the same fund, in

2016 the fiscal administrator made adjusting entries to allocate costs by project codes, one code for South Redwood and another code for Downtown. This allowed for greater ease in identifying costs by specific project.

In addition, we reviewed the contracts between the County and the architect and general contractor for each project. Each project used different architects and general contractors. We reviewed all change orders for South Redwood, noting the reason for the change order, the review process, and to determine if they were reviewed and authorized. Also, we verified the existence of required building permits.

**Finding 1.1: Budget increases occurred over the Public Health Center buildings construction project lifecycle to accommodate for changes in construction costs.**

The budget for the construction of the two Public Health Center buildings increased over time from an initial budgeted amount in 2012 of \$15.1 million, to its current project budget of \$23.3 million. Table 2, below, shows the capital project budget increases and the reasons for the increases.

**Table 2. Changes in the Public Health Center Buildings Construction Budget**

Changes in the Public Health Center Buildings Construction Budget			
Year	Budget Cycle	Amount	Reason
2012	Fall	\$15,100,000	Create the project, one building only.
2014	June	3,000,000	Expansion of the project to include two new buildings at different sites.
2015	Fall	679,187	“True-up” to original approved capital project budget.
2016	Interim	2,602,838	To add an additional 7,500 square feet to the Downtown building project.
2017	Interim	1,915,600	Increased costs and contingency for Downtown building project.
<b>TOTAL</b>		<b>\$23,297,625</b>	

Initially, the Health Department anticipated building only one Public Health Center building, but then County administrators opted for the construction of two separate buildings, which increased costs. Also, costs increased over time due to additional square feet, and inflation over time as decision makers considered and debated project course and direction. The County Council and Mayor approved these costs shown above for the two Health buildings. Table 3, below, shows actual project costs incurred to date.

**Table 3. Actual Public Health Center Buildings Construction Costs To-Date**

Actual Public Health Center Buildings Construction Costs To-Date			
Year	South Redwood	Downtown	TOTAL
2014	\$1,301,504	\$0	\$1,301,504
2015	4,844,866	0	4,844,866
2016	300,538	658,871	959,409
<b>TOTAL</b>	<b>\$6,446,908</b>	<b>\$658,871</b>	<b>\$7,105,779</b>

Expenses related to the South Redwood building are mostly completed and paid. The County initially accounted for the two buildings as one project, but split it into two in 2016 for accounting purposes, as discussed in a finding later in this report.

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**Finding 1.2: The South Redwood building construction project required 64 individual change orders, which increased net project costs by \$193,658.**

County administrators built a contingency into the Public Health Center buildings project budget for unanticipated costs, including change orders. As standard practice, the County includes contingencies in its construction budgets. Because of the built-in contingency, change orders in the South Redwood building project did not require consideration for a budget increase.

Changes arise based on problems encountered in the construction phase or desired building reconfiguration or additions. The general contractor signed a letter outlining the proposed change, and the architect reviewed the change and included additional drawings and instructions.

Eight County officials signed the change orders on Facilities Management letterhead with wording that stated the following:

*“Due to various code and operational problems discovered on the subject project following award of the construction contract, specific changes are now required in the contract as itemized herein.”*

By signing the change orders, the project director and Facilities Management directors agreed that they were:

*“Consistent with the original project intent and the established funding requirements for this activity.”*

The Human Services Department Director, Department Fiscal Administrator, and Health Department Director certified that the changes were:

*“Necessary to insure a satisfactory and timely completion.”*

The County Mayor and District Attorney gave their approval that:

*“Changes are directed in accordance with the provisions and conditions of the subject contract documents.”*

Table 4, below, lists individual change orders totaling \$193,658 for the South Redwood public health center, and shows that they increased, and in some cases decreased, the contractor payment amounts.

Table 4. South Redwood Change Orders by Amount and Type

South Redwood Change Orders by Amount and Type											
No.	Amt	Type	No.	Amt	Type	No.	Amt	Type	No.	Amt	Type
1	\$6,373	PS	17	\$5,691	CA	33	\$3,653	MS	49	\$1,410	MS
2	\$1,682	PS	18	\$5,477	MS	34	\$2,616	HR	50	\$14,663	XS
3	\$229	PS	19	\$117	MS	35	\$18,714	MS	51	\$1,663	MS
4	\$10,340	PS	20	\$2,570	MS	36	\$1,842	MS	52	\$987	MS
5	\$1,742	PS	21	\$551	MS	37	\$552	MS	53	\$11,760	MX
6	(\$24,459)	CS	22	\$1,277	MS	38	\$667	MS	54	\$884	MS
7	\$3,507	CM	23	(\$1,727)	SC	39	\$871	CM	55	(\$371)	SC
8	\$1,191	PS	24	\$1,250	MS	40	\$2,001	MS	56	\$1,353	MS
9	\$37,000	CA	25	\$3,347	MS	41	\$1,806	MS	57	\$2,033	MS
10	\$4,633	MS	26	\$6,504	MS	42	(\$1,010)	SC	58	\$1,452	MX
11	\$637	MS	27	\$7,146	MS	43	\$377	MS	59	\$1,745	MS
12	\$9,989	HR	28	\$749	MS	44	\$279	MS	60	\$1,447	XS
13	\$900	MS	29	\$1,249	MS	45	\$857	MS	61	\$259	MS
14	\$697	MS	30	\$3,608	MS	46	\$842	MS	62	\$2,789	MS
15	\$3,454	MS	31	\$784	MS	47	\$2,107	MS	63	\$569	MS
16	\$11,689	MS	32	\$348	MS	48	\$1,193	HR	64	\$5,103	MS
NET TOTAL INCREASE: \$193,658											

Table 5. Key to Change Order Types Shown in Table 4

Change Order Type Code	Description
PS	<b>Prepare Site.</b> These included changes in plumbing, sewer, power, or other issues in preparing the construction site.
CS	<b>Changed Supplier.</b> The general contractor changed one of the suppliers, which increased or decreased project costs.
CM	<b>Changed Material.</b> The contractor changed the type of material used in parts of the building/construction.
CA	<b>Contract Alternate.</b> The contract allowed alternate provisions that could be later exercised through a change order.
MS	<b>Modify Structure.</b> Changes or modifications to various structural components. Such as, "Lower four of the 2 <sup>nd</sup> floor box beam headers."
HR	<b>Health Department Request.</b> The Health Department requested a change in the building/construction. For example, "Construct two additional offices."
SC	<b>Supplier Credit.</b> A credit was issued to a supplier.
XS	<b>Exterior Signage.</b> Construction of a monument sign outside of the facility.
MX	<b>Modify Exterior.</b> Changes or modifications to the exterior. Such as, "install waterline valve."

County administrators did not sign each individual change order, but grouped them into batches, which they then approved and signed. We identified 6 batches to account for the 64 change orders.

Change orders increased the original payment stated in the contract to the general contractor from \$4,477,600 to \$4,671,258, an increase of \$193,658.

The project manager stated that she felt justified with all change orders. As part of our work, we noted whether each batch of change orders had the review and signatures by County officials and contractors. Based on these signatures and our consideration of documentation on file, we did not find any indication that all change orders were not reviewed and approved appropriately.

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**Finding 1.3: Building and demolition permits for the Downtown health building were not issued in a timely manner.**

Health Department administration expected a building permit in place for the Downtown public health building by mid-February 2017, and Facilities Management expected a building permit by March 2017. Salt Lake City did not issue the permit until April 2017. In addition, a demolition permit for the existing building on-site has yet to be issued, though the general contractor has started the building process, including preparation and review of steel shop drawings.

Facilities Management and Health Department personnel attribute these permit delays to timeliness in completing and signing forms by County Personnel, and a backlog at Salt Lake City due to requests by other organizations. Also, utility companies must turn off gas and power to the existing building prior to demolition. Vacations and lack of communication among County personnel have delayed the delivery of forms and money to the utility companies for this gas and power shutdown to occur.

The delay in issuing permits could cause increased construction costs. Additional costs could occur due to lack of a roof overhead and an enclosed building by wintertime. Without an enclosed building, additional costs of about \$1,000 per day could accrue from heaters, blankets and plastic sheet around the building needed to accommodate work.

**Recommendation**

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***We recommend that Facilities Management convene a meeting with representatives of the Mayor's and District Attorney's offices to discuss options for more efficient and timely completion and signing of permit documentation prior to submitting documentation to the cities.***

**2.0 – Project Expenditures Review**

- **Determine if project expenditures were properly reviewed, authorized, and accounted for.**

Project expenditures review and authorization occurs at various levels of construction to help ensure a well-designed and built structure and to guard against improper or inefficient use of public funds. The architect, general contractor, commissioning agent, and Facilities Management personnel review construction progress and meet to discuss issues. Also, they visit the site to determine compliance with building specifications, including materials used and the quality of construction.

In addition, Health Department and Human Services administration oversee progress and signoff on various aspects of the work, including change orders issued during construction that add to or

change building design or materials used. Change orders increase contract costs and may lengthen the timeline. The construction budget includes a contingency for change orders. Aside from actual construction work, the Human Services fiscal administrator has primary responsibility in accounting for and tracking South Redwood and Downtown building project revenues from bond proceeds, and expenses. Mayor's Financial Administration established a separate fund to account for bond proceeds and expenses related to these projects.

We examined the list of companies that bid on the South Redwood and Downtown building projects, determined the existence of construction bonds, and reviewed project risks that could alter the course of the projects. In addition, we looked for contract terms or County policies that required County review of building progress prior to paying contractors, and we reviewed the information in the County's financial system to verify the reliability of posted data.

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**Finding 2.1: All project expenditures were properly reviewed, authorized, and accounted for.**

We reviewed all expenditures related to the general contractor and architect since project inception, which comprised most project expenditures, and all other related expenditures for 2016 only. Payments to the West Jordan Public Health building contractor exactly equaled the contract authorized amount of \$4.7 million, and did not exceed this amount. The general contractor used the County-authorized form for monthly or periodic payments on construction projects that requires the general contractor's signature, and a County representative's signature attesting that work has progressed to the point indicated by the contractor. The County had not yet paid the general contractor for the Downtown Public Health building as work on it had not yet started.

Payments to the architects of \$513,000 for the Downtown Public Health building, and \$248,000 for the West Jordan Public Health building, did not exceed authorized contracted amounts. At the time of our audit work, the County had not yet completed these contracts, and anticipated additional payments. The project manager in the Facilities Management Division reviewed all invoices from architects.

For all other expenses, which totaled \$868,000 in 2016, we examined supporting invoices or other documentation. Of the \$868,000, 52% represented bond issuance costs and 12% represented County Facilities Management charges for their work on and review of the Public Health buildings projects. Besides bond issuance costs and Facilities Management charges, other expenditures related to site testing and inspection of construction work. We did not examine real estate acquisition in West Jordan, as this fell outside the scope of our work.

We deemed all expenditures we viewed as authorized and related to the West Jordan and Downtown Public Health buildings. Due to the extent of work on and our lack of expertise in construction projects, we could not review or comprehend every detail involved. Nevertheless, invoices or documentation we reviewed related to the Public Health buildings projects and comported to the type of work expected in a construction project.

Moreover, we reviewed accounting within the County's PeopleSoft general ledger system and found all payments to the general contractor and architects posted in the account designated for the



Public Health buildings projects. Also, we found other expenses related to the projects posted to this account. We deemed all expenditures properly accounted for.

### 3.0 – Contract Payments Review

- **Determine whether all contractor and supplier payments complied with contract terms.**

The general contractor applies for payment to the County each month during construction using a “Contract Payment Application.” Both the contractor and a County representative sign this form. Together with this form, the architect and contractor sign and submit a notarized standard document formulated by the American Institute of Architects (AIA) that has similar information. Both the AIA and Contract Payment Application forms list the amount requested for payment based on the percentage of construction completed. On the AIA form, the architect certifies the contractor’s assertion regarding the amount of work completed. The contractor also submits a spreadsheet of budgeted construction tasks, and shows the percentage and dollar amount completed for each task.

Table 6, below, shows total payment amounts that the general contractor and architect will receive, based on contract terms.

**Table 6. General Contractor and Architect Contract Costs**

General Contractor and Architect Contract Costs	
Construction Site and Contractor	Payments per Contract
South Redwood general contractor	\$4,671,258
South Redwood architect	249,385
<b>TOTAL South Redwood</b>	<b>\$4,920,643</b>
Downtown general contractor	\$11,364,534
Downtown architect	653,041
<b>TOTAL Downtown</b>	<b>\$12,017,575</b>

The bulk of project costs relate to the general contractor and architect. The construction contract specifies the exact total payment amount due to the contractor. During our audit work, we examined all payments related to the general contractor and architects, including a review of related invoices or Contract Payment Applications. Our purpose was to determine whether payments fell within contract parameters for total payout to these contractors. The County has not yet made any payments to the Downtown building project general contractor as they had not yet received the Notice to Proceed at the time of our audit.

Also, we examined payments to furniture companies. The County did not pay the furniture companies out of the Bond Fund because of the lack of proceeds; instead they used money from the Health Fund. In addition, we looked for any contractual penalties to the County for late payments to contractors, and examined rent the County will pay for the Health Department to occupy a privately-owned office building during the Downtown building construction.

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**Finding 3.1: Facilities Management did not assess liquidated damages, or fines, for late completion of the South Redwood building project.**

We examined the expected completion date, as stated in the contract for the South Redwood building project and compared it to the actual completion date. We found that construction overran its allotted time by 26 days. Despite the late completion, the County did not assess any liquated damages, or fines, against the general contractor.

The **Construction Agreement, dated July 1, 2015, Section 3.1**, states:

*“Should the Contractor fail to complete the work within the time stated above or within such additional or reduced time as may have been established by County, there shall be deducted from any monies due, or that may become due Contractor, the sum of \$500 for each calendar day beyond the said completion dates for Substantial Completion and/or Final Completion that the work remains uncompleted.”*

Based on this contractual provision, the general contractor should have been assessed late fees of \$13,000 (\$500 X 26 days). The completion date changed throughout the course of construction, but finally settled at September 17, 2016. Table 7, below, shows significant milestone dates in the building process that were included in the contract.

**Table 7. Contract Milestone Dates – South Redwood Construction Project**

Contract Milestone Dates – South Redwood Construction Project	
Milestone Event	Date
Notice to Proceed (with construction)	August 19, 2015
Initial Completion Date (Aug 19 + 345 Days, as provided in contract)	July 29, 2016
Change Order of Jan 20, 2016 – Add 3 days	August 1, 2016
Change Order of Mar 2, 2016 – Add 47 days – Final Completion Date	September 17, 2016

Change orders added 50 days to the original contracted completion date. The Certificate of Substantial Completion, signed by the architect, contractor, and a County representative stated: “Substantial Completion for Entire Project: 13 October 2016.” At the substantial completion date, a few small items remain for completion. The certificate of final payment should be issued to verify that all remaining items have been completed.

The project manager asserted that a change order to extend the completion date beyond September 17 could have been made but felt reluctant to do so because of the processing time, including the need to obtain signatures from eight County officials and the general contractor. The manager also stated that during September, Facilities Management personnel were busy accommodating furniture delivery to the building, giving them even less time for other matters, such as change orders for time extension.

Health Department administrators saw the building project as completed in a timely fashion and voiced no complaints. Nevertheless, non-compliance with contract terms leads to loss of money – \$13,000 in this case – and a lax attitude toward contract terms that in some instances could have additional financial or legal consequences.

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**Finding 3.2: The Project Manager did not track architectural work progress in accordance with contract terms.**

Architect contracts for drawings and oversight of construction on the two health buildings included clearly delineated phases with scheduled deadlines for the initial phases of work. The contracts required the County to assess liquidated damages, or fines, against the architects for not completing these phases on time. Despite contractual provisions, the project manager did not assess, track, or document completion times for outlined phases, and therefore lacked the ability to calculate any liquidated damage or fine amounts.

The **Architect's Contract for the Downtown Building, dated January 6, 2016, Section 30.2**, states:

*“Architect and County agree to liquidate said damages in the amount of \$250 for each calendar day beyond the completion dates established herein for Architect to complete all or any part of the work subject to said established dates, and the date said work or portion of the work are actually completed.”*

In similar language, but with a specific date, the **Architect's Contract for the South Redwood building, dated December 22, 2014, Section 30.2**, states:

*“Architect and County agree to liquidate damages in the amount of \$250 for each calendar day beyond April 17, 2015, which is the mutually agreed upon date for the completion of the construction documents.”*

Typically, the County's architect contracts specify six project phases. Table 8, below, shows these phases and expected completion times.

**Table 8. Project Phases and Contract Completion Deadlines for Architects**

Project Phases and Contract Completion Deadlines for Architects		
Phase No.	Description	Deadline
1	Schematic Design	60 calendar days from “Notice to Proceed”
2	Design Development	Within 60 days of approval of Schematic Design
3	Construction Documents	Within 90 calendar days after approval of the design development and receipt of a written Notice to Proceed with the construction documents phase.
4	Bidding Package	Not Specified
5	Construction Administration	Not Specified
6	As-Built Documents	Not Specified

The contract does not specify a deadline for three phases of the architect's work. By not following contract terms, agreement between the two parties lacks a certain degree of relevance, and creates potential financial liability to the County. The auditor found that architects apparently knew their deadlines because invoices from them showed 100% completion of outlined phases on or about contracted timelines.

### **Recommendations**

- 1. We recommend that Facilities Management assess liquidated damages, or fines, to general contractors when allowed by contract provisions.**

- 2. We recommend that Facilities Management process a change order to cover any anticipated time extensions at the end of building projects.**
- 3. We recommend that Facilities Management document the dates that architects complete contracted phases as a reference for any need to assess liquated damages, or fines.**
- 4. We recommend that Facilities Management issue a Notice to Proceed to architects, as specified in the contract.**

**AGENCY RESPONSE**

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**BEN McADAMS**  
Salt Lake County Mayor

**Megan Hillyard**  
Administrative Services  
Department Director

**Rory Payne**  
Facilities Management  
Division Director  
[rpayne@slco.org](mailto:rpayne@slco.org)

Salt Lake County  
Government Center  
2001 South State Street  
Suite S3-120  
PO Box 144575  
Salt Lake City, UT 84114-4575  
385 / 468-0332

October 12, 2017

Mr. Scott Tingley, CIA, CGAP  
Salt Lake County Auditor  
2001 South State Street N3-300  
Salt Lake City, UT 84190-1100

Dear Mr. Tingley,

Mr. Larry Decker and staff conducted a capital projects audit of Salt Lake County's Health Department's Downtown and South Redwood Public Health Centers during the first part of 2017.

I believe our working relationship was very professional and your staff should be commended for their efforts. I apologize for the lateness of our response.

Below you will find our formal response to the findings.

If you have questions, please do not hesitate to contact me as needed.

Regards,

A handwritten signature in blue ink, appearing to read 'Rory D. Payne', with a long, sweeping underline.

Rory D. Payne  
Division Director,  
Facilities Management



**BEN McADAMS**  
Salt Lake County Mayor

**Megan Hillyard**  
Administrative Services  
Department Director

**Rory Payne**  
Facilities Management  
Division Director  
[rpayne@slco.org](mailto:rpayne@slco.org)

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## Objective 1 – Budgeted to Actual Project Expenditures Comparison

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**Finding 1.1: Budget increases occurred over the Public Health Center buildings construction project lifecycle to accommodate for changes in construction costs.**

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### Recommendation

None.

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**Finding 1.2: The South Redwood building construction project required 64 individual change orders, which increased net project costs by \$193,658.**

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### Recommendations

None.

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**Finding 1.3: Building and demolition permits for the Downtown health building were not issued in a timely manner.**

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### Recommendation

1. We recommend that Facilities Management convene a meeting with representatives of the Mayor's and District Attorney's offices to discuss options for more efficient and timely completion and signing of permit documentation prior to submitting documentation to the cities.

### Response

Many of the delays related to construction are in fact related to city processes and out of the County's control. While the recommendation is a wise one, in many instances our efforts are at the mercy of the respective city. We will remain focused on using the Mayor's and District Attorney's office to apply political pressure as needed. In this case, it did not create sufficient delays to warrant their involvement.

## Objective 2 – Project Expenditures Review

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**Finding 2.1: All project expenditures were properly reviewed, authorized, and accounted for.**

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### Response

There was not a recommendation either way in the report.





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Salt Lake County Mayor

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## Objective 3 – Contract Payments Review

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**Finding 3.1: Facilities Management did not assess liquidated damages, or fines, for late completion of the South Redwood building project.**

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### Recommendations

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1. We recommend that Facilities Management assess liquidated damages, or fines, to general contractors when allowed by contract provisions.
2. We recommend that Facilities Management process a change order to cover any anticipated time extensions at the end of building projects.

### Response

1. We levy fines as is warranted. Upon evaluation, numerous situations took place with this contract which led us to feel liquidated damages were not required.
2. We agree with the recommendation and will implement on future projects.

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**Finding 3.2: The Project Manager did not track architectural work progress in accordance with contract terms.**

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### Recommendations

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1. We recommend that Facilities Management document the dates that architects complete contracted phases as a reference for any need to assess liquidated damages, or fines.
2. We recommend that Facilities Management issue a Notice to Proceed to architects, as specified in the contract.

### Response

1. The only phase the architect is directly responsible for and can control is the design phase. In the future, we will isolate specific design phases from the contract, and track their efforts the same as the construction contract throughout the design portion of the contract.
2. We agree with the recommendation and will implement on future projects.