



**Snohomish County  
Office of Performance Audit Services**

**AUDIT FOLLOW UP**  
**CAPITAL PROJECT CONTRACT CLOSEOUT: BEST PRACTICES AND  
RECOMMENDATIONS**  
**11-17-2006**

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**1 BACKGROUND**

This study was requested by the Director of the Facilities Management Department to achieve a successful construction closeout of the Campus Redevelopment Initiative (CRI) Project. The CRI Project was the largest capital improvement project ever undertaken by Snohomish County. It included the construction of a jail facility, an administration building, an underground parking facility, a public plaza and courthouse renovations.

By following best practices for capital contract closeout, the Facilities Management Department could improve the efficiency, effectiveness and economy of its closeout process.

Color Coding

The Office of Performance Audit Services uses the following color system to show progress on audit recommendations:

	The audit recommendation has been addressed or the issue has been resolved by alternate means.
	Resolution of this audit recommendation has been initiated or clear plans are in place to resolve the issue.
	No progress has been made toward addressing the recommendation.

## 2 OBJECTIVES, SCOPE, AND METHODOLOGY

The purpose of the audit follow up is to determine if the six recommendations made by the auditors were implemented.

We obtained the information through:

- Facilities Management Department written progress report on audit recommendations
- Interviews with:
  - Al Kelm, Deputy Director of Facilities Management
  - Al Garcia, Administrative Operations Manager, Facilities Management

## 3 FOLLOW UP

Although closeout is not yet complete, the Facilities Management Department is addressing the primary issues raised by the performance audit. The closeout process on the capital project was delayed by a number of months due to the departures of the Director of Facilities Management and the Administration/Garage Project Manager prior to the completion of the contract closeout process. Personnel that had not been fully engaged in the capital project will complete the closeout process.

All six recommendations were either fully addressed or are in the process of being addressed. Of the five recommendations that were partially addressed, four of them will be fully addressed after the closeout process is completed and the remaining recommendation will be addressed once a new capital project is underway. A summary of recommendation accomplishment is shown in the chart below:

Rec Number	Was the recommendation addressed?
1	Partial
2	Partial
3	Partial
4	Addressed
5	Partial
6	Partial

The complete text of the recommendations can be found in Appendix A.

### 3.1 Procedures Manual and Construction Completion

#### Checklist - Recommendation 1

The Facilities Management Department has partially addressed the recommendation to write a construction closeout procedures manual, including a construction completion checklist. The Facilities Management Department designed a Construction Completion Checklist which will be fully used as they closeout the CRI Project in December 2006. To date, Facilities Management found that the checklist has been helpful to the process.

No formal procedures manual has been written to date, however the Facilities Management Department indicated that they may develop a manual prior to the building of the County justice center and the emergency operations center, both slated to be built within the next few years.

### 3.2 Contractor Performance Evaluations - Recommendation 2

The Facilities Management Department partially addressed the recommendation to perform contractor evaluations upon completion of capital construction projects. A Contractor Performance Evaluation form was created. Facilities Management indicated that the evaluation will be conducted after the closeout of the CRI Project is completed since responsiveness to closeout issues is part of the evaluation criteria. Facilities Management chose to wait until the end of the project to conduct the performance evaluation rather than conduct periodic evaluations as the project progressed.

### 3.3 Post Project Evaluations - Recommendation 3

The Facilities Management Department partially addressed the recommendation to conduct post-project evaluations. Facilities Management reports that they will hold post-project meetings by the end of the first quarter of 2007 and produce a report that describes how the CRI Project fared under the State's relatively new GC/CM contracting authority.

### 3.4 Customer Satisfaction Surveys - Recommendation 4

Facilities Management fully addressed this recommendation to create and distribute customer satisfaction surveys. A Customer Satisfaction Survey was developed and circulated in October 2006 to 17 department heads asking for feedback. In January 2006, Facilities Management sent an inquiry to departments to help identify all outstanding contractor issues and received a substantial response. Facilities Management noted that the responses to date have been helpful in their closeout process.

### 3.5 Warranty Inspections - Recommendation 5

The Facilities Management Department partially addressed the recommendation to conduct an additional comprehensive warranty inspection of major systems. Facilities Management reported that seasonal change over warranty inspections are conducted through the third party commissioning agent AEI. AEI inspects major mechanical components as well as routine maintenance. Exception reporting is completed by Facilities Management maintenance staff. Major systems typically have a one year warranty. Facilities Management monitored system conditions, repairs, and compliance through routine quarterly maintenance service and frequent communication with the contractor, but did not perform a formal ninety day pre-warranty expiration inspection as recommended. Facilities Management reported that they will continue to conduct quarterly preventive maintenance on equipment.

### 3.6 Substantial Completion Expectations - Recommendation 6

Facilities Management partially addressed this recommendation to clearly communicate Substantial Completion expectations with its contractors. The Department believes that all expectations on substantial completion were clearly defined in the GC/CM contract and in all subsequent amendments for the CRI Project. They indicated that they will collaborate with the Prosecuting Attorney's Office if contractual language can be improved upon once they embark on another construction project.

## 4 APPENDICES

### 4.1 Appendix A—Full Text of Recommendations

#### **Recommendation 1**

The Facilities Management Department should write and distribute a formal procedures manual for managing capital project contract closeout. This manual should include a comprehensive checklist of documents and activities essential to the closeout process. Closeout procedures should incorporate critical tasks not performed by the Facilities Management Department, and should clearly designate the staff responsible for each closeout activity.

#### **Recommendation 2**

The Facilities Management Department should consider performing contractor evaluations upon completion of capital construction projects, or annually in the case of long-term contracts. To help guide these evaluations, the Department should either develop a contractor evaluation form or adopt an evaluation form currently utilized by a sizeable public entity such as the Washington State Department of Transportation (WSDOT) or the City of Seattle.

#### **Recommendation 3**

The Facilities Management Department should conduct post-project evaluations for all capital development projects. To guide the evaluations, the Department should consider developing or adopting a standard form that includes:

- Estimated vs. actual costs
- Scope changes
- Number of change orders issued
- Teamwork and trust
- Quality of completed project
- Major challenges
- Success stories
- Major challenges
- Success stories

Post-project evaluations should include input from the prime contractor as well as the A/E. Furthermore, as part of the evaluation process, the contractor should be given an opportunity to assess the Department's contract management process. Finally, the Facilities Management Department should share the outcomes of the evaluation with all construction and project management staff and possibly Public Works. This could be accomplished by posting lessons learned and other pertinent information on an internal web page that personnel can refer to for future capital development projects.

#### **Recommendation 4**

The Facilities Management Department should create customer satisfaction surveys and distribute them to appropriate department managers and a limited sample of other end users immediately or soon after the Substantial Completion of every capital project. The Department should work to resolve any serious problems revealed by the surveys in a timely manner.

#### **Recommendation 5**

Since it is unclear whether seasonal and maintenance-related inspections will be sufficient to quickly identify deficiencies or defects that were not evident during project construction and closeout, the Facilities Management Department should plan to conduct at least one comprehensive warranty inspection for each CRI Project facility 90 days before the end of the warranty period. To mitigate costs, project engineers or project managers with knowledge of the technical aspects of the infrastructure should assist with the inspections.

#### **Recommendation 6**

For future capital construction projects, the Facilities Management Department should more clearly communicate its expectations for Substantial Completion by improving contract language and by providing contractors with deliverables several months prior to the specified Substantial Completion dates.