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March 19, 2015

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City of Lawrence, Kansas
Attn: Mr. Michael Eglinski, City Auditor
6 East 6th Street
P.O. Box 708
Lawrence, KS 66044

Dear Mr. Eglinski:

We were engaged to perform a Contract Close-out Audit of the Rock Chalk Park Infrastructure and have endeavored to do so since January 21, 2015. The objectives of that audit were to determine (1) whether the construction work was delivered in compliance with the Development Agreement, and (2) whether the City's expenditures for Infrastructure (hard and soft costs) were compliant with the Development Agreement.

We began work by examining the Development Agreement in its entirety. In that agreement we took special note of Articles IX, X, XI, XII and Exhibits B – Site Plan and I - Infrastructure Improvement Costs, which bear directly upon our work.

To perform the first objective we expected to have available “as-built” or “record” drawings which would attest to the final items of Infrastructure actually delivered. When we requested these items we learned that none were prepared. At that point we needed to modify our testing methodology to make the determination necessary. We already planned to visit the site and observe certain items of Infrastructure that were visible and readily discernable. Examples of these items included lighting, tennis courts, roadways and parking. Our testing method was directed to confirm high value items. Our method worked well for lighting standards and fixtures, tennis courts, and landscaping but was not sufficient to come to a conclusion for roadways and parking as our expertise is not sufficient to perform accurate measurements that were needed to confirm delivery of these items. These measurements, if made by a surveyor or professional engineering firm, would have provided pervasive evidence, but since we do not possess this expertise we sought another testing method.

In our interviews we learned that the City had in its possession concrete delivery tickets. We reasoned that by using the dimensions recorded in Exhibit I we could calculate concrete needed to complete the work and compare that total to the sum of the concrete delivery tickets. This was intended to be a secondary test as we were examining the City Inspectors' reports and conducting interviews of the other parties to the Development Agreement. To perform the test we needed to assume the concrete depth in order to convert area measurements to cubic measurements. We were initially unaware of the detailed architectural plans and specifications which included quantity take offs for some aspects of the concrete work.

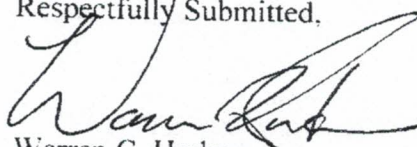
We performed our testing, and made depth assumptions based on an October 17, 2012 City memorandum stating a concrete depth of 5" in the parking areas. Additional information regarding the original testing of installed quantities of concrete are outlined in our March 6, 2015 memorandum entitled, "Concrete Installed Quantity Testing" attached.

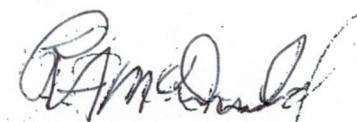
Subsequent to that report we learned that the City calculated the needed quantities of concrete and came up with a much greater quantity and that the Constructor concurred that a much larger quantity was required although differing with the total. At about this same time the City reported that a quantity of concrete delivery tickets, which hadn't been previously available, had been located. It should be noted that at this point we determined that reliance on delivery ticket quantities was very likely unreliable, but this in no way impacted the other testing and examinations that we performed. However, the City felt obligated to ask that we expand our work, which we did.

To begin our work on the expanded testing we participated in a conference call with several members of the City staff. Included were the City Manager, an Assistant City Manager, the Director of Public Works and the City Auditor. In that conversation we learned that Exhibit I to the Development Agreement was "conceptual" in nature and could not be relied upon as a stand-alone document. Subsequent to that meeting we were provided with a link to detailed plans and specifications prepared by an architectural firm which included quantity take-offs for street and curb construction. This was the first time that we were aware of these plans and specifications. It should be noted that our examination of the Development Agreement did not disclose a change order or amendment adding the City approved plans and specifications to the Agreement. We did inquire of the other parties to the Agreement and they acknowledge having this information and that these plans and specifications were used in construction. However, the quantity take-offs were incomplete because no formal plans were developed for the parking lots and concrete depth varied in areas depending on the expected loads (bus lane areas were thicker than normal parking spaces). Since the parking lot or lots were the single largest use for concrete on this project we determined that reliance on concrete delivery ticket totals could likely again prove unreliable.

We expanded our testing of the City inspection reports and sought confirmation of delivered quantities and exceptions taken by the City by the other parties to the Development Agreement. We have obtained clear convincing evidence that the Infrastructure was constructed and delivered in compliance with the Development Agreement and that the City by taking exception to certain items which were non-compliant with the plans and specifications is not paying those items or is adjusting payment appropriately.

Respectfully Submitted,


Warren C. Hudson
Senior Consultant


Robert A. McDonald
Senior Consultant

McDonald & Associates, Inc.

DATE: March 6, 2015

SUBJECT: Concrete Installed Quantity Testing

COPIES: Michael Eglinski – City of Lawrence Auditor, Bob McDonald and Warren Hudson – McDonald & Associates

Based on questions by the City of Lawrence concerning the testing of installed concrete, McDonald and Associates is providing additional information supporting the methodology and audit process. There were two steps approved by the City Auditor to conduct related testing under section III of the Audit Program. These sections stated the following steps:

- Select a sample of infrastructure items for testing. Unless there is an overriding reason to do otherwise, the items sampled should be judgmentally selected based on value.
- Conduct the testing on the sampled items and determine that the sample was adequate to reach a conclusion. If not discuss with the City Auditor and determine the next step.

Note: Other items were tested in addition to concrete (landscaping, lights, and tennis courts).

The City provided the auditor several bundles of delivery tickets—the total reviewed was 481 delivery tickets totaling 7171 cubic yards of delivered concrete. The point of the judgmental sample was to ensure the audit could rely on the oversight provided by City Public Works. In addition to City employee logs there were various testing firms reviewing installed concrete with roughly 100 core samples. The items sampled were within 2% of the quantities installed for the Exhibit I line items examined. In addition, the audit contacted Thomas Fritz at Bliss Sports II and obtained delivery ticket information for the entire project of 17,398 cubic yards compared to Exhibit I estimated quantities of 16,800 cubic yards. The calculation assumptions made were based on the line items examined—the audit's focus was to gain reasonable assurance of installed quantities and determine reliance on the City's oversight. Given the result further testing was not considered necessary.