



OFFICE OF THE COMPTROLLER  
CITY OF ST. LOUIS



DARLENE GREEN  
Comptroller

*Internal Audit Section*

1520 Market St., Suite 3005  
St. Louis, Missouri 63103-2630  
(314) 657-3490  
Fax: (314) 552-7670

DR. KENNETH M. STONE, CPA, CGMA  
Internal Audit Executive

**FILE COPY**

February 6, 2014

Richard T. Bradley, PE, President  
Board of Public Service  
1200 Market Street  
Saint Louis, Missouri 63103

RE: Wellington Avenue Bridge Replacement (Project # 2014-CN02)

Dear Mr. Bradley:

Enclosed is the Internal Audit Section's report on the contract review of the Wellington Avenue Bridge Replacement Project for the period of April 2012 through May 2013. A description of the scope of our work is included in the report.

Management responses to the observations and recommendations noted in the report were received on December 13, 2013, and have been incorporated in the report.

This review was made under the authorization contained in Article XV, Section 2 of the Charter, City of Saint Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact the Internal Audit Section at (314) 657-3490.

Respectfully,

Dr. Kenneth M. Stone, CPA, CGMA  
Internal Audit Executive

Enclosure:

Cc: Joseph K. Kuss, Deputy City Engineer  
Tom Behan, Chief Construction Engineer



# CITY OF ST. LOUIS

**BOARD OF PUBLIC SERVICE**

**CONSTRUCTION DIVISION**

**WELLINGTON AVENUE BRIDGE REPLACEMENT**

**CONTRACT REVIEW**

**APRIL 1, 2012 THROUGH MAY 31, 2013**

**PROJECT #2014-CN02**

**DATE ISSUED: FEBRUARY 6, 2014**

**Prepared by:**

**The Internal Audit Section**



# OFFICE OF THE COMPTROLLER

**HONORABLE DARLENE GREENE, COMPTROLLER**

**CITY OF SAINT LOUIS  
BOARD OF PUBLIC SERVICE  
REVIEW OF WELLINGTON AVENUE BRIDGE REPLACEMENT  
FEDERAL PROJECT N0 STP-5420 (610)  
FOR THE PERIOD APRIL 2012 THROUGH MAY 2013**

**EXECUTIVE SUMMARY**

**Background**

The Federal project is an agreement between the City's Board of Public Service and Fred Weber Incorporated to replace the Wellington Avenue Bridge. The total contract amount is \$5,219,000. The contract was authorized by Ordinance 65099 and 56931.

**Purpose**

This contract was selected for review based upon the results of the annual risk assessment. The purpose was to determine if the prime contractor complied with the conditions and various provisions of the contract. The specific goals of the review relate to the following:

- Compliance with laws, regulations, and policies and procedures.
- Reliability and integrity of financial and operational information.

**Scope and Methodology**

The scope of the review was from April 2012 through May 2013. Procedures included:

- Inquiries of management of the contractor and subcontractors.
- Reviews of terms of the contract.

**Exit Conference**

An exit conference was held at the Board of Public Service on Monday, November 25, 2013. Personnel in attendance representing BPS were the Chief Construction Engineer and a Staff Engineer. Fred Weber Incorporated was represented by the Project Engineer. The Internal Audit Section (IAS) was represented by the Audit Supervisor and the Auditor-in-Charge.

## Conclusion

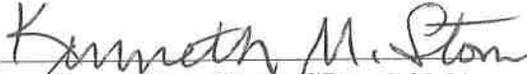
Several positive compliance areas were identified with the contract which included the following:

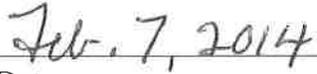
- The original contract was for a fixed price of \$5,219,000. However, the diligence and ingenuity of the management of the Board of Public Service and the prime contractor resulted in design changes and other adaptations reducing the cost of the contract to the City by \$134,472.
- The City networked with a local non-profit agency who wanted to enhance the aesthetics of the bridge lighting and agreed to pay the City \$95,000 towards the project.
- The bridge project was contracted to be completed within 240 working days. Due to the persistence, dedication, and insight of the Board of Public Service and the prime contractor, the bridge was opened in advance of the 240 day deadline.

There were opportunities to improve compliance with the contract as identified below:

1. Opportunity to provide prevailing wage rate documents for subcontractors.
2. Opportunity to amend contract to require prime contractor to obtain lien waivers.
3. Opportunity to achieve the Disadvantage Business Enterprise (DBE) goal of 20%.

These observations are discussed in more detail in the *Detailed Observation, Recommendations, and Management's Responses* section.

  
Dr. Kenneth M. Stone, CPA, CGMA  
Internal Audit Executive

  
Date

**CITY OF SAINT LOUIS  
BOARD OF PUBLIC SERVICE  
REVIEW OF WELLINGTON AVENUE BRIDGE REPLACEMENT  
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## **OBSERVATIONS**

### **Status of Prior Observations**

This project has not been previously reviewed by the Internal Audit Section and, as such there are no prior observations.

### **Summary of Current Observations**

1. Opportunity to provide prevailing wage rate documents for subcontractors.
2. Opportunity to amend contract to require prime contractor to obtain lien waivers.
3. Opportunity to achieve the Disadvantaged Business Enterprise (DBE) goal of 20%.

## **DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT'S RESPONSES**

### **1. Opportunity To Provide Prevailing Wage Rate Documents For Subcontractors**

There were 13 subcontractors who worked on this project. Payroll records were requested from each of the 13 subcontractors to determine whether they paid their employees fringe benefits as prescribed by the Missouri Department of Labor. Of the 13 subcontractors tested, 6 did not provide any support for the payments of fringe benefits.

According to the Wage Order No.19 of the Department of Labor and Industrial Relations of Missouri, all workers on federal projects must be paid specific fringe benefits, in addition to their regular wages, based upon their specific craft or type of work.

A system of internal control is not in place to ensure subcontractors' compliance with the prevailing wage rules. Non-compliance by contractors and subcontractors would expose the City to legal and financial risks.

#### **Recommendation**

It is recommended that the prime contractor take the necessary steps to ensure that all of the subcontractors comply with the Wage Order No.19. Written documentation for the payment of these fringe benefits should then be submitted to the City to verify compliance.

#### ***Management's Response***

*With regard to the report of your findings, I agree with your recommendations and will take action to see that they are implemented on future contracts.*

#### **Auditor's Comment**

The subcontractors' who did not pay fringe benefits to their employees on this project are obligated by Wage Order No.19 to pay applicable fringe benefits for the period of the contract.

## **2. Opportunity To Amend Contract To Require Prime Contractor To Obtain Lien Waivers**

All 13 subcontractors who worked on the project submitted lien waivers for the payments they received. However, one subcontractor submitted the lien waiver six months after payment was made.

The contract, however, does not require the prime contractor to obtain lien waivers from the subcontractors for the payments received on the contract. In place of lien waivers, the contract requires the City to review the prime contractor's records to determine whether timely payments were made. Paragraph four, Section 12.3, of the bid document states, in part: "To ensure that the obligations under subcontracts awarded to subcontractors are met, the City will review the contractor's efforts to promptly pay subcontractors, vendors or suppliers for work performed in accordance with the executed subcontracts." This method of ensuring payments to subcontractors, however, does not provide an acknowledgement of the payments received by the subcontractors.

Good management practices and industry standards establish policies that help ensure that the objectives of the organization are met. Lien waivers are an essential tool used to protect an organization from the risk of loss due to legal proceedings that can occur when subcontractors make claims for non-payment on a contract.

### **Recommendation**

It is recommended that project contract agreements be amended to require the prime contractor to obtain lien waivers from the subcontractors within 15 days of payment.

### ***Management's Response***

*With regard to the report of your findings, I agree with your recommendations and will take action to see that they are implemented on future contracts.*

### **3. Opportunity To Achieve Disadvantaged Business Enterprise (DBE) Goal Of 20%**

The prime contractor did not meet DBE participation goal of 20%. Eight DBE's were paid \$834,010 of the total project cost of \$5,084,527. This represents a 16.40% participation level, which is below the goal of 20%.

Section 30, of the contract states, "Contractor acknowledges that the City has established a DBE goal in connection with the project and that said goal is fully stated in the contract specifications and documents. Contractor shall comply with the City's DBE Program document and shall also comply with all federal, state, and local equal employment opportunity laws." The third paragraph of Section 30, further states that MoDOT's External Civil Rights has approved the DBE participation submitted by the contractor to fulfill the goal of 20% for this project.

A system of internal controls is not in place to ensure prime contractor's compliance with the DBE participation requirements of the contract. Non-compliance with the DBE requirements is inconsistent with the requirements of the contract. The City may be held liable for the prime contractor's non-compliance with the DBE requirements of the contract.

#### **Recommendation**

It is recommended that the City increase its efforts to ensure contractor's compliance with the DBE participation requirement of the contract.

#### ***Management's Response***

*With regard to the report of your findings, I agree with your recommendations and will take action to see that they are implemented on future contracts. Based on the final accounting of the DBE work, the final percentage is 16.40%. The primary reason for the underrun is the decrease of reinforcing steel that was actually required for the project as a result of the accepted Value Engineering proposal for the planned cast in place concrete retaining walls.*