



**Internal Audit Department
Interim Audit Report**

**Judicial Center Expansion Review
Lake County Board of County Commissioners
November 7, 2011**

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BACKGROUND

The Internal Audit Department is in the process of reviewing the Judicial Center Expansion Project as requested by Kristian Swenson, Director of Facilities Development and Management (Facilities), and as scheduled per the Clerk's Annual Internal Audit Plan. The objectives include the review of all owner direct purchases (ODP), change orders, and contractor pay requests to ensure compliance with the contract and County policies. The purpose of this report is to provide information to interested parties on the status of our review activities. The lead auditors of this review are Jeremy Martin, Internal Audit Director and Cindy McLaughlin, Senior Internal Auditor.

In 2005, a master plan was developed for additional government facilities and the expansion of the Judicial Center. Phase I of the Downtown Tavares Governmental Facilities Project included a 2-story building at 320 West Main Street for the Tax Collector and Property Appraiser, an 8-story parking garage, and a central energy plant. All were completed by June 1, 2009 by PPI Construction Management (CM).

Phase II of the Downtown Tavares Governmental Facilities Project as originally envisioned included a 298,290 square foot expansion to the Judicial Center. During 2009-2010, staff and the Board of County Commissioners evaluated the final size and scope of this project in light of the economic conditions. The architect for the redesign of the Judicial Center expansion was HLM Design, a division of Heery International, Inc. On June 15, 2010 the Board approved an amendment to PPI's contract for Phase II of the project, including a 168,026 square foot expansion and renovation of the Judicial Center.

Construction on the Judicial Center expansion began on July 26, 2010. The construction and renovation is expected to be complete by August, 2013.

FINANCIAL INFORMATION

The CM's Guaranteed Maximum Price (GMP) for the Judicial Center expansion is \$39,949,581, with an amount approved for allowances and contingency of \$5,425,000. Additional cost estimate for renovation of the existing Judicial Center amounted to \$5,000,000. The total estimated cost of Phase II is \$50,374,581. Existing bond funding is available for \$41,349,727 of the expansion costs, with the balance of \$9,024,854 to be funded by future Sales Tax (Fiscal Years 2011-2014).

As of the construction period through July 25, 2011, the County paid the CM \$12,930,258.20 for Phase II, not including retainage withheld by the County in the amount of \$1,436,695.36.

The County purchases significant quantities of materials through ODP, which results in Sales Tax savings. Estimated Sales Tax Savings as of July 25, 2011 were \$345,047.02.

ACTIVITIES PERFORMED

Activities performed by Internal Audit include reviewing Owner Direct Purchases and their supporting documentation, vouching actual ODPs and deliveries to Purchase Order documents; reviewing contract Change Orders for proper documentation, support and approval; reviewing all applications for payment for proper documentation and support, verifying mathematical accuracy, ensuring payment is timely and that applications are adequately reviewed at the department level.

We have met several times with Facilities staff and PPI Project managers to obtain information and follow up on any questions that we have had. We appreciate the cooperation of both parties during this process.

OVERALL EVALUATION

As a result of our work to date, we have concluded that the Construction Manager, PPI Construction Management, is in material compliance with the terms of the contract. We found Facilities management and staff to be very upfront and open to making improvements to their processes.

During the period from January 25, 2011 to July 25, 2011 we noted that all applicable recommendations from the previous report have been implemented resulting in significant improvements in the process. Specifically, we noted changes were made to the Schedule of Values to reflect actual subcontract amounts and tracking of uncommitted budget amounts, as well as improved review of pay applications and timely payments. We have reviewed all change orders and have found them to be properly supported and approved. The review of Owner Direct Purchases is ongoing due to the nature and timing of receipt of materials and vendor invoicing, however we have no findings or recommendations at this time.

Our review processes will continue until the conclusion of the project. All staff members of the Facilities Management Department and PPI Construction Management have been very helpful in all our review activities thus far.

AUDIT BY:

Jeremy Martin, CPA, Internal Audit Director
Cindy McLaughlin, Sr. Internal Auditor