



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

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January 15, 2016

Rhonda Hamm-Niebruegge, Director of Airports
Lambert - St. Louis International Airport
P.O. Box 10212
St. Louis, MO 63145

RE: Contract Compliance Review, C-19746 (Project #2015-APC04)

Dear Ms. Hamm-Niebruegge:

Internal Audit has completed the contract compliance review the Airport's contract with Aschinger Electric Company for the design and construction for closed circuit security cameras at Lambert-St. Louis International Airport. Enclosed is the report covering the period September 14, 2009 through May 31, 2013. A description of the scope of our work is included in the report.

Fieldwork was completed on November 11, 2015. Management responses to the observations and recommendations noted in the report were received on January 7, 2016 and have been incorporated in the report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. 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.

Sincerely,

Mohammad H. Adil, CPA, CGMA
Internal Audit Supervisor

Enclosure:

CC: Richard T. Bradley, PE, President, Board of Public Service
Gerald Beckmann, Deputy Director, Airport Planning and Development
Antonio Strong, CPA, Deputy Director, Airport Finance and Accounting
Joel Klein, Assistant Director, Airport Finance and Accounting
James Fox, CPA, Auditor, Airport Finance and Accounting





CITY OF ST. LOUIS

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

ASCHINGER ELECTRIC COMPANY

CONTRACT COMPLIANCE REVIEW (C-19746)

SEPTEMBER 14, 2009 THROUGH MAY 31, 2013

PROJECT #2015-APC04

DATE ISSUED: JANUARY 15, 2016

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT COMPLIANCE REVIEW (C-19746)
ASCHINGER ELECTRIC COMPANY
SEPTEMBER 14, 2009 THROUGH MAY 31, 2013**

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**CITY OF ST. LOUIS
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CONTRACT COMPLIANCE REVIEW (C-19746)
ASCHINGER ELECTRIC COMPANY
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SUMMARY

Background

The contract was awarded to Aschinger Electric Company (the Contractor) on September 14, 2009, and approved by the City through the Board of Public Service. The purpose of the contract was for the design and construction of the closed circuit security cameras at Lambert-St. Louis International Airport. The contract was funded by the Transportation Security Administration (TSA) through Grant #HSTSO408-H-CT7022, including the change orders. The initial contract amount was \$1,500,000 and the payments under the contract amounted to \$1,892,348, including change orders of \$392,348.

Purpose

The purpose of our review was to determine if the Contractor and sub-contractors complied with the terms and conditions and various provisions of the contract.

Scope and Methodology

Inquiries were made and tests were performed regarding the Contractor's and sub-contractors' compliance with the contract. The scope of the review was September 14, 2009 through May 31, 2013

Conclusion

We found evidence to suggest that the Contractor could improve compliance with the terms, conditions and provisions of the contract.

Current Observations

We noted the following observation:

- Certified payroll reports did not properly report all hourly labor rates

The observation is discussed in more detail in the *Detailed Observations and Recommendations* section of this report.

Management Response

An exit conference was conducted with the Airport on December 22, 2015. In attendance from the Airport were:

- Deputy Director, Airport Planning and Development
- Assistant Director, Airport Planning and Development
- Project Engineer, Airport Planning and Development
- Deputy Director, Airport Finance and Administration
- Auditor, Airport Finance and Administration

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SUMMARY

Contractor was represented by:

- Project Manager
- Accounting Manager

Internal Audit was represented by:

- Internal Audit Supervisor
- Internal Auditor

The report observation and recommendations were discussed in detail at the exit conference. The management of the Airport and Contractor subsequently provided the written response to the Internal Audit on January 7, 2016, which has been incorporated in this report.

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

Certified Payroll Reports Did Not Properly Report All Hourly Labor Rates

Article XXIII of the contract required the Contractor to submit Certified Payroll Reports with each pay application showing the actual hourly rates paid to the employees who worked on the project.

We noted that the gross wages on the Contractor's Certified Payroll Reports were higher than the gross wages based on the hourly labor rates listed therein. According to the Contractor, the employees, in addition to overtime, often worked in higher grade positions with higher hourly labor rates. However, the Certified Payroll Reports did not list their overtime and the higher hourly labor rates. This resulted in the gross wages being higher and not agreeing to the listed hourly labor rates.

The Contractor, however, subsequently provided all of the missing hourly labor rates, which enabled us to verify the gross wages on these Reports. In addition, all applicable hourly labor rates complied with the prevailing rates requirements of the contract.

Recommendation

Internal Audit recommends that:

- The Contractor set up a system of internal control to ensure that the Certified Payroll Reports correctly list all applicable hourly labor rates making up the gross wages.
- The Airport set up a system of internal control to ensure the accuracy of the certified payroll report submitted with each pay application.

Contractor Response

It has been our pleasure working with the auditor during his review of the Closed Circuit Cameras project at Lambert- St. Louis St. Louis International Airport. The auditor's findings pointed out a need for improvement in our submission of certified payroll report that we discussed at length within our company. Unfortunately, our software company is unable to provide compliant certified payroll reports that can be generated out of our system so we have come up with a solution that will assist the reviewer in the verification of labor rates that will be listed on our manual certified payroll report.

We are also providing you with Article 3 of the agreement between St. Louis Chapter of National Electrical Contractors Association and Local Union No. 1 International Brotherhood of Electrical Workers. It explains the description of the electricians' work-week and what constitutes shift, overtime and double time hours.

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

We also have created a labor cost table that expands the base journeyman wage utilized on the project into the different electricians' status, shift pay, overtime and double time wages and any combination thereof. We propose that we submit this table at the beginning of the project with the contract documents, with the first submission of certified payroll reports. If the prevailing wage determination or Davis Bacon Wage Order is included in the specifications, we will be able to submit the table with the initial project proposal. I have included an example of this wage table for your review.

We appreciate the feedback received from this audit and, as always, it is a pleasure working with the City of St. Louis and Lambert- St. Louis International Airport.

Management Response

Airport Engineering will monthly spot check certified payroll supplied by the Contractor for accuracy. This will be in addition to the standard wage rate checks performed with every pay application. Contractor will be instructed at pre-construction meeting to submit accurate certified payrolls and account for all different pay rates applied to each employee during the life of the project. These rates must comply with the current Davis Bacon and/or Missouri Wage Rate.