



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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March 17, 2015

Richard T. Bradley, PE, President
Board of Public Services
1200 Market Street, Room 305
St. Louis, MO 63103-2806

RE: Contract Review (Project #2015-CN01)

Dear Mr. Bradley:

The Comptroller's Internal Audit has completed a contract review of TRI-CO, Inc. Commercial for the renovation of the new Police Headquarters. Enclosed is the report covering the period June 1, 2013 through July 31, 2014. A description of the scope of our work is included in the report.

Fieldwork was completed on January 13, 2015. Management's response to the observation and recommendation noted in this report was received on January 29, 2015, and has been incorporated in the report.

This review was made under the authorization contained in Section 2, Article XV, 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,

Mohammad H. Adil, CPA, CGMA
Internal Audit Supervisor

Enclosure:

CC: Tom Behan, PE, Chief Engineer, Board of Public Service



CITY OF ST. LOUIS

BOARD OF PUBLIC SERVICE

CONTRACT REVIEW

TRI-CO, INC. COMMERCIAL

JUNE 1, 2013 THROUGH JULY 31, 2014

PROJECT #2015-CN01

DATE ISSUED: MARCH 17, 2015

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
BOARD OF PUBLIC SERVICE
CONTRACT REVIEW
TRI-CO, INC. COMMERCIAL
JUNE 1, 2013 THROUGH JULY 31, 2014**

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**CITY OF ST. LOUIS
BOARD OF PUBLIC SERVICE
CONTRACT REVIEW
TRI-CO, INC. COMMERCIAL
JUNE 1, 2013 THROUGH JULY 31, 2014**

SUMMARY

Background

The contract was awarded to TRI-Co, Inc. Commercial (the Contractor) on May 28, 2013 and approved by the City through the Board of Public Service (BPS). The purpose of the contract was to renovate the building located at 1915 Olive Street, St. Louis, Missouri as the new Police Headquarters. The contract amount was \$6,335,000.

Purpose

The purpose of Internal Audit's review was to determine if the Contractor complied with the terms, conditions, and various provisions of the contract.

Scope and Methodology

Inquiries were made and test procedures were performed regarding the Contractor's compliance with the contract. The scope of the review was from June 1, 2013 through July 31, 2014.

Conclusion

For the most part, the Board of Public Service did appear to have an adequate system of internal controls in place to ensure that the Contractor was in compliance with terms, conditions and provisions of the contract with one exception.

Summary of Current Observations

We noted the following observation:

- Lien Waivers Were Not Obtained

These observations are discussed in more detail in the *Detailed Observations and Recommendations* section of this report.

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SUMMARY

Management Response

An exit conference was conducted with BPS on January 20, 2015. In attendance from BPS were:

- Tom Behan, PE, Chief Engineer

Internal Audit was represented by:

- Mohammad H. Adil, Internal Audit Supervisor
- Chance Key, Auditor

The report observation and recommendations were discussed in detail at the exit conference.

Management of BPS subsequently provided a written response to Internal Audit on January 29, 2015, which has been incorporated into this report.

**CITY OF ST. LOUIS
BOARD OF PUBLIC SERVICE
CONTRACT REVIEW
TRI-CO, INC. COMMERCIAL
JUNE 1, 2013 THROUGH JULY 31, 2014**

DETAILED OBSERVATIONS AND RECOMMENDATIONS

Lien Waivers Were Not Obtained

The contract did not require the Contractor to obtain lien waivers from subcontractors for payments received on the contract. The contract amount was \$6,335,000, and except for \$70,704, the entire contract amount was subcontracted out. However, the lien waivers were only obtained for \$1,338,710.20 of the work.

A lien waiver is a document from the contractor, subcontractor, vendor and other party to the contract stating that they have received the payment and waive any future rights to property of the owner. It protects the owner from the risk of loss due to legal proceedings by a subcontractor for non-payment on the contract.

Recommendation

Internal Audit recommends that BPS obtain lien waivers for all payments and incorporate the language in future contracts requiring the Contractor to:

- Obtain lien waivers from the subcontractors for payments on the contract.
- Submit with subsequent pay applications lien waivers from subcontractors for the previous payments.

Management Response

We acknowledge the finding and recommendations in the final report for the audit. We will take action to comply with the recommendation to collect lien waivers for all payments throughout the progress of the work. We have implemented the practice on our current projects. We need to incorporate that language into our contract documents for upcoming projects. Our position in the past has been that the Contractor is required to provide Performance and Payment Bonds with the contract which, assure that proper payments are made for all goods and services required for the project. Collection of lien waivers is a best management practice that helps assure that the provisions of the contract regarding prompt pay are being met.