



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



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Comptroller

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January 29, 2015

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

RE: Contract Review (C-19699) (Project #2014-APC03)

Dear Ms. Hamm-Niebruegge:

Enclosed is the Internal Audit Section Report on the review of the contract and specifications with Safeguards Technology, LLC for perimeter fence project at Lambert-St. Louis International Airport. The period of examination was November 1, 2007 through August 31, 2014. A description of the scope of our work is included in the report.

This review was made under the 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

Ronald P. Steinkamp, CPA, CIA, CFE, CRMA, CGMA
Internal Audit Advisor

Enclosure:

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



CITY OF ST. LOUIS

LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT

CONTRACT AND SPECIFICATIONS REVIEW

SAFEGUARDS TECHNOLOGY LLC

PERIMETER FENC PROJECT (C-19699)

NOVEMBER 1, 2007 THROUGH AUGUST 31, 2014

PROJECT #2014-APC03

DATE ISSUED: JANUARY 29, 2015

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DAELENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT AND SPECIFICATIONS REVIEW (#19699)
SAFEGUARDS TECHNOLOGY, LLC
NOVEMBER 1, 2007 THROUGH AUGUST 31, 2014**

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LAMBERT – ST. LOUIS INTERNATIONAL AIRPORT
CONTRACT AND SPECIFICATIONS REVIEW (#19699)
SAFEGUARDS TECHNOLOGY, LLC
NOVEMBER 1, 2007 THROUGH AUGUST 31, 2014

SUMMARY

Background

This contract and specifications was awarded to Safeguards Technology LLC (the Contractor) on November 1, 2007, and approved by the City through the Board of Public Service and Airport Director. The purpose of this contract was to build a perimeter fence at Lambert-St. Louis International Airport. The total contract and specifications amount was \$3,314,369.

Purpose

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

Scope and Methodology

Inquiries were made and tests were performed regarding the Contractor's and sub-contractor's compliance with the contract and specifications. The scope of the review was November 1, 2007 through August 31, 2014.

Conclusion

The Contractor did not fully comply with the terms, conditions and various conditions of the contract and specifications.

Current Observations

We noted the following observation and opportunity for improvement:

- Contractor Did Not Comply with Payment Provisions

This observation is 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 the Airport on Tuesday, January 6, 2015. In attendance from Airport were:

- Assistant Director, Airport Finance and Accounting
- Assistant Director, Airport DBE Programs Office
- Compliance Officer, Airport DBE Programs Office
- Airfield Engineering Project Manager, Lambert- St. Louis Airport
- Airport Auditor

The Contractor was not represented at the meeting. They were invited but did not attend.

Subcontractors present at the exit conference included:

- President, RAMCO Contracting Co-Consolidated Fence St. Louis
- President, Patraba Electrical Systems

The Internal Audit Section was represented at the exit conference by:

- Internal Auditor Advisor
- Internal Auditor Supervisor
- Internal Auditor

The report observation and recommendation was discussed in detail at the exit conference.

The Contractor and the management of Airport subsequently provided written responses to the Internal Audit Section on January 15, 2015, which have been incorporated into this report.

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

Contractor Did Not Comply with Payment Provisions

The Contractor did not comply with the payment provisions of the contract for payments to subcontractors and vendors as follows:

- The Contractor did not pay the subcontractors within 10 days of receiving the payment from the City as required by the paragraph 8 (Payments) of the contract. The Contractor paid the subcontractors anywhere between 51 to 81 days after receiving the payments from the City for the work performed by the subcontractors on the project.
- A mechanics lien of \$371,078 was placed against the City by Brifen USA, Inc., a vendor, for materials provided under the contract through November 20, 2009. Eventually, the City was released from the lien by cancellation of the lien by the vendor on April 11, 2014, after the Contractor paid the amount it owed to the vendor.

Recommendation

It is recommended that the Airport implement procedures in order to ensure that:

- Contractors comply with the terms of the contract related to payments to subcontractors within 10 days of receiving the payments.
- Future payments to contractors are made dependent on previous payments to subcontractors by the terms of the contract.
- Receipts are obtained and maintained for payments to vendors by contractors and subcontractors and remitted to the Airport upon request.

Contractor's Response

Please be advised that Safeguards Technology LLC does not agree with the report observations and recommendations for the following reasons:

Practical delays in the actual provision and verification of the supply of services and materials by subcontractors made strict compliance with contract timeliness impossible. Further, subcontractor invoice dates may not necessarily correspond with either the completion or our company's acceptance of subcontractor's works or services. At the completion of the project, all appropriate waivers were obtained from subcontractors and provided to the project owner. All subcontractors' claims were resolved and paid in full. The project was accordingly closed out in final compliance with the contract procedures.

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

Without limiting our dispute and disagreement with the report observations, no actions can or will be taken to resolve same because the project was obviously completed several years ago. No “goal date” for solution can, as a result, be applicable. In the event of future contracts with the project owner, our company would make reasonable efforts to clarify the acceptance and payment dates of subcontractors’ invoices.

We assume that the forgoing resolves this matter for purposes of your internal audit, and no further action is intended to or will be taken on our part.

Management Response

Based on the information submitted in the final report, I concur with the observations and recommendations. Airport Engineering will be working toward implementing procedures this year to track more efficiently when payments from the Prime Contractors/Prime Consultants are paid to or received by the Subcontractors/Sub-consultants. Also, Airport Engineering will be looking at changing contract language in the contract documents.

As for the federally funded projects, I will start implementing steps now to closely monitor payments to Subcontractors/Sub-consultants for our upcoming design and construction projects. The payment provisions in the contract documents will be strongly discussed at the pre-construction conference and at meetings with the design consultants. I will take steps as recommended in the final report to obtain receipts, if possible, within the contract language from the Prime Contractors/Prime Consultants to document payment to the Subcontractor/Sub-consultants.

Auditor’s Comment

Checks made payable to the Contractor cleared the bank within five days of issuance. Subcontractors were required to be paid by the Contractor within 10 days of receiving the payment. Practical delays regarding provision and verification of supply of services should have been resolved prior to submitting applications for payment.