



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



DARLENE GREEN
Comptroller

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January 13, 2015

Todd Waelterman, Director of Streets
1900 Hampton Avenue
St. Louis, MO 63139-2988

RE: Contract Review (Project # 2015-CN02)

Dear Mr. Waelterman:

Enclosed is the Internal Audit report on the review of Gershenson Construction Co., Inc., for concrete & brick removal/replacement and complete sidewalk installation project. The review covered the period February 15, 2013 through March 31, 2014. A description of the scope of our work is included in the report. Fieldwork was completed on September 18, 2014.

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

Ron Steinkamp, CPA, CIA, CFE, CRMA, CGMA
Internal Audit Advisor

Enclosure

Cc: Kent Flake, Street Commissioner
Kim Haegele, Program Manager



CITY OF ST. LOUIS

STREET DEPARTMENT

CONTRACT REVIEW

GERSHENSON CONSTRUCTION CO., INC.

FEBRUARY 15, 2013 THROUGH MARCH 31, 2014

PROJECT # 2015-CN02

DATE ISSUED: JANUARY 13, 2015

**Prepared by:
The Internal Audit Section**



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

**CITY OF ST. LOUIS
STREET DEPARTMENT
CONTRACT REVIEW
GERSHENSON CONSTRUCTION CO., INC.
FEBRUARY 15, 2013 THROUGH MARCH 31, 2014**

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**CITY OF ST. LOUIS
STREET DEPARTMENT
CONTRACT REVIEW
GERSHENSON CONSTRUCTION CO., INC.
FEBRUARY 15, 2013 THROUGH MARCH 31, 2014**

SUMMARY

Background

This contract was awarded to Gershenson Construction Co., Inc. (the Contractor) on January 8, 2013, and was approved by the Board of Public Service. The purpose of the contract was construction and reconstruction of gutters, streets, driveways, spot curbs, sidewalks, alleys, traffic controls, beautification, tree planting, resurfacing and related engineering adjustments within 75 work days from February 15, 2013 (the date of the first project assignment). The total amount of the contract was \$518,279.50, including two change orders totaling \$91,862.

Purpose

The purpose was to determine if the Contractor complied with the terms, conditions and various provisions of the contract.

Scope and Methodology

Inquiries were made and tests were performed regarding the Contractor's compliance with the terms, conditions, and various provisions of the contract. The scope of the review was from February 15, 2013 (date of first project assignment) through March 31, 2014 (the day the Contractor submitted the final invoice).

Conclusion

The Contractor did not fully comply with the terms, conditions, and provisions of the contract requirements.

Summary of Current Observations

We noted the following observation and opportunity for improvement:

- Project Completion Time

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

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CONTRACT REVIEW
GERSHENSON CONSTRUCTION CO., INC.
FEBRUARY 15, 2013 THROUGH MARCH 31, 2014**

SUMMARY

Management Response

An exit conference was offered to the Street Department on December 5, 2014, but they declined. However, on December 22, 2014, the Street Department did provide their management response to the observation and recommendation which we have incorporated into this report.

**CITY OF ST. LOUIS
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FEBRUARY 15, 2013 THROUGH MARCH 31, 2014**

DETAILED OBSERVATIONS AND RECOMMENDATIONS

Project Completion Time

The Contractor did not complete the work within 75 work days of the written notice to start work, as required by the contract. The work started on February 15, 2013 and was completed on March 24, 2014 which was 269 work days after the written notice to start work. With the exception of unforeseen circumstances, the work should have been completed on June 7, 2013 to comply with the term of the contract.

Neither the Contractor or the Street Department maintained daily logs of the work days and non-workdays or notes related to unforeseen circumstances to justify the time taken by the contractor over 75 days.

According to paragraph 5, of the contract, "Time of Beginning and Time of Completion," Work shall be started within one week after written notice to do so shall have been given to the Contractor by the President, and carried on regularly thereafter (unless the President shall otherwise in writing specifically direct) with such force and in such manner as to assure its completion within 75 work days (Saturdays, Sundays and legal holidays excepted) after the date of such notice. Paragraph 7, "Liquidate Damages" of the contract states, "If the contract is not completed on or before the time specified in the contract, the City of St. Louis shall retain liquidated damages of \$250 per day for each and every day thereafter (Saturday/Sunday and legal holidays excepted) that the work was unfinished and contract unfulfilled."

Recommendation

We recommend that the Street Department:

- Document the reasons why the Contractor exceeded the budgeted days of completion and calculate liquidated damages owed by the contractor, if any.
- Set up a system of internal controls to monitor and ensure that contractors complete work in accordance with the terms of the contract. This should include maintaining daily logs of work days and non-workdays as well as noting unforeseen circumstances that could impact the contractor's ability to comply with the completion terms of the contract.

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DETAILED OBSERVATIONS AND RECOMMENDATIONS

Management Response

We are keeping daily diaries on the work performed. The diary includes if the day worked actually counted as a work day with regards to the contract, what the weather conditions were for the day, holidays, wait time for Forestry to remove trees and/or stumps, basically anything that would delay the contract.

The daily diary will also help with this but I am also having my street inspector turn in his notes for the work completed and sign off on each ward where work is performed.

We have also asked that BPS, Board of Public Service, use more realistic working days in the preparation of the specification book. The 75 days that was in this contract that was reviewed has been used for the last 15 contracts with no regard to the size of the contract. We have asked that they allow 30 working days for each \$100,000.00 worth of work. This is more realistic to the average amount of work that can be performed.