

The logo for FORVIS, consisting of the word "FORVIS" in a bold, white, sans-serif font, positioned in the upper left corner of a red background with diagonal stripes.

# FORVIS

## CONSOLIDATED CITY OF INDIANAPOLIS AND MARION COUNTY / COMMUNITY JUSTICE CAMPUS PROJECT CONSTRUCTION AUDIT

JULY 17, 2023

# FORVIS

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July 17, 2023

Mr. Wesley J. Jones, Director  
Office of Audit and Performance  
The Consolidated City of Indianapolis and Marion County

We have performed the procedures enumerated in the Control Objectives, Activities, & Testing section of this report, which were agreed to by the Office of Audit and Performance (OAP) pursuant to our contract dated April 12, 2021, solely to assist the OAP with respect to its evaluation of construction costs relating to the Community Justice Campus Project Construction Audit. Management of the Consolidated City of Indianapolis and Marion County (City or City-County) is responsible for the Community Justice Campus Project Construction Audit.

The engagement was performed in accordance with consulting standards established by the American Institute of Certified Public Accountants (AICPA). We were not engaged to, and did not, conduct a financial statement audit or an examination, the objective of which would be the expression of an opinion on the financial statements or any elements, accounts, or items thereof as part of this engagement. Accordingly, we do not express such an opinion.

Our engagement did not include a detailed examination of all transactions and was not designed, and cannot be relied upon, to discover all errors, irregularities, or illegal acts, including fraud or defalcations, that may exist. Had we performed additional procedures, other findings of significance may have been reported to you. The sufficiency of the procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described in the Control Objectives, Activities, & Testing section of this report for the purpose for which this report has been requested or for any other purpose.

This report summarizes the scope of the engagement, the procedures performed, the results of our procedures and our recommendations.

Our report is intended for use only by the OAP solely for reporting findings with respect to the procedures performed by us. This report is not intended to be, and should not be, used by anyone other than these specified parties unless express written consent is obtained from FORVIS. Should OAP decide to provide this report to others or release the report to third-parties, use of the report shall be at the risk of OAP and/or third parties.

FORVIS,LLP

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# Control Objectives, Activities, & Testing

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We are pleased to provide our report of the procedures performed, the results of those procedures and FORVIS, LLP's (FORVIS) recommendations relating to the Community Justice Campus Project Construction Audit. The overall objective of this engagement is to assist the Office of Audit and Performance (OAP) in its assessment of construction costs relating to the Community Justice Campus Project (the Project or CJC).

The procedures FORVIS developed, OAP leadership approved, and FORVIS personnel performed are included in the Control Objectives, Activities, & Testing section. The results of our procedures were discussed with OAP management and are included in the Observations & Recommendations section.

## Office of Audit & Performance

OAP serves both the internal audit and performance management function of the Consolidated City of Indianapolis and Marion County. OAP is authorized by ordinance to audit all City and County agencies, municipal corporations subject to budget approval by the City-County Council, the Indianapolis Bond Bank, and the Indianapolis-Marion County Building Authority. Subjects for audit are determined by the Director, as informed by an annual enterprise risk assessment, and conducted in accordance with generally accepted government auditing standards (GAGAS). Audits may be conducted by OAP staff or through engagements with external vendors.

## Background

On February 18, 2019, the Consolidated City of Indianapolis and Marion County entered into design-build contracts with Hunt/Smoot and F.A. Wilhelm Construction Co., Inc. for the design and construction of an adult detention center and consolidated civil and criminal courthouse located at the City and County's community justice campus. The detention center and courthouse had initial project budgets of approximately \$282 million and \$176 million, respectively, and project construction began in or around June 2019. Construction continued through 2020 and 2021, culminating with the official ribbon cutting for the facility on May 16, 2022. Final construction costs for the detention center and courthouse totaled approximately \$327 million and \$188 million, respectively. The increase in total project costs was the result of scope changes to the project during construction.

In January 2021, FORVIS<sup>1</sup> was engaged to assist the OAP in its analysis and assessment of the construction costs incurred and paid by the Consolidated City of Indianapolis and Marion County relating to the new detention center and courthouse. The remainder of this report presents a summary of the testing performed and FORVIS' observations and recommendations.

## Activities & Testing Procedures

In conjunction with our analysis, FORVIS personnel performed the following procedures (observations and recommendations are included later in this report):

- Read Project construction contracts to determine potential risks associated with payment applications and change orders.
- Performed budget to actual analysis to evaluate where deviations occurred.
- Evaluated the City-County expenditure review and approval process for appropriateness, adequate supporting documentation, and authorization.
- Ensured that rate revisions/escalations were in accordance with the contract, were properly approved, and billings at the new rate commenced only after approval of new rate.

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<sup>1</sup> FORVIS is the result of the June 1, 2022 merger of BKD, LLP and DHG, LLP. Prior to the merger, services were performed by BKD, LLP.  
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- Agreed contractor's change order schedule with the City-County and determined whether the City-County change order approval system was adequate.
- Reviewed ten (10) change orders to ensure charge is relevant and not also covered by original contract or another change order, which included those revised and/or modified.
  - Identify whether procedures related to the change order process were followed and for possible scope overlap, fraud, waste, abuse, and mismanagement.
- Evaluated the existing project management controls for compliance and possible enhancements including payment application review and change order review processes utilized by the organization.
- Interviewed key personnel from the Bond Bank, OAP, and design-builder representatives. as well as reviewed various reports and relevant City financial data as needed.

FORVIS' analysis and procedures are further described as follows:

- Met with City Representatives to gain an understanding of the specific business processes and subprocesses of the City to monitor construction activity, including the authorization of change orders and applications and certification for payment (Pay Apps) prior to making a payment.
- Interviewed key personnel from the Bond Bank, the OAP, the CJC Core Group, and others as well as read through various reports and relevant City financial data.
- Obtained from the City the primary contact for Hunt/Smoot and for F.A. Wilhelm Construction (the General Contractors for the Project), scheduled and conducted interviews to gain an understanding of each General Contractors' operational process, business systems, method of capturing, and coding costs to specific construction projects, and method for initiating and authorizing change orders and Pay Apps related to the Project.
- Obtained schedule of Pay Apps to the General Contractors for the audit period and considered if charges were consistent with the applicable contract.
- In conjunction with our budget to actual analysis, we recalculated the total cost of each change order by rolling forward the original contract amounts and adding the value of each change order. We then compared the recalculated contract value with the latest Pay App to confirm that the Pay App balance did not exceed the total (adjusted) contract amount.
- In addition to our sampling analysis of change orders, FORVIS personnel also performed a detailed analysis of one change order from both F.A. Wilhelm and Hunt/Smoot for which the change order balance was compared to underlying supporting documents.
- For electronic Pay App data provided by F.A. Wilhelm (for the period from April 1, 2019 through October 1, 2021), we performed a detailed analysis using data analytics to help identify anomalies in the Pay App information. Such anomalies included identification of duplicate charges, charges not allowed under the terms of the contract, and/or mathematical inaccuracies relating to the roll-forward of costs from one period to the next.
  - While we requested electronic data from both Hunt/Smoot and F.A. Wilhelm, Hunt/Smoot was unable to provide the electronic Pay App information requested. Hunt/Smoot was able to provide scanned copies of Pay Apps, which FORVIS personnel utilized in our testing. However, such information does not permit the use of most data analytic tools.
- In addition, FORVIS personnel performed a detailed analysis for one Pay App from each Contractor as follows:
  - i. Checked the math on the Pay App/Schedule of Values to determine if the Pay Apps were mathematically accurate and properly rolled forward from one period to the next.
  - ii. Traced a supporting invoice to Pay App, and confirmed the invoice referenced the Project (versus another customer).

- iii. Confirmed that a sample of charges on the Pay App had supporting invoices (or requested support for any unsupported items).
  - iv. Compared the cumulative total in the Pay App to the current contract amount (*i.e.* as of the Pay App date) to confirm the total project costs did not exceed the adjusted contract amount (including the impact of retainage).
  - v. For questions identified relating to the Pay Apps evaluated, FORVIS personnel requested additional information and supporting documentation to confirm the amount and nature of the charge to help determine whether the cost related to the Project was an allowed item under the terms of the Design-Builder contracts.
  - vi. For Pay Apps selected for testing, evaluated the supporting documentation to ensure the inclusion of Partial Lien Waiver(s)/Final Lien Waiver(s).
  - vii. For Pay Apps selected for testing, evaluated the supporting documentation to ensure inclusion of Certified Payrolls including form WH 347. A form WH 347 is a payroll form prepared by the Department of Labor which can be used by contractors to submit certified weekly payrolls for contracts subject to the Davis-Bacon Act (legislation which requires labor for certain government contracts be paid at the locally prevailing wage rate).
  - viii. Confirmed that the date of payment application covered work completed in prior month (past 30/31-day period) and also confirmed the Pay App included: the project number and name; Pay App number and covered period; Design-Builder (*i.e.* General Contractor) contact person's name, phone number, and email address.
  - ix. Confirmed that Pay App was signed and dated by the appropriate parties (Contractor, Subcontractors, and Owner's Technical Representative); if any support did not look like a report generated by a third-party company, confirmed with the General Contractor the source of the document.
- FORVIS personnel performed in-person interviews of select individuals involved in the Project and toured the Community Justice Campus the week of May 16, 2022.
  - FORVIS provided regular updates to the OAP regarding its procedures and observations and provided a preliminary draft summary report to OAP personnel the week of July 25, 2022. A follow-up draft report, which included additional project close-out procedures and updated the July 25, 2022 draft, was provided to OAP personnel the week of January 9, 2023. The purpose of the summary reports was to describe FORVIS' procedures, observations and recommendations, solicit feedback from OAP personnel, and to confirm additional analysis and next steps.
  - FORVIS obtained copies of Hunt/Smoot's final Change Order (#36) and noted the total approved (adjusted) project budget was \$326,728,367, consistent with the final Pay App (#43) for the Project. This indicated that total project costs were consistent with the not-to-exceed amount and the Project had been fully billed. For F.A. Wilhelm, the adjusted project total from the last Change Order received (#31) was \$187,803,756, consistent with the final Pay App (#42). The City's Technical Representative, Shrewsberry & Associates, LLC, indicated that, as of December 2022, there was still some balancing needed in the HVAC system which would likely result in additional Pay Apps in mid-2023.
  - On January 12, 2023, FORVIS provided a draft report to OAP personnel, which was also provided to Bond Bank representatives, for review and comment. FORVIS was provided feedback relating to the draft report and the Observations & Recommendations and Additional Recommendations sections of the report have been updated to reflect the additional information and documents provided.

# Observations & Recommendations

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## Observation #1 – Structure of Design-Build Contracts are in Favor of the Contractors

The *Design-Build Contract Between the City of Indianapolis and Hunt/Smoot* and the *Design-Build Contract Between the City of Indianapolis and F.A. Wilhelm*, both dated February 18, 2019 (collectively the Contracts,) are essentially being treated as lump-sum (as opposed to a Guaranteed Maximum Price or GMP) contracts by the City and the General Contractors. As such, the testing performed by FORVIS was structured to assess compliance with the not-to-exceed maximum (including analysis of change orders which resulted in an increase to the Project budget) and testing of specific items charged to the Projects was limited.

Section 5.01 of the Contracts states the following:

“The DESIGN-BUILDER’s total compensation for performing the Design and Construction Services and completing all of the Work is... This amount will not be exceeded without an express Change authorized by Section 17 of this Design-Build Contract. If actual cost of the Design and Construction Services and Work exceeds the Contract Price, DESIGN-BUILDER is solely responsible for such cost overruns and will not be compensated for amounts over the Contract Price without an express written Change authorized by this Design-Build Contract.”

The benefit of a GMP contract is while the maximum amount of the project budget is identified, if the actual project costs are less than the GMP, the difference is retained by the Owner (or shared with the General Contract through a “shared-savings” structure). Alternatively, the contract could be structured as a “cost plus, not to exceed” project. Under such a structure, the maximum construction budget consists of actual costs (*i.e.* time, materials, and agreed-upon overhead) plus a contractually agreed-upon profit percentage. These costs are capped at a “not-to-exceed” amount. Again, if actual project costs are less than the budget, the Owner retains the difference or shares a portion of the difference with the General Contractor.

While the Contracts are identified as GMP contracts, there are no clauses in the Contracts that speak to the buildup of costs or allowable profit component by the Design-Builder. In essence, the agreements are being treated as Lump-Sum agreements.

For future projects, the City may want to consider alternative contract structures which would allow for potential cost efficiencies to be received by the City (as owner of the project).<sup>2</sup>

## Observation #2 – Potentially Contradicting Contract Terms

There appears to be conflicting terms between the *Design-Build Contract Between the City of Indianapolis and F.A. Wilhelm Construction Co., Inc.* dated February 18, 2019 (the F.A. Wilhelm Contract), and *Appendix A – Consolidated Civil and Criminal Courthouse Design Enhancements* dated February 15, 2019 (Appendix A) as follows:

The F.A. Wilhelm Contract, Section 5.02 states,

“To the extent the Design and Construction Services and Work is completed for less than the Contract Price as a result of any *value engineering, innovation, or proposed Change* by the DESIGN-BUILDER, the City may, in its sole discretion, share any cost savings with the DESIGN-BUILDER in an amount to be established by the City in its sole discretion. DESIGN-BUILDER should not sacrifice quality or manipulate its contingencies in seeking shared savings under this provision. This provision is subject to The City’s ability to verify such cost savings. The City has no obligation to pay a shared savings bonus under this provision” (emphasis added).

Section (e)(v) of Appendix A, (Allowances) specifically states how the shared savings for the Audio/Video system will be shared with F.A. Wilhelm as follows:

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<sup>2</sup> The City should consult with legal counsel regarding any statutory requirements relating to the permitted structure of capital project contracts.

The Owner will provide a “Shared Savings” for Wilhelm’s effort on the A/V System design. The Shared Savings will include the following:

1. Any scope of work transferred from the A/V System Allowance to the Owner’s FF&E budget will not be included in the Shared Savings.
2. The first \$1 million in savings will be shared 70% Owner; 30% Wilhelm
3. The next \$1 million in savings will be shared 50% Owner; 50% Wilhelm
4. The next \$1 million in savings will be shared 30% Owner; 70% Wilhelm
5. Any savings over \$3 million will revert to the Owner
6. Wilhelm is limited to \$1,500,000 in shared savings

While Appendix A does define the cost sharing calculation, it is not clear that the change in the A/V system represents the “value engineering, innovation, or proposed Change by the Design-Builder” contemplated by Section 5.02. As an example, if F.A. Wilhelm elected to change a subcontractor that was used to determine the original contract budget and replace them with a cheaper subcontractor, would this change also satisfy the requirements of Section 5.02?

For future projects, FORVIS recommends that the language in the construction contract should be clear regarding the factors considered in determining shared savings, and the documentation regarding shared savings calculations should provide the specific factors considered when determining the rationale, and amount, of balances subject to shared savings.

### **Observation #3 – Audio/Visual (A/V) Allowance**

As identified in Observation #2, Appendix A of the F.A. Wilhelm Contract presents a shared savings calculation relating to the A/V system. The shared savings calculation is the result of a reduction in costs from the initial amount budgeted for the A/V system to the actual costs resulting from a change in vendors. Our observations regarding the A/V allowance and shared savings calculation are as follows.

#### **Unsupported components of initial budget for Criminal Justice Center – A/V Cost Breakdown**

Attached to Appendix A is a letter that contains the initial A/V cost breakout and consists of bids from Electric Plus of \$1,672,611, an additional bid from Johnson Controls of \$10,127,389, and reference to an A/V Scope Reduction of \$300,000. While the Johnson Controls amount is contained in the original bid as support, the Electric Plus bid was not attached to the Appendix and was not provided by F.A. Wilhelm during our procedures.

#### **Calculation not recalculated/Confirmed by Owner or Owner’s Representatives**

Based on discussions with representatives from Shiel Sexton Company, Inc. and Shrewsberry & Associates, LLC, while the calculation was discussed by the City Representatives in a meeting with F.A. Wilhelm, no recalculation was performed to confirm agreement with the components or the shared savings calculation. While F.A. Wilhelm brought a hard copy binder of supporting documents to this meeting, it was not in a format that would allow a complete review by the Owner’s Representatives at this meeting. In addition, as the purported cost reductions total an even \$2,000,000, it is not clear if this amount was rounded up or down as not all of the source data has been provided.

#### **Unsupported total savings to the City**

During our procedures, F.A. Wilhelm provided FORVIS personnel with the A/V Allowance Reconciliation dated June 28, 2020, that F.A. Wilhelm stated was provided to the City Representatives (Shiel Sexton Company, Inc. and Shrewsberry & Associates, LLC) to support the shared savings calculation. The reconciliation shows a \$2,000,000 savings to the City split into “Base Savings” of \$1,600,000 and “Savings to switch from JCI to New Era” of \$400,000.<sup>3</sup>

During our analysis, FORVIS personnel were unable to obtain source documentation to support the \$2,000,000 savings amount. In addition, as it relates to the base savings balance, FORVIS was provided an email from the F.A. Wilhelm Operations Manager stating that he did not have supporting documentation relating to the base savings calculation. No additional source data could be provided other than the Johnson Controls bid that was attached to Appendix A. Since FORVIS did not obtain additional

<sup>3</sup> JCI and New Era are audio-visual service and equipment providers.  
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support, we were unable to confirm if the calculation was rounded to \$2,000,000 or if that is the result of actual savings calculation. In addition, FORVIS noted the following:

- A component of the Base Savings calculation is taking the new quote from the 3rd party vendor and backing out any new scope items to come to the new price for the items in-scope for this calculation. On the reconciliation, \$167,000 of labor associated with room schedulers was backed out of the current project cost calculation as an item that was additional scope, but source data for this amount was not provided by F.A. Wilhelm to the City nor was it provided during our procedures.
- For the Savings to switch from JCI to New Era, the savings shown on the reconciliation is \$400,000, for which source data was not provided by F.A. Wilhelm.

#### **General Observation for budget for A/V Allowance in Appendix A**

- Appendix A does not define the bidding process that took place to determine the allowance budget, including the number of companies that provided bids and the rationale for selecting the two bids used to calculate the Allowance.
- In addition, Section 5.02 mentions that if the work is completed for less than the contract price, the City may decide to share the savings with the contractor. In change order #8, F.A. Wilhelm automatically took \$800,000 as part of the change order, which is calculated from an overall price reduction of \$2,000,000. If Section (e)(v) of Appendix A is subject to Section 5.02 of the F.A. Wilhelm Contract, this practice does not appear to follow the condition that any shared savings are at the sole discretion of the City.

As noted previously, the language in the construction contract should be clear regarding the factors considered in determining shared savings, and the documentation regarding shared savings calculations should provide the specific factors considered when determining the rationale, and amount, of balances subject to shared savings.

Subsequent to preparing the draft report, Bond Bank personnel provided feedback highlighting that the original Design Build Contract included an A/V allowance of \$11,800,000. This allowance was adjusted to reflect an A/V system reduction of \$300,000, bringing the new allowance to \$11,500,000. Wilhelm subsequently obtained a revised A/V bid of \$7,806,327, resulting in a claimed savings of \$3,693,673 (\$11,800,000 to \$7,806,327) as a result of “engineering, innovation, and proposed changes to work with alternative suppliers and contractors.” Bond Bank representatives have indicated that this amount was subsequently and verbally negotiated down to \$2,000,000 by City personnel. While additional documentation was provided subsequent to the preparation of the draft report to support the original and revised A/V allowance, it is not clear based on the Design Build Contract’s shared savings description whether switching from one subcontractor to another qualifies for shared savings.

#### **Observation #4 – Retention of Electronic Data**

During our analysis, FORVIS personnel requested electronic Pay App data from both Hunt/Smoot and F.A. Wilhelm. Specifically, FORVIS requested Pay App data in an Excel (or similar) format to enable the application of various data analytic procedures. Hunt/Smoot indicated that such electronic data was not retained or available. Without electronic data available for testing, the level of analysis which can be performed on the Pay Apps is greatly reduced.

In response to FORVIS’ request for electronic Pay App data, the Operations Manager for F.A. Wilhelm indicated that, after the Pay Apps are fully executed, the data integrity of the Excel version is not formally maintained and may contain changes or revisions as compared to the fully executed version that was provided for payment. As a result, F.A. Wilhelm was not willing to provide historical electronic Pay App data<sup>4</sup>. However, as part of his response, the Operations Manager did provide a recent Pay App in Excel format to FORVIS as he was confident the Pay App matched the fully executed AIA document.

Based on FORVIS’ discussions with F.A Wilhelm personnel, during the payment application process, F.A. Wilhelm provided hard copies to City Representatives (which were signed and scanned to pdf), but did not retain the original (Excel) electronic copy.

<sup>4</sup> Note that, contrary to the Operations Manager’s response, F.A. Wilhelm ultimately provided Pay App data in electronic (Excel) format for the period from April 1, 2019 through October 1, 2021.

Section 21.04 of the F.A. Wilhelm Contract states, “Design-Builder shall maintain books, records, documents, and other evidence directly pertinent to performance of Design and Construction Services and completion of the Work under this Design-Build Contract.” However, Section 21.04 is silent on any requirement regarding the retention of electronic data.

For future capital projects, the City should consider amending its contract language to require the retention of electronic data (in a format that would allow for the performance of data analytic procedures). The retention of electronic data would provide the City an opportunity to audit construction costs in a more efficient and complete manner as compared to sample-based testing. The retention of electronic data would also enable the City to perform more real-time analysis as compared to waiting until the end of a capital project to determine the accuracy and completeness of billings.

## **Observation #5 – Application for Payment Support**

During our sample testing of Pay Apps, we noted the supporting documentation did not include certified payrolls, including Form WH 347, as required by section 14.04.5 of the Contracts, which states the following:

14.04 Payment Application Contents. The following forms and documents must be included with every Payment Application:

- 14.04.01 Information aligning with the Schedule of Values as required in Section 14.03;
- 14.04.02 Partial Lien Waiver(s)/Final Lien Waiver(s);
- 14.04.03 Subcontractor/Supplier Participation Form and Payment Application;
- 14.04.04 Copies of Invoices for Subcontractors;
- 14.04.05 Certified Payrolls including form WH 347; and
- 14.04.06 Updated Schedule

It is important that the supporting documentation provided to the City is consistent with the requirements of the construction contract. Such supporting documentation will help ensure transparency and completeness in the payment application process.

Subsequent to providing our draft report on April 25, 2023, Bond Bank representatives provided spreadsheets called “Certified Payroll”. These spreadsheets contained F.A. Wilhelm files for the period from August 2019 – May 2022, with the exception of March 2021 which was not included and April 2021 which appears to be only partially included. These spreadsheets also contained Hunt Smoot files for the period December 2019 – February 2022. While the spreadsheets appear to include payroll data relating to the project, no Form WH347 was provided for any of the payroll files or periods as specified in section 14.04.5 of the Contracts.

## **Observation #6 – Application for Payment Discrepancies**

As noted previously, we requested payment application data from Hunt/Smoot and F.A. Wilhelm in electronic (Excel) format. Hunt/Smoot was unable to provide any electronic data and F.A. Wilhelm was able to provide only a partial set of electronic information (for the period from April 1, 2019 through October 1, 2021). During our analysis of the electronic F.A. Wilhelm data, we noted the following anomalies:

- The item description changed for the same item number between Pay Apps.
- The scheduled value changed for the same item number between Pay Apps.
- The “Total Completed and Stored to Date” was inconsistent between Pay Apps. Specifically, the Total Completed and Stored to Date balance from the previous application for payment plus “Work Completed” for the current period plus “Materials Presently Stored” balance should equal the Total Completed and Stored to Date balance in the current Pay App. However, FORVIS personnel identified instances in which the calculated balance (based on the formula described previously) did not match the amount reported in the Pay App.
- FORVIS identified instances in which the “Balance to Finish” reported in a Pay App was not calculated correctly.

- There were instances in which a new item number was reported on a Pay App with an existing “Work Completed” balance. For new items, we would anticipate the Work Completed balance would be \$0.
- FORVIS also noted examples of “Work Completed” balances not rolling forward properly between Pay Apps.

Pay Apps are the foundation of the process by which project costs are tracked and are also essential to the cash disbursement (*i.e.* payment) process. Without complete and accurate Pay Apps, the City may be overpaying for items, it may be paying for work not yet completed, retainage may be released earlier than required, etc. Consistent with Observation #4 above, for future capital projects, the City should consider requiring the General Contractors to provide electronic Pay Apps (in addition to hard copies) which would allow for additional analysis and recalculation and help ensure the accuracy of the data provided.

## **Observation #7 – Contractor Disclosure of Relationship with the Owner’s Representative**

Shiel Sexton Company, Inc., an Indianapolis based construction company, was selected by the City to serve as one of the Owner’s Representatives for the Project. A Vice President of Shiel Sexton Company, Inc., was the Senior VP of Hunt Construction Group (An AECOM Company) for nearly 18 years, leaving the company in September 2015. As noted previously, Hunt Construction Group is one of the firms that formed the Hunt/Smoot Joint Venture (*d/b/a* Community Justice Partners) which was selected January 2019, as the Design-Builder for the New Adult Detention Center. OAP personnel have indicated that, based on their follow-up, the City was aware of the relationship but no written documentation was prepared to substantiate the disclosure process.

City personnel should evaluate its related party and conflict of interest disclosure requirements to ensure that related party relationships, such as this Vice President of Shiel Sexton Company, Inc.’s relationship with Hunt Construction Group, are disclosed and documented. Such disclosure and documentation will help provide transparency in the capital project construction process and will also aid City personnel in the informed selection of contractors.

# Additional Recommendations

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## Additional Recommendations for Future Capital Projects

**Contractors with the City who are also subcontractors with other contractors with the City:** In the event there are multiple contractors with agreements with the City, and one contractor is performing work directly for the City (as well as work for the contractor), there is a possibility that the individual's time could be billed twice to the City (one time under each project). As part of the documentation provided to support Pay Apps, the City may want to consider requiring a listing of individuals involved in both projects to confirm that the time billed did not overlap time already recorded on the other Contractor Pay App. This could be added to the current section 14.04.05 of the agreements which requires certified payrolls, including form WH347.

**Project close-out documentation:** The Design-Builder contracts for the Project do not include the identification of specific documentation required to be provided by the Design-Builders to the City in conjunction with the Project close-out process. For future construction contracts (with the exception of lump-sum contracts, for which actual project costs are not evaluated by the owner), the City may want to consider adding language to future construction contracts regarding required close-out documentation. Such documentation may include, but is not limited to, a final "job cost" report. A job cost report is a detailed (and system-generated) report which presents the accumulation of all costs incurred in conjunction with a particular construction project. A job cost report is typically used as the source report used to prepare monthly Pay Apps, as well as the final Pay App for a project. Obtaining a final job cost report, preferably in Excel or similar electronic format, enables the owner to analyze project costs and helps ensure the amount and nature of costs are consistent with the Pay Apps submitted by the Design-Builder during the construction project. Obtaining a final job cost report also helps provide transparency to the close-out process by enabling the owner to quantify the actual costs incurred relating to the construction project.