University of Iowa – North Liberty Hospital Project

Construction Audit Services – Audit Committee Meeting

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Audit Snapshot

Current Contract Value - $359,092,833

Cost audited to date - $184,030,669 (Billings No. 1 through No. 26)
- JED & Other Subs - $108,453,290
- Tri City Electrical - $31,874,874
- Baker Group - $41,490,513
- Johnson Controls - $2,211,992
Audit Work Completed to Date

- Completed the current state analysis report on August 8, 2023 (this only includes all costs incurred through Payment Application No. 18)
- Completed the project controls assessment report on October 18, 2023
- Reviewed monthly Payment Applications and participated in pencil draw reviews through No. 26
- Provide monthly status updates summarizing key events of the project and potential audit findings
- Participated in ongoing communication with the project team
# Observations – Current State Analysis

**What Have We Found?**

There were two minimal findings related to the GMP subcontracts that were promptly resolved by JE Dunn. All other billings were compliant with the contract.

- **Baker Group:** Computer charges totaling $914 were shifted from the lump sum general conditions to the cost of work.
- **Tri-City Electrical:** Sales tax totaling $54 was included on a material invoice.

There are several contracting improvement opportunities to be applied to future projects. This will help the University improve unfavorable contract language and minimize contractor overcharges. Key areas are:

- Overhead and profit language
- Contingency, allowance, change order, and payment application documentation
- Defined timelines for reporting defects/unknown conditions
- Schedule recovery requirements
- CM fee on scope reductions
- Defined labor rates & overtime requirements
- Defined equipment language
Observations – Project Controls Assessment

WHAT HAVE WE FOUND?

• Process communication to stakeholders opportunities for improvement:
  • Ownership responsibilities across UI entities
  • Procurement timelines and their effective communication to vendors
  • Design changes occurring during later project phases potentially contributing to cost increases

• Project risk control opportunities:
  • UI D&C did not maintain a detailed risk log and did not perform thorough project risk assessments in the planning phases of the project.

• Schedule control opportunities:
  • We could find no formal project schedule control procedures for UI D&C

The project management team is effective in verifying and authorizing payments to contractors and suppliers, and managing and enforcing the contract terms and conditions.

Baker Tilly identified five observations related to the overall project controls. UI personnel have been eager to resolve and improve upon each observation.
**Observations – Monthly Monitoring**

- All findings to date relate to the GMP subcontractors. They include:
  - Sales tax added to material invoices. Value < 2k
  - Equipment billings that exceed the caps. Value <2k
  - Cost support that does not reconcile to the billings. Value <2k
  - Office supplies, postage, and travel expenses shifted from the lump sum general conditions to the cost of work. Value TBD – this finding was identified during the current’s month review

- When brought to the Contractor’s attention, these findings were immediately rectified

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**Project controls that have been implemented are operating effectively; consequentially, we are not finding material misstatements, overcharges, or overbillings**

**The project documentation that has been provided to date has been accurate and complete and has contributed to the minimal findings**

**The Contractor and UI project team continue to be responsive to audit requests, and we are consistently collecting and testing documentation**
Next Steps

Continuously monitor the project on a monthly basis, reconciling payment applications against supporting documentation and reviewing change orders.

Deliver monthly reporting.
Questions?