



CITY AUDITOR

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Honorable Patty Lent, Mayor
Members of the City Council

The City Auditor has completed a review of the Harborside Fountain Park, Building 50 and Memorial Plaza Project and has issued the attached report. Four findings and two other items were noted. No response to the draft of this report was received from the city administration so it has been issued without management comment.

Sincerely,

Gary W. Nystul

cc: City Attorney

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REVIEW OF HARBORSIDE FOUNTAIN PARK - BUILDING 50 - MEMORIAL PLAZA PROJECT

Purpose

The Office of the City Auditor reviews various phases of city operations for compliance and performance. This review of the Harborside Park project including Harborside Fountain Park, Building 50 and Memorial Plaza was scheduled on the 2009 work plan.

Scope

This is a review of revenue and expense in Fund 303 Harborside Park and Fund 304 Harborside Plaza & Common from January 2005 through December 31, 2009. It also includes the documentation of grants, agreements, revenue, expenditures and fixed assets from the construction of the Harborside Fountain Park, Memorial Plaza, the remodeling and addition to Building 50, and the land transfers and leases. The first design contract was awarded in January 2005. The substantial completion date of the last project, Memorial Plaza, was May 16, 2009.

Statement of Auditing Standards

This compliance audit was conducted in accordance with Generally Accepted Government Auditing Standards, except Standard 3.50 requiring an external quality control review. Those standards require that the auditor plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Objective

The objective of this audit was to:

- Review the documents and agreements for the various sources of revenue used
- Review expenditures for the construction of the parks
- Review compliance with city policies and procedures
- Report any observations or findings relative to economy, efficiency or compliance

Summary of the Results

- There was no follow up on construction after the project was completed.
- In some instances City policies and procedures for contracts, sole source contracts, and change orders were not followed.
- Some tasks required to complete these construction projects have yet to be completed.
- The language of the lease of Building 50 with the Navy could be improved.

BACKGROUND

The City has embarked on a revitalization of the Bremerton waterfront near the Kitsap Transit Center (ferry terminal) and Puget Sound Naval Shipyard. This phase is the Harborside Park and includes three projects. They are the Harborside Fountain Park, Building 50 (Museum), and Memorial Plaza.

The manager of these projects was Gary Sexton, the Redevelopment Projects Administrator. It was his vision that led the design and construction of these world class projects. They have been photographed and reported in several publications.

This project was performed under a “design-build” concept law approved by the Washington State Legislature. Under this method, the city selected a general contractor to act as the designer and builder. The General Contractor/Construction Manager contract was entered into on December 1, 2005, for an initial \$4,503,200.

Following the completion of construction and until January 11, 2010, the Electronics Division of the Department of Public Works & Utilities maintained the pumps and computer controls. On that date the Parks and Recreation Department assumed maintenance responsibility.

Harborside Fountain Park

The Harborside Fountain Park starts at the waters edge and is between the Transit/Ferry Terminal and the shipyard. Approximately 2.8 acres of land was transferred from the Navy to the city. Environmental cleanup and assessments allowed the park to be built on top of the land. This is now a park with five large copper-ringed fountains, surrounded by reflecting pools, walkways and extensive landscaping. The fountains have computer controlled programs that change the water patterns for five different shows.

Building 50 (Museum)

The U. S. Navy moved Building 50 from its location in the shipyard to its resting spot in the park at the intersection of Pacific Avenue and First Street. The building is now owned by the city. The building was designed by Seattle architects in 1896 and built the

same year. It was originally constructed on a hill overlooking the Shipyard. During its life, it has been the headquarters for the Naval Station, used as a receiving ships office, a dental office, by Shipyard chemists, and others. In 1939, it was moved to a location near Dry Dock 5 where it rested before its present move. During the years prior to this last move, the Navy had expended a considerable effort restoring the building to its original condition. The building is leased for \$1 per year to the Navy who operates the museum.

The Fountain Room, a 1,650 square foot addition, was added to Building 50 as part of this project. It provides an additional event space for the community. It is managed for the city by Columbia Hospitality who also manages the Kitsap Conference Center at the Bremerton Harborside.

Memorial Plaza

Memorial Plaza is built on land that will be leased to the city by the Navy. It is located west of Pacific Avenue, south of Burwell Street, and abuts the Shipyard. The land was acquired by the Navy as a security buffer to the shipyard. The commercial buildings on it were cleared. The automobile tunnel from the ferry terminal to Burwell Street is also under one corner of the park. The park has three fountains that are connected. There are several large rocks that have been “sculptured” with interesting shapes. The fountains have computer controlled water displays that are on, over and through these rocks and perform seven different programs. Several displays feature historical items from the shipyard and the people who worked there.

FINANCIAL

The following table summarizes the revenue and expenditures for the three projects from January 1, 2005 through December 31, 2009. Revenue includes all sources for Fund 303 Harborside Park and Fund 304 Harborside Plaza & Common. Some revenue, such as investment interest, was not specifically allocated to these projects.

Expenditures include all amounts charged to the projects by the project accounting provision of the city financial accounting system. Expenditures such as some labor, rent and etc. paid out of these funds, but not charged to the projects, are not included.

The cost of moving Building 50 and soil cleanup is not included because those expenses were paid by the Navy. The value of the land donated to the city for the Building 50 Museum site and the Fountain Park are also not included.

REVENUE

HUD EDI	\$103,879
SAVE AMERICAS TREASURES	295,832
INTERAGENCY COMM. FOR OUTDOOR RECREATION	300,000
WA DEPT OF TRANSPORTATION	276,000
WA DEPT OF COMMUNITY DEVELOPMENT	8,173,217
US NAVY	12,500
INVESTMENT INTEREST	20,106
UNREALIZED GAIN/LOSS	(82)
OTHER MISC REVENUE	1,273
NON-TAXABLE SALE OF ASSET	234,000
TRANSFER FROM CDBG FUND	500,000
TRANSFER FROM GENERAL GVT CAP IMP	1,525,000
TRANSFER FROM PARK CONSTRUCTION	188,000
TOTAL REVENUE	<u>\$11,629,724</u>

EXPENDITURE

REALLOCATED LABOR COSTS	\$37,249
SALARIES & WAGES REGULAR	261,386
PERSONNEL BENEFITS	31,129
TRANSFER TO WORKERS COMP	336
MEDICAL & DENTAL BENEFITS	2,132
OFFICE & OPERATING SUPPLY	3,095
PROFESSIONAL SERVICES EXTERNAL	763,100
POSTAGE	285
TRAVEL	8,175
ADVERTISING	937
LAND AND BUILDINGS	7,000
EQUIPMENT	37,377
ELECTRICITY	7,435
MISCELLANEOUS	43,956
MISCELLANEOUS - INTERFUND	43,858
INTERFUND TAXES & ASSESS	75,664
LAND	31,000
OTHER IMPROVEMENTS	126,210
CONSTRUCTION PROJECTS	9,615,399
CONSTRUCTION PROJ - INTERFUND	326,776
TOTAL EXPENDITURES	<u>\$11,422,500</u>

FINDINGS AND RECOMMENDATIONS

FINDING 1. There was no follow up on construction after the project was completed. As a result, warranty items have yet to be addressed.

Some construction problems were noted in the Memorial Plaza Park equipment room (pump room). There are signs of water seeping through the walls in some locations. In addition, water is accumulating on the floor under the pumps and filter in one corner of the room. This is due to the lack of a floor drain. Some water is normally released when a filter in that part of the room is serviced. However, without a drain there is no place for it to go. This is a safety hazard.

The Parks Department Maintenance Manager reports that in Memorial Plaza, water is leaking out of the ponds. Wet pavement was noticed during this past summer. Water forming ice was also noted during the cold spell this fall. This may be a warranty item and needs to be researched.

RECOMMENDATION

The project manager should be responsible to follow up on construction. This includes ensuring that any problems which develop during the warranty period are followed up. In addition, there should be a final review by the project manager near the end of the warranty period.

The Department of Parks and Recreation was assigned maintenance responsibilities January 11, 2010. They have been pursuing resolution to these problems. The city administration should provide support to the Parks staff to get the problems resolved.

FINDING 2. City policies and procedures for contracts, sole source contracts, and change orders, were not followed in some instances.

Curved security walls in Memorial Plaza were constructed at a cost of \$135,000. The project manager, in a memorandum noted in the file, stated that this should be a sole source contract. The Bremerton Municipal Code Section 2.756.090 allows the requirement for a request for bids to be waived by a written determination by the Director stating the materials or supplies are clearly and legitimately limited to a single source of supply. However, this BMC section does not waive the requirements of Section 2.76.100 for contracts over \$25,000 to be approved by the City Council to become effective and binding upon the City. There is no evidence that authorization was obtained from Council for making this purchase in excess of \$25,000.

The Council, on July 20, 2005 at a regular meeting, passed a motion to authorize the mayor to execute an agreement. The agreement is with a professional firm for

Phase II of completion of construction documents, design for casework, and exhibit displays for Building 50 Museum and its immediate surroundings and completion of construction documents for Harborside Memorial Plaza. The contract for \$520,000 was signed by the Redevelopment Projects Administrator. The contract should have been signed by Mayor Bozeman, as was stated in the council motion.

A "State Participating Agreement" was entered into on December 18, 2006, between the Washington State Department of Transportation and the City. The agreement provided that the State would reimburse the city \$150,000 for costs to construct a stairway from the ferry plaza into the Fountain Park. There is no evidence the City Council approved this agreement. The Redevelopment Projects Administrator signed the contract for the city. The BMC does not appear to address who is authorized to sign contracts obligating the city. However, it is not consistent with public governance to allow contracts to be signed without authority from the legislative body.

In October of 2007 the City Council approved a change order of \$2,350,000 for construction of Memorial Plaza. The actual document prepared by the contractor was for \$2,218,144 or \$131,856 less. There were 17 subsequent change orders approved by the Redevelopment Project Administrator which totaled \$584,970. These subsequent change orders were not submitted to City Council for approval. Section 2.76.110 of the Bremerton Municipal Code allows the mayor to approve change orders with an aggregated value of up to \$200,000. Amounts in excess of \$200,000 must be submitted to City Council. The city rules were not followed for change orders in the aggregate value of \$384,970.

RECOMMENDATION.

Established city procedures are in place for procurement of sole source materials and for approval of change orders. Customary procedures exist for signing of contracts and agreements. The procedures and practices should be followed.

FINDING 3. Some tasks required to complete these construction projects have yet to be completed although the projects were substantially completed many months ago.

The city Facilities Manager reported that the roof drains on the restroom building go into a pipe in the ground. However, the pipe does not go anywhere. When the pipe fills with rainwater, it backs up and overflows on the ground. The Facilities Manager has a plan to correct this but needs direction and funding. This building was completed in May 2008. The problem has not yet been addressed.

The Fountain Park pump room (equipment room) at February 2010 still has a "temporary construction wood railing" at the edge of the pit where the pumps, filters, and etc. are located. This is a safety and building code issue. There is a

ladder that is presently used for access down to the pumps and equipment. There is also a built in stairway in the opposite corner of the pump pit that is not accessible. To use the stairway, a metal grating or other material for a floor would need to be installed over the pump pit. The pump room was completed in May of 2007. A proper safety railing or grating needs to be installed to correct this deficiency.

RECOMMENDATION.

These items are well past warranty period if they were even specified. The Department of Parks and Recreation should be provided adequate funding to correct the problems.

FINDING 4. The language of the Building 50 lease with the Navy could be improved.

The city leases Building 50 to the Navy which maintains it as a museum. According to the lease the city is required to, among other tasks, furnish “building systems and exterior maintenance.” These terms are not clear. For example, does this mean that the city will maintain the walls and carpet of the interior of the building that the Museum is using? Are the alarm systems and fire suppression systems included? Is maintenance of plumbing fixtures included? The intent of the parties should be clarified when the annual lease is renewed in October. Language that could be included would state “the city shall repair and maintain the roof, foundations, fire suppression system, elevators, security system structural components and all exterior elements of the building. Maintenance of walls and floors in the museum area is the responsibility of the Navy.”

RECOMMENDATION

The mayor should ensure that the department responsible for the lease seeks to improve the clarity when it is next renewed.

OTHER ITEMS

1. The lease of Memorial Plaza has not been completed.

The land that Memorial Plaza park is located on is owned by the Navy. It is to be leased to the city. Construction of the park was completed in June 2009. The lease has not yet been completed.

RECOMMENDATION

The city administration should determine what the delay in obtaining the lease is and take action to get it finalized.

2. The City Council did not require adequate written documentation when approving a contract change order.

In December 2006 the City Council approved a change order for Fountain Park of \$1,750,000. However no documentation was included with the Agenda Bill to explain specifically what the change order was for or to outline the dollar amount and how it was arrived at. This Agenda Bill was approved by: Department Director, City Attorney, Finance Director, Mayor, Chair of the Council Fiscal/Budget Committee, Chair of the Council Operations Committee and Council President. No one apparently objected to the lack of documentation.

RECOMMENDATION

All of the parties providing input to and approval of an agenda bill should ensure that complete support is included for each contract change requested.