



John A. Carey
Inspector General

OFFICE OF INSPECTOR GENERAL PALM BEACH COUNTY



Inspector General
Accredited

“Enhancing Public Trust in Government”

Audit Report

2023-A-0007

Village of Tequesta - Construction Contract - New Community Center Constitution Park Construction Project

September 29, 2023

Insight – Oversight – Foresight



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AUDIT REPORT 2023-A-0007

DATE ISSUED: SEPTEMBER 29, 2023



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VILLAGE OF TEQUESTA - CONSTRUCTION CONTRACT - NEW COMMUNITY CENTER CONSTITUTION PARK CONSTRUCTION PROJECT

SUMMARY

WHAT WE DID

We conducted an audit of the Village of Tequesta's (Village) construction contract related to the new community center at Constitution Park construction project (Agreement) with Hedrick Brothers Construction Co., Inc. (Contractor). This audit was performed as part of the Office of Inspector General Palm Beach County (OIG) 2021 Annual Audit Plan and was a joint audit performed by the OIG's Audit and Contract Oversight and Evaluations Divisions.

Our audit focused on the new Community Center at Constitution Park construction project for the period December 10, 2020 to July 20, 2023.

WHAT WE FOUND

Overall, the Village had generally adequate controls over the construction contract management and monitoring processes; however, we noted some

weaknesses with respect to the Village's review and oversight of pay applications and change orders, and compliance with contractual requirements related to pay applications and change orders. Our audit identified **\$976,114.05** in questioned costs¹ and **\$33,327.30** in identified costs.²

The Village did not always review the pay applications for mathematical accuracy nor timely issue payments to the Construction Manager.

The Village did not always comply with the Agreement requirement that the Village issue payments to the Construction Manager not later than the tenth day of the following month for two (2) pay applications tested, totaling \$942,302.30. The total amount of the pay applications, **\$942,302.30**, is considered a questioned cost due to noncompliance with the Agreement.

The Contractor did not calculate the Construction Manager's Fee and the

¹ Questioned costs can include costs or financial obligations incurred pursuant to: a potential violation of a provision of a law, regulation, contract, grant, cooperative agreement, other agreement, policies and procedures, or document governing the expenditure of funds; a finding that, at the time of the OIG activity, such cost or financial obligation is not supported by adequate documentation; or, a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable. As such, as in this case, not all questioned costs are indicative of potential fraud or waste.

² Identified costs are costs that have been identified as dollars that have the potential of being returned to the entity to offset the taxpayers' burden.

General Liability Insurance for the demolition and construction phases of work based on the percentage of the Cost of the Work, as required by the Agreement. As a result, the Contractor overbilled the Village a total amount of **\$28,186.77**, which is considered an identified cost.

The Village did not always review the change orders for mathematical accuracy or respond to them in a timely manner.

The Village did not always comply with the Agreement requirement to respond to \$39,475.89 of change orders within five (5) business days for three (3) change orders tested. Change orders totaling **\$33,811.75** are considered questioned costs for noncompliance with the Agreement.

The supporting subcontractor invoices for three (3) change orders tested, totaling \$247,623.24, were not mathematically

accurate. The subcontractors' invoices contained calculation errors, including invoice totals that were more than the sum of invoice line items and miscalculated contractor liability insurance and markup amounts. As a result, the Contractor overbilled the Village a total amount of **\$5,140.53**, which is considered an identified cost.

WHAT WE RECOMMEND

Our report contains two (2) findings and six (6) recommendations. Implementation of the recommendations will 1) assist the Village in strengthening internal controls and 2) help the Village ensure compliance with construction contract requirements.

The Village's management concurred and accepted the recommendations.

We have included the Village's management response as Attachment 1.

BACKGROUND



The Village was incorporated on June 4, 1957, pursuant to Special Act 57-1915, Laws of Florida. The Charter of the Village was adopted by Ordinance No. 562 on September 27, 2001, and by referendum on December 4, 2001. The Village is located in Northern Palm Beach County, Florida and is approximately 2 square miles. The Village's estimated population in FY 2020 was 5,874.

The Village operates under a Council-Manager form of government and has five (5) council members that serve two-year terms. The Village Council appoints the Village Manager, who is responsible for managing all public business and the administration of the Village. The Village Manager under the guidance and direction of the Village Council, is to provide quality public services to residents and businesses of the Village in an effective, efficient, and economical manner.

Construction Agreement

The Village entered into an Agreement for Construction Manager at Risk Services for the New Community Center at Constitution Park with Hedrick Brothers Construction Co., Inc., effective December 10, 2020. This Agreement incorporates RFQ #09-20 and The American Institute of Architects® (AIA®) Document A133 Agreement Between Owner and Construction Manager as Constructor, including all exhibits, which collectively constitute the "Contract Documents³."

AIA® Document A133™–2019 Standard Form of Agreement Between Owner and Construction Manager as Constructor where the basis of payment is the Cost of the Work Plus a Fee with a Guaranteed Maximum Price defines the general provisions, construction manager and owner responsibilities, compensation and payments, cost of the work, accounting records, and scope of the agreement. The scope of the agreement states that the following documents comprise the Agreement:

- AIA® Document A133™–2019, Standard Form of Agreement Between Owner and Construction Manager as Constructor where the basis of payment is the Cost of the Work Plus a Fee with a Guaranteed Maximum Price
- AIA® Document A133™–2019, **Exhibit A-1**, Guaranteed Maximum Price Amendment for the Demolition Work, and the Exhibits thereto, to be executed by the Parties simultaneous with execution of the Agreement
- AIA® Document A133™–2019, **Exhibit A-2**, Guaranteed Maximum Price Amendment for the Construction Work, and the Exhibits thereto, to be executed by the Parties simultaneous with execution of the Agreement
- AIA® Document A133™–2019, **Exhibit B**, Insurance and Bonds
- Exhibit C, Site Plan
- Exhibit D, Preconstruction Services Summary

³ The agreement effective December 10, 2020, provides that the parties agreed that the Guaranteed Maximum Price Amendment for the Community Center Work, as defined in AIA® Document A133, would be negotiated and entered into in the future. The parties signed AIA® Document A133™–2019 on February 11, 2021.

- Exhibit E, VDC Services Summary
- AIA® Document A201™–2017, General Conditions of the Contract for Construction

On February 18, 2021, the Village issued a Notice to Proceed for the new community center to the Construction Manager, Hedrick Brothers Construction Co., Inc. with a start date of February 22, 2021.

The ribbon cutting ceremony for the new community center occurred on April 29, 2022, and the grand opening for the Village residents was held on April 30, 2022.



The new community center facility is a 14,799 square foot multi-functional building that is free for use by Village residents. The new community center includes a gymnasium, a dedicated area to serve youth and toddlers for gymnastics, and multi-function recreation rooms for exercise classes and meetings.

The OIG 2021 Annual Audit Plan had multiple entities selected for Construction Contract audits. The OIG selected the Village of Tequesta for a construction contract audit based on minimal prior OIG coverage.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall objectives of the audit were to determine if:

- Internal controls were adequate to effectively manage construction contracts;
- Control procedures were adequate to ensure that construction contracts were competitively procured and managed effectively in accordance with construction contract terms and conditions;
- Invoices were properly documented and approved to avoid possible fraud, waste, and abuse; and
- Agreed upon deliverables were received.

The scope of the audit included but was not limited to the period of the new Community Center at Constitution Park Construction Project from December 10, 2020 to July 20, 2023.

The audit methodology included but was not limited to:

- Completion of data reliability and integrity assessment of related computer systems;
- Review of policies, procedures, and related requirements;
- Completion of process walk-throughs;
- Review of internal controls related to the management of the construction contracts and related expenditures;
- Interview of appropriate personnel;
- Inspection of selected jobsite activities and construction progress;
- Review of records, reports, contracts, and agreements; and
- Detailed testing of selected transactions.

As part of the audit, we completed a data reliability and integrity assessment for the financial computer systems used by the Village for construction contract activities. We determined that the computer-processed data contained in the Village's ClearGov system was sufficiently reliable for purposes of the audit.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

Finding (1): The Village did not always review the pay applications for mathematical accuracy nor timely issue payments to the Construction Manager.

The AIA® Document A133™–2019, Standard Form of Agreement Between Owner and Construction Manager as Constructor where the basis of payment is the Cost of the Work Plus a Fee with a Guaranteed Maximum Price states,

ARTICLE 6 COMPENSATION FOR CONSTRUCTION PHASE SERVICES

...

§ 6.1.2 The Construction Manager's Fee:

(State a lump sum, percentage of Cost of the Work or other provision for determining the Construction Manager's Fee.)

6.5% of the Cost of the Work plus 1.3% of the Cost of the Work for General Liability Insurance.

...

ARTICLE 11 PAYMENTS FOR CONSTRUCTION PHASE SERVICES

§ 11.1 Progress Payments

§ 11.1.1 Based upon Applications for Payment submitted to the Architect by the Construction Manager, and Certificates for Payment issued by the Architect, the Owner shall make progress payments on account of the Contract Sum, to the Construction Manager, as provided below and elsewhere in the Contract Documents.

...

§ 11.1.3 Provided that an Application for Payment is **received by the Architect not later than the 25th day of a month, the Owner shall make payment of the amount certified to the Construction Manager not later than the 10th day of the following month.** If an Application for Payment is received by the Architect after the application date fixed above, payment of the amount certified shall be made by the Owner not later than 15 days after the Architect receives the Application for Payment.

*(Federal, state or local laws may require payment within a certain period of time.*⁴
[Emphasis added]

...

§ 11.1.5.1 **The schedule of values shall be prepared in such form and supported by such data to substantiate its accuracy** as the Architect and/or Owner may reasonably require. The schedule of values shall be used as a basis for reviewing the Construction Manager's Applications for Payment... [Emphasis added]

...

§ 11.3 Interest

Payments due and unpaid under the Contract shall bear interest from the date payment is due at the legal rate prevailing from time to time at the place where the Project is located.

We selected thirteen (13) Application and Certificates for Payment (pay applications), totaling \$5,244,670.52 in work completed, to determine if the pay applications and related Village payments were adequately supported, properly approved and documented, in compliance with written requirements, and for only allowable goods and services. Eleven (11) pay applications were selected for testing because they included payment for change orders that were selected for testing in the audit. One (1) pay application was selected to verify that no duplicate invoices or line items were billed on sequential pay applications, and one (1) pay application, the last pay application for work completed (excluding change orders), was selected to verify the Construction Manager's Fee and General Liability Insurance amounts charged to the Village were accurate and in compliance with the Agreement.

⁴ Section 218.735(1)(a), Florida Statutes, states that for construction services, if an agent must approve the payment request before the payment request is submitted to the local governmental entity, payment is due 25 business days after the date on which the payment request is stamped as received.

We reviewed the pay applications and related supporting documentation, the Architect's proof of pay application receipts, and the Village's payment support and found the Village did not comply with the Agreement requirement that the Village issue payments to the Construction Manager not later than the tenth day of the following month for two (2) of the thirteen (13) pay applications tested, totaling **\$942,302.30**. This is considered a questioned cost due to noncompliance with the Agreement.

Chart 1

Pay Application No.	Date Received by Architect	Agreement Due Date	Village Payment Date	Check No.	Payment Amount
6	7/9/2021	8/10/2021	8/13/2021	117309	\$671,529.37
14	2/1/2022	3/10/2022	3/11/2022	118722	\$270,772.93
				Total	\$942,302.30

The Village advised that even though they did not issue payments to the Construction Manager not later than the tenth day of the following month, the Village was in constant contact with the Contractor and received no complaints from the Contractor about the timeliness of payments. However, the Village risks unnecessary interest charges, construction costs, and delays if it does not issue payments to the Construction Manager in the timeframe required by the Agreement.

We also found that the Construction Manager's Fee (Item No. 15-18-110) and the General Liability Insurance (Item No. 15-18-105) for the demolition and construction phases of work were not calculated based on the percentage of the cost of the work, as required by the Agreement, and as a result, the Village compensated the Contractor for the Construction Manager's Fee and the General Liability Insurance in excess of **\$28,186.77** of the contractual amount (see Chart 2 below). We recalculated the Construction Manager's Fee and General Liability Insurance amounts based on the Agreement rates and the Agreement's Cost of the Work definition using pay application no.18. Pay application no.18 was used for the recalculation as it was the last pay application submitted for work completed that was not the result of a change order. The remaining pay applications submitted by the Contractor included change orders and adjustments to account for the unused portion of the guaranteed maximum price (GMP) and retainage.⁵ However, these adjustments were not for costs of work completed and were subsequently credited to the Village in change order PCCO #33 (for allowances not used) or split with the Village in change order PCCO #34 (for budget not used). Additionally, the Construction Manager's Fee and General Liability Insurance amounts are calculated separately on each individual change order.

⁵ According to the Agreement §11.1.8 Retainage, the Owner may withhold 10% of each progress payment made prior to Substantial Completion of the Work as retainage. Once the project is 50% substantially complete, retainage shall be reduced to 5% on all future payments, and retainage shall be fully payable to the Construction Manager once substantial completion is obtained, less remaining punch list items.

Chart 2

Work Phase/Fee	Invoiced Amount	Invoiced Rate	Agreement Amount	Agreement Rate	Over Billed
Demolition – Cost of the Work	\$107,094.38 ⁶				
Construction Manager’s Fee	\$8,321.00	7.77%	\$6,961.13	6.50%	\$1,359.87
General Liability Insurance	\$1,640.00	1.53%	\$1,392.23	1.30%	\$247.77
Construction – Cost of the Work	\$5,170,893.89 ⁷				
Construction Manager’s Fee	\$356,615.65	6.90%	\$336,108.10	6.50%	\$20,507.55
General Liability Insurance	\$73,293.21	1.42%	\$67,221.62	1.30%	\$6,071.59
				Total	\$28,186.77

The Village did not always review the pay application documentation for mathematical accuracy and sufficient supporting documentation for completed work. As a result, the Contractor overbilled the Village a total of **\$28,186.77** for the Construction Manager’s Fee and General Liability Insurance, which is considered an identified cost.

The Village is exposed to an increased risk for construction fraud, waste, and errors resulting in unnecessary costs to the Village if pay applications are not sufficiently reviewed prior to payment.

Recommendations:

- (1) The Village consider collecting the **\$28,186.77** from the Contractor for the Construction Manager’s Fee and General Insurance Liability that was overbilled.
- (2) The Village issue timely future construction contract payments in compliance with contractual requirements.
- (3) The Village enhance the construction payment review and oversight process to include recalculation of any line items invoiced that are based on a percentage of the cost of work to ensure the accuracy of amounts paid to Contractors.

Management Response:

- (1) We concur that the two payment requests noted were not paid within the time frame required by the contract. The Village was in constant contact with the General Contractor and received no complaints about the timely payment of their Application for Payments. Pay Application # 6 was issued three days late and Pay Application # 14 was paid one day late.

⁶ Total Cost of Work Completed and Stored to Date of \$117,055.38 - General Liability Insurance of \$1,640.00 – Construction Manager’s Fee of \$8,321.00 = \$107,094.38.

⁷ Total Cost of Work Completed and Stored to Date of \$5,600,802.75 - General Liability Insurance of \$73,293.21 – Construction Manager’s Fee of \$356,615.65 = \$5,170,893.89.

Corrective Action: The Village will strive to be more cognizant of contractual agreements and pay timely as required.

- (2) While outside the terms of the Village's executed contract, the \$942,302.30 are legitimate expenditures paid by the Village.

Corrective Action: The Village will strive to be more cognizant of contractual agreements and pay timely as required.

- (3) The Village recognizes that this was an error on the part of the Village's review process. The Village is in contact with our Architect and General Contractor to ensure that we only pay for legitimate costs.

Corrective Action: The Village has contacted Hedrick Brothers to begin the discussion of repayment for costs which are not in compliance with the terms of our contract. The Village will strongly consider hiring a Construction Engineering & Inspection (CEI) firm for all future construction projects of this complexity.

Finding (2): The Village did not always review the change orders for mathematical accuracy or respond to them in a timely manner.

AIA® Agreement

The AIA® Document A133™ – 2019, Standard Form of Agreement Between Owner and Construction Manager as Constructor where the basis of payment is the Cost of the Work Plus a Fee with a Guaranteed Maximum Price states,



ARTICLE 6 COMPENSATION FOR CONSTRUCTION PHASE SERVICES

...

§ 6.3 Changes in the Work

...

§ 6.3.6 Notwithstanding anything contained herein to the contrary. **Owner shall review and respond to change orders (with an approval, rejection or comments) submitted by Contractor within five (5) business days after submission by Contractor of a change order in order to maintain the Substantial Completion Date for the Project.** In the event Owner fails to approve a change order within such five (5) business day timeframe. Owner agrees that Contractor shall not be liable for any delay or damages associated with such failure, including, but not limited to, liquidated damages, and Contractor shall be entitled to an equitable adjustment in the Contract Time, extended General Conditions expended by the Contractor and increased costs reasonably incurred by the Contractor as a result of such failure. [Emphasis added]

General Conditions of the Contract for Construction

The AIA® Document A201™ – 2017 General Conditions of the Contract for Construction states,

ARTICLE 7 CHANGES IN THE WORK**§ 7.1 General**

§ 7.1.1 Changes in the Work may be accomplished after execution of the Contract, and without invalidating the Contract, by Change Order, Construction Change Directive or order for a minor change in the Work, subject to the limitations stated in this Article 7 and elsewhere in the Contract Documents.

...

§ 7.2 Change Orders

§ 7.2.1 A Change Order is a written instrument prepared by the Architect or Contractor and **signed by the Owner, Contractor, and Architect stating their agreement** upon all of the following:

- .1 The change in the Work,
- .2 The amount of the adjustment, if any, in the Contract Sum; and
- .3 The extent of the adjustment, if any, in the Contract Time. [Emphasis added]

We selected twelve change orders for testing to determine whether there was sufficient documentation to justify the change in work, whether change orders were properly authorized and in conformance with written requirements, whether change order amounts were mathematically accurate and in agreement with supporting documentation, and whether change orders were performed during the contract period and were for goods and services covered by the contract. Two of the twelve change orders were selected because the change order numbers were missing from the list of change orders on the schedule of values continuation sheet⁸ that supports the Contractor's pay application. Five of the twelve change orders were selected based on having the largest scheduled values at the time of selection, and five change orders were selected based on the work description.

We reviewed the source and supporting documentation of each change order and found the following exceptions:

- The supporting subcontractor invoices for three (3) of the twelve (12) change orders tested, totaling \$247,623.24, were not mathematically accurate. The subcontractor invoices contained calculation errors including invoice totals that were more than the sum of invoice line items and contractor liability insurance and markup computations based on the grand total amount rather than the cost of work amount.

⁸ The schedule of values continuation sheet details the work performed/to be performed by line item along with the scheduled value, adjustments to the scheduled value, current value, amount of work completed, percentage completion, balance to finish, and retainage for each line item and change orders.

- The Village did not comply with the Agreement requirement to respond to the change order within five (5) business days for three (3) of the twelve (12) change orders tested, totaling \$39,475.89.

Chart 3

Change Order No.	Description of Work	Change Order Value	Calculation Errors/Over billings	Village Delay	Questioned Cost	Identified Cost
PCCO2	Shell Changes Rev. 1	\$64,918.75	√			\$1,701.83
PCCO4	Revision #3 Changes	\$159,293.01	√			\$3,065.77
PCCO7	Electrical Owner Requests	\$6,293.49		√	\$629.35 ⁹	
PCCO8	Relief Damper	\$2,598.07		√	\$2,598.07	
PCCO25	Revision #4 - Civil Drawings	\$23,411.48	√			\$372.93
PCCO26	Electrical Rev 07	\$30,584.33		√	\$30,584.33	
Total		\$287,099.13	3	3	\$33,811.75	\$5,140.53

It appears the Village and the Contractor did not review the change order subcontractor documentation for mathematical accuracy. As a result, the Village was overbilled a total of **\$5,140.53**, which is considered an identified cost. The Village is exposed to increased risks for construction fraud, waste, and errors resulting in unnecessary costs to the Village if change orders are not sufficiently reviewed prior to payment.

The **\$33,811.75** in change orders for which the Village did not respond is considered a questioned cost due to noncompliance with the Agreement.

The Village advised that they did not respond to the change orders within 5 business days, as required because the Village was required to bring all change orders to the Village Council for approval and adoption prior to January 13, 2022 and that the Village Council has one regular Council meeting per month. The Village further advised that as of January 13, 2022, the purchasing policy was revised to allow the Village to improve their ability to react quicker to smaller change orders.

The Village risks unnecessary construction costs and delays if it does not respond to change orders with five business days, as required by the Agreement.

⁹ To avoid duplication, this amount excludes questioned costs of \$5,664.14 for change order PCCO7 that was reported in Finding WP 5.1.2 for pay application no. 6 "Work Completed This Period."

Recommendations:

- (4) The Village consider collecting the \$5,140.53 from the Contractor for the change orders that were overbilled.
- (5) The Village follow contract terms and conditions with respect to change orders.
- (6) The Village enhance the construction change order review and oversight process to include review of supporting subcontractor invoices and calculations for mathematical accuracy.

Management Response:

- (4) The Village was required to bring all change orders to the Village Council for approval and adoption prior to January 13, 2022. The Village Council has one regular Council Meeting per month. At the January 13, 2022 meeting we changed our purchasing policy which greatly improved our ability to react quicker to smaller change orders. This explains why PCC07 and PCC08 did not receive the required response within five (5) business days. As far as PCC026 while it was dated of January 13, 2022, the Village did not receive an executed change order from Hedrick Brothers until February 15, 2022.

Corrective Action: The Village will be more careful on signing contracts which have unattainable noticing requirements by the vendor. We will update our policy to establish reasonable and attainable deadlines on future construction contracts.

- (5) The Village strives for perfection. Unfortunately, we do not always succeed. The Village is in contact with our Architect and General Contractor to ensure that we only pay for legitimate costs.

Corrective Action: Again, the Village will strongly consider hiring a Construction Engineering & Inspection (CEI) firm for all future construction projects of this complexity.

**SUMMARY OF POTENTIAL FINANCIAL AND OTHER BENEFITS
IDENTIFIED IN THE AUDIT**

Questioned Costs

Finding	Description	Questioned Costs
1	Untimely pay application payments	\$942,302.30
2	Non-compliance with change order requirements	\$33,811.75
	TOTAL QUESTIONED COSTS	\$976,114.05

Identified Costs

Finding	Description	Identified Costs
1	Overbilled General Liability Insurance and Contractor Fee	\$28,186.77
2	Overbilled Change Orders	\$5,140.53
	TOTAL IDENTIFIED COSTS	\$33,327.30

ACKNOWLEDGEMENT

The Inspector General's audit staff would like to extend our appreciation to the Village of Tequesta's staff and the management of Hedrick Brothers Construction Co., Inc. for their assistance and support in the completion of this audit.

This report is available on the OIG website at: <https://www.pbcgov.com/OIG>. Please address inquiries regarding this report to the Director of Audit by email at inspector@pbcgov.org or by telephone at (561) 233-2350.

ATTACHMENT

Attachment 1 – Village of Tequesta's Management Response

VILLAGE OF TEQUESTA'S MANAGEMENT RESPONSE

Village of Tequesta

345 Tequesta Drive
Tequesta, FL 33469



561-768-0700
www.tequesta.org

September 28, 2023

Palm Beach County - Office of Inspector General
c/o Shonnelle Brathwaite, Auditor
100 Australian Ave. – 4th Floor
West Palm Beach, FL 33406

Dear Ms. Brathwaite,

The Village of Tequesta appreciates your efforts to assist Palm Beach County municipalities in following the letter of the laws. Especially smaller municipalities, like us, that do not often have major capital projects to manage.

We at the Village believe that these types of reviews are a healthy process. We want to stress that we strive for perfection and we were in constant contact with our Architect Christine Merrell, AIA, Senior Project Manager, REG ARCHITECTS and our General Contractor, Hedrick Brothers Construction Co., Inc. during this lengthy and complicated project. We further want to stress that nothing noted in this audit was purposeful, maliciously completed, nor intentional.

Thank for the opportunity to respond to your audit findings. We will respond to each item as presented in your draft report:

Finding 1: The Village did not always review the pay applications for mathematical accuracy and sufficient supporting documentation, nor timely issue payments to the Construction Manager.

1. We concur that the two payment requests noted were not paid within the time frame required by the contract. The Village was in constant contact with the General Contractor and received no complaints about the timely payment of their Application for Payments. Pay Application # 6 was issued three days late and Pay Application # 14 was paid one day late. **Corrective Action:** The Village will strive to be more cognizant of contractual agreements and pay timely as required.
2. While outside the terms of the Village's executed contract, the \$942,302.30 are legitimate expenditures paid by the Village. **Corrective Action:** The Village will strive to be more cognizant of contractual agreements and pay timely as required.
3. The Village recognizes that this was an error on the part of the Village's review process. The Village is in contact with our Architect and General Contractor to ensure that we only pay for legitimate costs. **Corrective Action:** The Village has contacted Hedrick Brothers to begin the discussion of repayment for costs which are not in compliance with the terms

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of our contract. The Village will strongly consider hiring a Construction Engineering & Inspection (CEI) firm for all future construction projects of this complexity.

Finding 2: The Village did not always review the change orders for mathematical accuracy or respond to them in a timely manner.

4. The Village was required to bring all change orders to the Village Council for approval and adoption prior to January 13, 2022. The Village Council has one regular Council Meeting per month. At the January 13, 2022 meeting we changed our purchasing policy which greatly improved our ability to react quicker to smaller change orders. This explains why PCCO7 and PCCO8 did not receive the required response within five (5) business days. As far as PCCO26 while it was dated of January 13, 2022, the Village did not receive an executed change order from Hedrick Brothers until February 15, 2022. – **Corrective Action:** The Village will be more careful on signing contracts which have unattainable noticing requirements by the vendor. We will update our policy to establish reasonable and attainable deadlines on future construction contracts.
5. The Village strives for perfection. Unfortunately, we do not always succeed. The Village is in contact with our Architect and General Contractor to ensure that we only pay for legitimate costs. **Corrective Action:** Again, the Village will strongly consider hiring a Construction Engineering & Inspection (CEI) firm for all future construction projects of this complexity.

Sincerely,


Jeremy Allen, ICMA-CM
Village Manger