

MARYLAND-NATIONAL CAPITAL PARK & PLANNING COMMISSION

Internal Control Audit Report

**Montgomery County Department of Parks
Rock Creek Maintenance Facility
Report Number: MC-002-2018-B**

March 2, 2018

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M-NCPPC Montgomery County Department of Parks
Park Development Division
Rock Creek Maintenance Facility

Internal Control Audit Report
Audit Report

Table of Contents

I. EXECUTIVE SUMMARY

	<u>Page</u>
A. Background.....	1
B. Scope and Objective of the Audit.....	3
C. Major Audit Concerns.....	4
D. Findings and Overall Conclusions.....	5

II. DETAILED COMMENTARY AND RECOMMENDATIONS

1. Implement Plan Review Board.....	6
2. Strengthen Controls for Receipt of Permits.....	9
3. Implement Project Issue Log.....	11
4. Strengthen Controls over Receipt and Completion of Project Schedules.....	13
5. Review Governance Structure within the Park Development Division.....	15

III. EXHIBITS

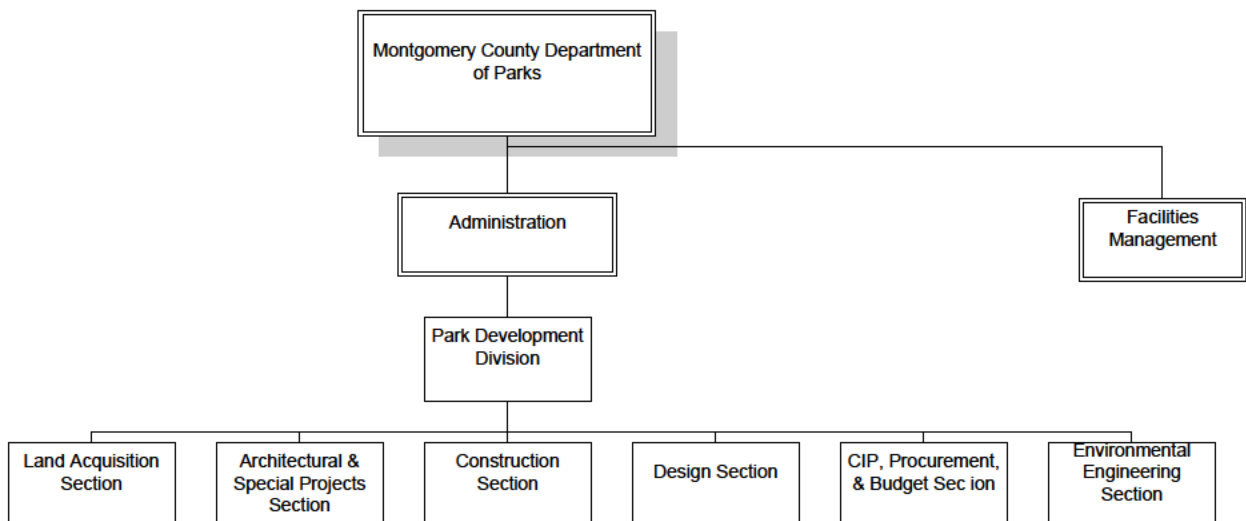
A. Permits & Inspections.....	18
B. Permits – Roles & Responsibilities.....	20

I. EXECUTIVE SUMMARY

A. Background

The Office of the Inspector General (OIG) initiated a Fraud, Waste, and Abuse audit in response to claims submitted via the Maryland-National Capital Park and Planning's (M-NCPPC or Commission) Ethics and Compliance Hotline regarding the management of the Rock Creek Maintenance Facility (RCMF) project. During the course of the Fraud, Waste, and Abuse audit, the OIG identified opportunities to strengthen internal controls within the Park Development Division. This audit report is being issued in conjunction with the confidential Fraud, Waste, and Abuse Audit Report (MC-002-2018-A).

The Park Development Division reports through the Administration Department within Montgomery County Department of Parks.



The Rock Creek Maintenance Facility project included the demolition of the existing facility at Rock Creek Regional Park and its replacement with a Gold LEED¹ certified building. The original fixed price contract cost was \$8,053,183. Notice to proceed was issued on September 26, 2014, with a required completion date of December 31, 2015 (450 days). The project was completed on February 22, 2018 (i.e. use and occupancy permit issued). The final project completion date was **844** days after the initial completion date; 253 of the extended days were supported by an approved change order, 591 of the days were not approved.

¹ Leadership in Energy and Environmental Design (LEED) is a rating system devised by the United States Green Building Council (USGBC) to evaluate the environmental performance of a building and encourage market transformation towards sustainable design.



The project consisted of the construction of six (6) buildings:

- shop;
- equipment storage;
- vehicle maintenance;
- administration;
- material storage; and
- fuel island.

Other project deliverables included parking lots, stormwater management structures, access roadway improvements, utilities, and landscaping.

B. Scope and Objective of the Audit

The purpose of the Fraud, Waste, and Abuse Audit was to determine if Commission employee(s) actions supporting the construction of the Rock Creek Maintenance Facility met the definition of fraud, waste, or abuse as defined by the Annotated Code of Maryland, Section §15-501.

The scope of the audit included, but was not limited to, the following audit procedures:

- Reviewed applicable Commission Practices and Administrative Procedures.
- Obtained, reviewed and analyzed procurement documentation:
 - Contract with prime;
 - Contract with architect and design firm;
 - Request for Proposal (prime);
 - Program of Requirements (architect and design firm)
 - Project Schedules;
 - Project Change Orders;
 - Payments to Vendor; and
 - Correspondence to/from prime, subcontractors and the Commission.
- Conducted Interviews with Commission personnel knowledgeable with the RCMF project:
 - Park Development Division Chief;
 - Construction Manager;
 - Construction Section Manager;
 - Architectural & Special Projects Section Manager;
 - Project Manager;
 - Project Inspector; and
 - Procurement Specialist.

The period covered in this review was June 30, 2014 – February 28, 2018.

The audit was conducted in accordance with the generally accepted principles and quality standards, approved by the ASSOCIATION OF INSPECTORS GENERAL.

C. Major Audit Concerns

The results of our evaluation and testing procedures indicated the following major audit concerns:

- Inadequate management and oversight of the RCMF project:
 - Insufficient review of project site plans;
 - Failure to obtain necessary permits; and
 - Failure to track and escalate project issues.

Additional information pertaining to these areas can be found in the Detailed Commentary and Recommendations section of this report.

D. Findings and Overall Conclusions

The results of our evaluation and testing procedures indicate significant deficiencies in the design or operation of internal controls for the management and oversight of Capital Improvement Projects (CIP) within Montgomery County Department of Parks.

We believe the findings identified and communicated are correctable and that management's responses to all recommendations satisfactorily address the concerns. It is the responsibility of management to weigh possible additional costs of implementing our recommendations in terms of benefits to be derived and the relative risks involved.

We wish to express our appreciation to the Montgomery County Department of Parks for the cooperation and courtesies extended during the course of our review.



Renee Kenney, CPA, CIA, CISA
Inspector General

March 2, 2018

Conclusion Definitions

Satisfactory	No major weaknesses were identified in the design or operation of internal control procedures.
Deficiency	A deficiency in the design or operation of an internal control procedure(s) that could adversely affect an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and recorded on a timely basis.
Significant Deficiency	A deficiency in the design or operation of an internal control procedure(s) which adversely affects an operating unit's ability to safeguard assets, comply with laws and regulations, and ensure transactions are properly executed and reported. This deficiency is less severe than a material weakness, yet important enough to merit attention by management.
Material Weakness	A deficiency in the design or operation of an internal control procedure(s) which may result in a material misstatement of the Commission's financial statements or material impact to the Commission.

II. DETAILED COMMENTARY AND RECOMMENDATIONS

1. Implement Plan Review Board

Issue: The project management team did not complete a full review of the site plans prior to issuing the notice to proceed.

The selected architectural and design firm was required to provide a complete set of construction documents. However, the project site drawings and construction drawings (bid set) conflicted. The bid set included 98 sheets and the permit set contained 46 sets. The OIG determined that the bid set drawings were deficient and contributed to the projects delay. Examples include:

- Incorrect electrical requirements: The site drawings required phase 1 electric (drawings E2 and E2A). However, most of the equipment in the vehicle maintenance building required phase 3 electric. The change required PEPCO to identify a new access point and route. Per the project Construction Manager (CM), this significantly impacted the project completion date.
- Inconsistent storm drain types: The site drawings correctly required “top level” grates, but the supporting schedule (also included in the site drawings) required type D grates. The Contractor ordered type D grates. This required a significant amount of extra excavation.
- Building structure: Per the Building Inspector, the site drawings for the Administration building required 2x8 wood beams and 2x6 metal beams. However, the Request for Information provided to the architectural and design firm required 2x8 metal beams for LEED compliance.
- Wet well: There was an unidentified wet well under the building that was torn down which required additional guidance from the architectural and design firm.

Criteria/Risk: Inaccurate or incomplete site drawings may result in project delay and increased project costs.

Project Management Body of Knowledge (PMBOK)² is a set of standard terminology and guidelines for project management. Per PMBOK, there are seven areas to help ensure successful project integration. One of the areas identified was, “Monitor and Control Project Work”, which includes the review of project inputs (Section 4.5).

In addition, per OIG’s interview with the Commission’s project inspector, the use of plan review boards is a common practice in the construction industry.

² PMBOK Guide Sixth Edition, Agile Practice Guide

Recommendation: The OIG recommends that the Park Development Division implement procedures that require a complete review and approval of project site drawings before issuance of notice to proceed.

Issue Risk: High

Management Response:

PDCO Team

According to the current business model of Park Development, major CIP projects must have a PDCO team (Planning/Design/Construction/Operation) to guide the design of the project. The team consists of representatives from various Divisions, such as Facility Management, Park Planning and Stewardship, Park Managers, Park Police, and Horticulture, Forestry and Environmental Education. The team provides input to the project manager and reviews the design plans throughout the design process.

Plan Quality Review

At the time the RCMY project was in the design phase, the Park Development Division (PDD) had a designated staff member responsible for checking the completeness of the final design plans at the end of the design process. His job focused on the format of the drawing set and completeness of the design information provided by the plans and specifications. His functions didn't include a complete technical review of the design plans. After his retirement in 2014, PDD designated a staff member in Design Section to perform the quality control function and modified the responsibilities to include a thorough technical and constructability review at multiple milestones of the design process. This change was made to catch design errors, omissions, and conflicts early in the design process. The revised process was not in place when the design of Rock Creek Maintenance Yard was being completed.

Peer Review

Over the past two-three years, PDD also started to supplement our internal review of the consultant's design work with a peer review by a different outside consultant for certain special situations, such as hiring a structural engineer to review the structural drawings to ensure that the proposed design is adequate, constructible, and not over-designed. This practice has produced positive results, realized cost savings, and avoided potential construction problems. We also considered engaging experienced construction management firms to help us with constructability review for certain complex projects, such as Woodside Urban Park.

Conclusion

The Department recognizes the importance of a complete technical review of the design and construction documents prior to bidding the construction work. Over the past two-three years, we have taken steps to strengthen our review capabilities with both internal and external resources as stated above. PDD will also hire a Quality Assurance Officer in FY19 to organize our efforts in this area. See further discussion on this new position in Recommendation 5 below. We believe that the recommendation of a Plan Review Board

Montgomery County Department of Parks
Rock Creek Maintenance Facility Project
Internal Control Audit Report MC-002-2018-B

will be fully addressed by PDD's current review mechanism, i.e. PDCO team, the internal plan review process, and outside Peer Reviews, and the new position of Quality Assurance Officer.

Expected Completion Date: There is an on-going effort by the Department to improve the quality of design documents of our CIP projects.

Follow-Up Date: September 2018

2. Strengthen Controls for Receipt of Permits

Issue: The RCMF project required both site and building permits. Many of the permits were received after the notice to proceed was issued to the contractor. Please see **Exhibit A**.

Per the Construction Manager (CM), the delay in Washington Suburban Sanitary Commission (WSSC) site utility permit is a significant contributor to the overall project delay. The permit was received on July 20, 2015, 297 days after the notice to proceed. Trade permits (plumbing and electrical) cannot be obtained until the site utility permit is received. The CM is unable to determine how many of the 297 days are on the critical project path.

In addition, there were conflicting requirements regarding roles and responsibilities for obtaining project permits. Please see **Exhibit B**. The OIG has notified the Commission's Office of General Counsel of the conflicting requirements.

Criteria/Risk: Failure to obtain the necessary permits in the required timeframe may result in project delays and additional project costs.

Recommendation: Montgomery County Department of Parks, Park Development Division should implement internal procedures to ensure permits are received per the requirements in the Contract and/or Request for Proposal (RFP).

Procedures should also include escalation requirements to ensure any risks related to permit issuance are timely identified and tracked. Please see recommendation #3, "Implement Project Issue Log.

Issue Risk: High

Management Response: The template cover sheet of PDD's construction drawings set contains a permit check list for stormwater management related permits and a Utility Survey & Relocation Certification. They are geared more towards site development projects and not inclusive for projects that include buildings. CIP projects must identify and obtain all the required permits, not only from the County and State regulatory agencies but also from utility companies, during the design phase. PDD recognized this issue and has taken the following steps to address it:

Permit Approvals Checklist

A revised Permit Approvals checklist, which is more inclusive than the previous one, for both site development and building components, should be established at the beginning of the design process and updated as the design progresses. The checklist will be provided on the cover sheet of the construction drawings set. It identifies all the required permits for the project, responsible parties, and approval dates. A Notice to Proceed for the construction work will not be issued until the checklist has been completed and all the

approvals obtained. For instance, the PM and CM for the Seneca Store Historic Building Rehabilitation project worked together to develop a checklist in July 2017

Utility Permits

PDD has revised its project management practices to make sure that required permits from utility companies will be obtained in a timely manner:

- **Established contacts with the responsible units within the utility companies**
PDD has identified main contact persons at the utility companies, such as Chief Engineer at WSSC and the managers of Design and Business Development groups at PEPCO. These key persons are very helpful in resolving permit related issues. PDD had a meeting with PEPCO staff in September 2017 to discuss how to improve the coordination between the two agencies to avoid long project delays as we experienced lately.
- **Started coordination with utility companies early in the design process**
The lessons PDD has learned from the challenges we ran into with utility work and permits is to start the coordination effort early in the design stage, which include pre-application meetings and regular check-ins. For instance, a recent park renovation project at Pinecrest Local Park requires relocation of a utility pole to accommodate the new parking lot design. The project PM worked with PEPCO staff during the design phase and had PEPCO complete the relocation work in June 2017. We are currently in the process of bidding the construction project and the relocation of the pole will not be a potential cause for project delay during the construction phase.

Expected Completion Date: The Permit Approvals Checklist will be included in all major CIP projects.

Follow-Up Date: September 2018

3. Implement Project Issue Log

Issue: The Project Manager (PM) nor the Construction Manager (CM) maintain a project issue log.

The CM does hold bi-weekly project status meetings with project stakeholders. Issues are identified and captured in the meeting minutes, but they are not effectively tracked. For example, in the biweekly project meetings (12/10/14 – 06/24/15), an outstanding issue regarding the status of the WSSC site utility permit was continuously identified. However, the minutes did not include any priority, target resolution date, or final solution.

Criteria/Risk: Per PMBOK, issue logs are a critical requirement of a successful project (Section 4.3.3.3). The issue log will help the project manager effectively track and manage issues, ensuring that they are investigated and resolved.

Recommendation: Montgomery County Department of Parks, Park Development Division should ensure all CIP projects include a project issue log. Issue logs should include:

- Issue type;
- Who raised the issue and when;
- Description;
- Priority;
- Who is assigned to the issue;
- Target resolution date;
- Status; and
- Final Solution.

Issues may happen at any time during the project. The issue log should be updated as a result of the monitoring and control activities throughout the projects life cycle.

Issue Risk: High

Management Response: This is a good recommendation for addressing project issues effectively, during both design and construction phases. The log will not only facilitate timely resolutions of the issues by identifying responsible parties and tracking the progress, but also provide documentation of the problems and agreed solutions for future references.

PMs and CMs are required to document project issues in PDD's Critical Project Database and to report the status at the monthly Critical Project Status Meeting to PDD Chief and Section supervisors. Some project managers prepare a separate log to track the issues outside of the database. But it has not been a consistently practice among the PMs and CMs. We will require PMs and CMs to keep a Project Issue Log for their projects and ask

Montgomery County Department of Parks
Rock Creek Maintenance Facility Project
Internal Control Audit Report MC-002-2018-B

their respective supervisors to go over the logs with them regularly to ensure timely resolution.

The Park Development Division Chief will share this recommendation with his Section Supervisors at next managers meeting on March 7, 2018, and discuss how to implement it. The Chief will present the plan and requirements to the division staff at next quarterly Division staff meeting on April 4, 2018.

The Division Chief will check the status of the issue logs with PMs and CMs at monthly Critical Projects Review meetings starting April 2018.

Expected Completion Date: April 2018

Follow-Up Date: September 2018

4. Strengthen Controls over Receipt and Completion of Project Schedules

Issue: Effective CIP project management requires the submission of monthly project schedules. There were significant gaps in schedule submission in the early part of the project. Schedules were provided on:

- November 11, 2014
- May 25, 2015
- December 17, 2015
- July 1, 2016
- October 3, 2016

The Contractor began providing consistent monthly schedules in January 2017.

In addition, although the Contractor provided schedules, it does not appear that the schedules were adequately reviewed or used to identify critical risks. The OIG judgmentally selected five (5) project schedules³ for review. Each schedule should contain base line start and completion dates, as well as actual start and completion dates, for each activity. However, it appears that the baseline dates are adjusted throughout the project to correspond with the actual dates.

Criteria/Risk: PMBOK identifies several important project documents, including project calendars, project schedules, project schedule network diagram, and schedule forecasts to be used by the PM. Failure to track completion of critical activities may limit the PM's ability to meet project requirements.

Recommendation: Montgomery County Department of Parks, Park Development Division should ensure monthly project schedules are provided for all CIP projects. In addition, the CM should review the schedules to ensure activities on the critical path are identified, and completion dates for subsequent tasks adjusted.

Also, as stated on page 2, the Commission may be subject to claims by the Contractor due to project delays. In anticipation of these claims, the OIG recommends that that Parks Development Division consider hiring an independent contractor to review the project schedules to identify activities on the critical path, and root cause for project delays.

Issue Risk: High

Management Response: The gaps in the schedule submittals generally reflect the periods during which the construction experienced difficult problems, such as Washington Gas line relocation, modifications to the phasing of sediment control devices, and PEPCO redesign work. The contractor used these problems as an excuse for not submitting an

³ 2/2/15, 11/2/16, 6/6/17, 10/11/17, 12/20/17

updated schedule. We believe that it also had a lot to do with the contractor's, especially their superintendent's, inability to manage this project effectively. The contractor later replaced the superintendent with a new project team and we started to receive regular schedule updates after that.

The Department agrees that our CM should have done more to force the contractor to submit updated schedules regularly and each updated schedule should have kept the original base line start and completion dates so the actual delay can be tract accurately.

With regard to the recommendation that PDD consider hiring an independent contractor to review the project schedules to identify activities on the critical path, and root cause for project delays, the Department will wait until we receive a claim from the contractor and asses the need at that time.

Conclusion

The Construction Section supervisor will make sure that all the CMs request an updated schedule from the contractor whenever there is a change to the project schedule and the schedule's original baseline start and completion dates should remain.

Expected Completion Date: Completed

Follow-Up Date: September 2018

5. Review Governance Structure within the Park Development Division

Issue: The communication and collaboration between the PM and CM on the RCMF project was ineffective and contributed to the project's delay.

Park Development Division PMs typically report through the Architectural and Special Projects Section of the Division and are responsible for managing the design portion of the project. Per Mr. Mike Riley, while serving as Chief of the Park Development Division, he restructured the division and formed a Construction Section to oversee the construction of all CIP projects. The division was created to segregate the design phase (front end) and construction phase (back end) of CIP projects. Once a project is in the construction phase, a CM is assigned. Park Development personnel refer to this as a handoff (i.e. project responsibilities transfer from PM to CM).

Although the current structure was created to assist in segregation of duties, it does not appear to lend itself to accountability and team work. Per OIG interviews with Park Development personnel, the involvement of the PM throughout the construction project varies for each PM. Some PM's are very active in project oversight, while some take a more inactive role.

The OIG also spoke to Prince Georges County Department of Parks and Recreation Park and Development Division Acting Chief to gain a better understanding of their structure. They do not require the hand off between the PM and the CM, rather both sections work collaboratively throughout the full CIP project. The PM is responsible for project completion from beginning to end.

Criteria/Risk: PMBOK defines the project manager as "the person assigned by the performing organization to lead the team that is responsible for achieving the project objectives." Also per PMBOK, project managers should have the skills needed to effectively lead the project team, coordinate the work, collaborate with stakeholders, solve problems, and make decisions.

Recommendation: Montgomery County Department of Parks, Park Development Division management should assess their current structure to ensure the separation of duties (i.e. PM and CM) is adding value. If the current structure is to be continued, the OIG recommends that roles and responsibilities of the PM are clearly defined for all project types (e.g. design/build, design/bid/build, etc.)

Issue Risk: Medium

Management Response: The two organization models for project delivery mentioned above have their own advantages and limitations. The success of project delivery depends less on which model to use, but more on the execution of the operational processes and the collaboration among project team members.

PDD Current Structure

Under our current structure, PDD has 19 project managers in 3 design-oriented Sections (Design, Environmental Engineering, and Architecture) and 3 construction managers and 5 inspectors in Construction Services Section. Grouping construction related staff into one Section, which leads the construction phase of the projects, allows them to develop their own expertise, share experiences in various types of projects, and more importantly, to maintain consistency in construction management practices among projects and construction managers under one Section supervisor. The supervisor has the flexibility in assigning or reassigning projects to respond to unexpected situations quickly and to balance workloads among staff members.

This two-phase, two-project-lead model also provides appropriate internal checks and balances to detect hidden project flaws that may be missed, intentionally or unintentionally, under the single project manager model. Although the PM and CM are each responsible for a distinct phase of the project, they work as a team throughout the entire project development process and provide supports and expert advices to each other. In recent years, the majority of Parks CIP projects were built successfully under this model. Few recent examples: Kemp Mill Urban Park, Ellsworth Dog Park, Greenbriar Local Park, Western Grove Urban Park, and Wheaton Claridge Local Park.

Limitations of the Structure

The Rock Creek Maintenance Yard project exposed the limitations of our structure, which requires precise execution of the project delivery processes and seamless collaboration among project team members. The CM, who used to work at a private construction company, joined the Commission when the project was transitioning from the design phase to the construction phase. He had little involvement in the design of the project and no prior experience in our project delivery processes.

The construction of the project ran into problems from day one due to unknown site conditions, inadequate design, and the contractor's inability to move the project forward according to the construction schedule. The communication and collaboration between PM and CM were insufficient, which further affected the progress of the project. In addition, during the three-year construction period, the Construction Section didn't have a permanent supervisor to provide effective oversight of the staff performance and active involvement of problem solving activities.

Conclusion

There were multiple factors that contributed to the delay of the project. We don't believe PDD's organizational structure is one of them because that we have delivered many projects successfully with the same delivery model. However, we agree that there are room for improvement in our business model, especially in the areas of project coordination, division of responsibilities, problem-solving protocols, and oversight.

We recognized the need for improvements in our business model after experiencing the delay of this project. We requested for and received a "Quality Assurance Officer" position

Montgomery County Department of Parks
Rock Creek Maintenance Facility Project
Internal Control Audit Report MC-002-2018-B

in PDD. We expect this position to examine our business model, identify gaps in project coordination and oversight, and find ways to strengthen the mechanism for conflict resolutions. All of the Division's PMs, CMs, and Inspectors will be involved in the process to provide input and develop solutions. Staff training will follow to ensure successful implementation. Under the guidance of the Division Chief, the new Construction Section Supervisor will work closely with the Quality Assurance Officer and other Section Supervisors to complete the assessment and implement needed changes.

Expected Completion Date: We expect to fill the position in the first quarter of FY19 and complete recommendations within six months of the hiring.

Follow-Up: March 2019

**EXHIBIT A
PERMITS & INSPECTIONS**

Permits/Drawings	Date Received	Comment
Forest Conservation Permit	9/24/09	
Sediment Control Permit	9/27/13	
Forest Conservation Plan Amendment	3/19/14	Inspection condition.
Commercial Building Permit	4/17/14	Permit notes that separate plumbing and electrical permits are required.
Low Voltage Permit	4/17/14	
NPT issued September 26, 2014		
Bond set of stamped Department of Permitting Services (DPS) permit drawings provided to Contractor.	10/03/14	
Electrical Trade Permit	10/23/14	
Contractor notifies PM that stamped DPS permit drawings are incomplete.	4/01/15	
On Site Utility Permit (water and sewer lines) ⁴ .	7/20/15	Delay can be attributed to the exclusion of the grinder pump documentation in the initial site utility permit submission.
Plumbing Permit requested from WSSC.	8/07/15	WSSC states that no permit was filed for and the project requires a complete review. WSSC had concerns about the rainwater harvesting system. The architect ██████ disputes that a permit review is required.
Plumbing Trade Permit	10/19/15	WSSC issued the permit after receipt of signed and sealed plumbing drawings by ██████ (10/01/2015).
Fire Alarm Permit	10/25/15	
Mechanical Permit	4/14/16	
Final Approved Project Completion Date – June 10, 2016		
DPS issues a stop work order (SWO)	8/29/16	SWO includes a list of required documents needed by DPS. DPS

⁴ The site utility waster lines were not subject to review for this project based upon their size. However, the site sewer lines and grinder pump was subject to review as the lines are pressurized. In biweekly project meetings (12/10/14 – 06/24/15) PM provided an update as to the status of the permit, "WSSC Site Utility permit should be received within two weeks."

		required the resubmission of entire permit set, including all missing and/or revised drawings.
SWO is lifted.	9/21/2016	
DPS conducts a prefinal inspection.	3/07/2017	Identified permit/design issues to be addressed prior to final inspection.
DPS issues a Suspension Notice based on prefinal inspection.	4/06/17	
█ issues Certification of Modified Drawings to allow DPS to rescind the suspension notice.	4/18/17	
Use & Occupancy Permit.	2/22/18	

EXHIBIT B
PERMITS – ROLES & RESPONSIBILITIES

The Contract documents conflict in terms of responsibility for acquisition of permits.

- **Bidding Documents – Section 23, Permits, page 101:** “Certain permits for the project may be issued while the bidding process is in progress. It is anticipated that all the required permits will be received by the Commission prior to awarding the construction contract. However, if the permits are not received as anticipated, the award of the construction contract will be delayed.”
- **Contract – Section 11, Compliance – d:** “It (Contractor) shall obtain, at its expense all licenses, permits, insurance, and governmental approvals if necessary to the performance of its obligations under this Contract.”
- **Rock Creek Maintenance Yard Detailed Design Request for Proposal:** The Consultant shall assure that the design is in full compliance with all applicable federal, state, and local rules, regulations, ordinances, and guidelines. The Consultant shall apply for and obtain all required permits in a timely manner.”

Note: The Contract does list out precedence in case of conflict. The Contract is #1 and the Invitation to Bid (IFB) is #3.

Note: The architect and design firm’s proposal, dated February 17, 2012 states, *“The Project will be designed in accordance with all applicable federal, state, and local rules, regulations, ordinances, and guidelines. The architect and design firms will shall apply for and obtain all required building and site permits in a timely manner.”*