

# **COST OVERRUNS AND DELAYS AT THE ORANGE COUNTY SHERIFF-CORONER'S STATEWIDE TRAINING FACILITY**

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## **SUMMARY**

The 2003-2004 Orange County Grand Jury observed that the construction of the new Orange County Sheriff-Coroner's Statewide Coroner Training Center had appeared to be nearly completed for several months, yet remained unoccupied more than one year after the estimated completion date. Having visited the Coroner's temporary facility located in a former restaurant in Santa Ana, the Grand Jury understood the need for the new facility.

The Grand Jury inquiries into the projected occupancy date for the new building were met with uncertain responses. Construction delays and budget problems that affected the purchase of fixtures and furniture were cited. The Sheriff Construction Management Team issued monthly a full-color printed and bound progress report to the County Board of Supervisors. An increasing number of approved Change Orders were included in these reports, but specific details on the completion problems or the reason for the cost increases were not provided.

The Grand Jury made eight findings. The key findings are the following:

- The project had 41 Change Orders totaling \$2,055,690.
- Contract completion time extensions of 377 days had been approved at the time of the Grand Jury's review of the project.
- The majority of the Change Orders were required due to the failure of the architect and structural, mechanical and electrical engineers to coordinate their plans and to adequately detail how items were to be built within the limited spaces available. Some Change Orders were to correct omissions in the calculation of loads and to provide missing supporting structure for structural elements.
- The architect had failed to supply the contractors with a revised set of plans that changed critical layouts. This omission caused the first of

many delays when work had to be stopped and redone, which contributed to cost overruns.

- The County did not pay the architect to remedy errors but paid the architect for additional expenses and granted increases above the contracted amount despite serious deficiencies in the services provided.

## **PURPOSE**

The purpose of this study was to review a number of issues related to the construction of the Orange County Coroner's Facility and Statewide Coroner Training Center. The study centered on the major delays in the project, project budget, the more than \$2 million in cost overruns, the bidding process and what the Orange County Sheriff Construction Management Team could have done differently to reduce the delays and to avoid some of the cost increases.

## **METHOD OF STUDY**

The Orange County Grand Jury conducted extensive interviews with members of the Orange County Sheriff Construction Management Team including project administrators and job-site representatives. The original bid documents consisting of the plans, specifications and contract documents were thoroughly examined. Bids received on this project were reviewed for completeness and compliance with the Invitation to Bid. A line-item review of the Change Order Log was performed with the Sheriff Construction Management Team. Interviews were conducted with the contractors including their job-site supervisors as well as their corporate management team.

## **BACKGROUND**

In 2000 the State of California appropriated \$10 million to fund the construction of a new Statewide Coroner Training Center in Santa Ana. The County of Orange contributed another \$2 million. The facility was to employ modern, technologically advanced equipment and techniques to meet the needs of the Orange County Sheriff-Coroner Department staff and to provide education and training for professionals involved in death investigations across the state. The County is responsible for the building's design and construction.

The building is a two-story, steel-framed structure of approximately 52,600 square feet. The first floor is set aside for the Orange County Coroner's use. This floor includes a public entrance, lobby, reception area, conference rooms, meeting rooms, office space for clerical staff, investigators and pathologists, the primary and specialized autopsy areas and laboratory rooms.

The second floor is dedicated entirely to training. There are five classrooms in a variety of sizes with audio/visual capabilities. Crime scenes can be re-created in an adjacent scenario training area where students can practice their techniques while being viewed and critiqued by other students and instructors.

Challenged to design a unique-appearing yet functional building, the architect received the coveted American Institute of Architects' "Design Excellence" award. The complex nature and costs associated with this design were not a part of this Grand Jury study.

The new facility was constructed on the former site of the Coroner's office. During demolition and construction, the offices and facilities were relocated temporarily to a former restaurant in Santa Ana. In July 2003 the Grand Jury visited the temporary site located on South Bristol Street in Santa Ana. It was not an ideal building. Even though workspaces were cramped, the autopsy and scientific areas were neat and clean, but the work environment was not very conducive to efficiency.

This temporary facility was meant to serve for a very limited time but the new building was not ready for occupancy as scheduled because of construction delays and budget problems that affected the purchase of fixtures and furniture.

Each month during construction the Sheriff Construction Management Team issued a printed and bound monthly progress report to the County Board of Supervisors. These reports contained full-color "in progress" photographs with text describing what each picture represented. Included in these reports was a compilation of approved Change Orders as the project progressed. A Change Order is a document that modifies the original contract requirements and usually involves changes to completion dates, material specifications and final cost. The original Contract/Bid amount was shown along with the current contract cost. Specific details on the completion problems or the reasons for the cost increases were not provided.

## **DISCUSSION**

A total of six bid proposals were received on this project. The range between a low bid of \$12,189,000 and a high bid of \$12,979,000 is within normal industry standards for this type of construction. The low bid was within the projected/anticipated budget for this project.

In the interest of saving time, the demolition and site work portions of the project were performed under a separate contract. The costs and any delays on that portion of the construction are not covered in this study.

It was discovered during the underground foundation stage of the project that the architect had failed to supply the contractors with a revised set of plans that changed critical layouts. This omission caused the first of many delays when work had to be stopped and redone.

Although it became obvious early on that there were serious problems with the architect and his consulting engineers, the Grand Jury learned that the architect was paid for additional expenses and received several increases to his contract. Very little information was included to document what the payments covered.

The project had 41 approved Change Orders totaling \$2,055,690. Contract completion time extensions of 377 days had been approved at the time of the Grand Jury's review of the project. The majority of these Change Orders were to correct errors in the calculation of loads and to provide missing supporting structure for structural elements.

The general contractor was reimbursed for accelerated completion of several phases of the project, "out of sequence" installations and \$1,660 per day for 122 days of approved time delay. The basis of these payments was found to be very subjective and could not be audited to verify the contractor's actual costs.

The County of Orange withheld retention payments from the contractor for "punch lists" of minor items needing correction or adjustment even though there was a Performance Surety Bond supplied by the contractor to ensure satisfactory completion. The County held all retention money in accordance with County policy until the end of the project. The industry standard for withheld retention payments is 150 percent of the value of disputed work.

This was a hardship especially for the early sub-contractors. Some were required to wait a year or more for payment. Even though the project was accepted as completed in January 2004, the general contractor had not yet received all of his funds as of March 2004.

The true total costs of all of the delays and Change Orders are unknown, as no charges or accounting for the additional management and administrative costs of the Sheriff Construction Management Team have been made or calculated for the delay of nearly one year.

A very minor portion of the Change Order cost increases could be attributed to changes ordered by the Coroner to meet the specialized needs of the facility. In general, the Sheriff Construction Management Team was very efficient and skilled in their approach. The County experienced problems because much of the cost overrun and delays were caused by architectural and engineering problems beyond the County's control.

## **FINDINGS**

Under *California Penal Code* §933 and §933.05, responses are required to all findings. The 2003-2004 Orange County Grand Jury arrived at the following findings:

1. The project had 41 Change Orders totaling \$2,055,690. Contract completion time extensions of 377 days had been approved at the time of the Grand Jury's review of the project.
2. Some Change Orders were necessary to correct errors in the calculation of loads and to provide missing supporting structure for structural elements.
3. The majority of the Change Orders were required due to the failure of the architect and the structural, mechanical and electrical engineers to coordinate their plans and to adequately detail how items were to be built within the limited spaces available.
4. It was not discovered until the underground foundation stage of the project that the architect failed to supply the contractors with the revised set of plans that changed critical layouts. This omission caused the first of many delays when work had to be stopped and redone, which contributed to cost overruns.
5. The contractors were reimbursed for accelerated completion of several phases of the project as well as "out of sequence" installations. The basis of these payments was found to be very subjective and could not be audited to verify the actual costs to the contractor.
6. The general contractor was paid \$1,660 per day for 122 days of approved time extensions for what is described as "general conditions" due to delay. The amount was found to be very subjective and could not be audited to verify the contractor's actual daily cost.
7. The County of Orange withheld retention payments for uncompleted work for a lengthy period. This retention was in addition to the

Performance Surety Bond already supplied by the contractor to ensure completion. At the completion of the Grand Jury's study in March 2004, the general contractor still had not received all of his funds, even though the project was accepted as completed in January 2004.

8. The County did not pay the architect to remedy errors but did pay for additional expenses and granted increases above the contracted amount despite serious deficiencies in the services provided.

Responses to Findings 1-8 are required from the Orange County Board of Supervisors.

Responses to Findings 1-8 are required from the Orange County Sheriff-Coroner.

## **RECOMMENDATIONS**

In accordance with *California Penal Code* §933 and §933.05, each recommendation requires a response from the government entity to which it is addressed. These recommendations are to be submitted to the Presiding Judge of the Superior Court. Based upon the findings, the 2003-2004 Orange County Grand Jury recommends that:

1. The Orange County Sheriff-Coroner Department immediately pursue the necessary steps to effect reimbursement of those costs associated with the errors and failures of the architect and various engineers who were responsible. (Findings 1, 2, 3, 4 and 8)
2. On future projects, the Orange County Sheriff Construction Management Team authorize payment of overtime for accelerated or out-of-sequence installations at a per-unit cost agreed upon prior to execution of the work so that audits can be made and payments can be justified. (Finding 5)
3. In future projects, the Orange County Sheriff Construction Management Team require that the daily reimbursable cost for delays in the construction beyond the control of the general contractor be established with full documentation so that audits can be made and payments can accurately reflect the true additional costs involved. (Finding 6)
4. The Orange County Sheriff Construction Management Team re-examine their policy of withholding retention payments and only hold back the industry standard of 150 percent of the value of those uncompleted "punch list" items. (Finding 7)

Responses are required to Recommendations 1-4 from the Orange County Board of Supervisors.

Responses are required to Recommendations 1-4 from the Orange County Sheriff-Coroner.