



**OFFICE OF INTERNAL AUDIT**  
*City of Albuquerque*

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**TO: Richard McCurley, Director, Aviation Department**

**FROM: Marisa Vargas, Interim City Auditor, Office of Internal Audit**

**SUBJECT: Construction Project Management – Strategic Review (Audit No. 23-406)**

**DATE: December 14, 2023**

### **Introduction**

The Office of Internal Audit (OIA) conducted a strategic review of the City of Albuquerque's (City) Aviation Department's (Aviation) Construction Manager at Risk Agreement (CMAR) with Jaynes Corporation. The vendor is to provide value engineering services, pre-construction services, construction management services, and construct City Project No. 258086 (the Project). The objective of this audit was to determine whether the vendor is complying with the contract terms and conditions and to also examine Aviation's construction project management controls for the Project.

The scope of the review was from the contract inception of June 1, 2022<sup>1</sup> to August 30, 2023. The review was included in OIA's annual audit work plan.

### **Background**

On April 7, 2022<sup>2</sup> the vendor was awarded City Project No. 258086 for the Albuquerque International Sunport Concessions, Checkpoint, and Transport Security Administration (TSA) Secure Side Renovations. The Project is otherwise known as Dream of Flight: Sunport Reimagined.

The Project's primary scope includes relocation and expansion of the TSA Checkpoint and the secure side concessions and retail services. A new dining hall, offering various food and beverage options, will be created as well as realignments of other retail and dining amenities throughout the A and B concourses. Renovation of approximately 112,000 square feet of existing interior spaces will involve new offices, restaurants, retail spaces, TSA security and equipment relocation, exit systems relocation, and passenger circulation areas. The renovation also includes mechanical HVAC systems replacement, electrical systems and lighting upgrades, special systems/technology, and the rework of plumbing throughout all the areas affected by the interior

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<sup>1</sup> June 1, 2022 represents the date the contract time begins per the Pre-Construction Phase Notice to Proceed. December 31, 2024 is the contract end date.

<sup>2</sup> April 7, 2022 represents the date of the Notice of Award.



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improvements. Approximately 40,000 square feet of the new TSA Checkpoint space will undergo structural improvements, including a new roof structure, mechanical penthouses, new roof system, and exterior envelope improvements. The project is to be divided into two phases: (i) Pre-Construction Phase and (ii) Construction Phase.

Per the CMAR Agreement, the Pre-Construction Phase will start from the issuance of the Pre-Construction Phase Notice to Proceed through the execution of the Guaranteed Maximum Price (GMP) Amendment. During the Pre-Construction Phase, the vendor shall work with the Architect Consultant to develop a schedule and budget that accomplishes the City's goals and objectives. The vendor will be required to actively participate in Design Development by providing cost estimating, scheduling, identifying long-lead purchasing items, and performing constructability reviews.

During the Construction Phase, the vendor shall provide construction management services and provide all construction services for the project. The vendor shall be required to cause the work to be completed in a manner consistent with the design documents and shall provide all labor, materials, insurance, bonds, and equipment necessary to fully complete the project in accordance with the Request for Proposal and the drawings, specifications, schedule, and budget that are issued for the Project.

The Project is federally funded, and Aviation anticipates that substantial completion will occur on or before December 31, 2024.

### **Results**

As stated in the Audit Program, below are OIA's twelve (12) testing attributes and corresponding results.

- a) Confirm if the vendor engaged in pre-construction activities, including identifying any long-lead items, developing a GMP proposal for the project, and entering into a GMP Amendment for the Project.**

Upon examination of the Pre-Construction Phase Notice to Proceed, dated June 1, 2022, the vendor was given \$105,717.50 to provide pre-construction phase services. Examples of these services include securing steel materials, fire protection, and site utility materials. Additionally, it includes early work construction activities such as demolition, temporary wall construction, and concrete footing reinforcing. The award states that once these pre-construction services are provided, the contract may be supplemented to add construction phase services into the GMP Amendment.

Upon examination of the Early Work Release Amendment to Construction Manager at Risk Agreement, dated September 14, 2022, the vendor engaged in pre-construction activities and provided Aviation with the following:

- Early Work Package,
- Long-Lead Time Memorandum,
- Early Procurement Subcontractor Selection, and



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- Drawings and Specifications.

This amendment was valued at \$5,997,284.00.

Upon examination of the *GMP Amendment*, dated January 10, 2023, the vendor and Aviation agreed that the project would not exceed \$87,373,518.00. A breakdown is below.

Cost of the GMP Amendment Work	\$81,376,234.00
Early Work Amendment	\$5,997,284.00
<b>GMP Total</b>	<b>\$87,373,518.00</b>

No exceptions noted.

- b) Verify if the vendor prepared a detailed preliminary schedule for the project, including Pre-construction Phase activities and Construction Phase activities ("Baseline Schedule") within thirty (30) days after the Pre-Construction Phase Notice to Proceed was issued. Ensure the schedule shows the following: key design milestones and bid packages, release dates for longlead items, release dates for key subcontractors, and substantial and final completion dates.**

The Pre-Construction Phase Notice to Proceed was dated for June 1, 2022.

The vendor's Baseline Schedule included the following:

- Key design milestones and bid packages,
- Release for long-lead items,
- Release dates for key subcontractors, and
- Substantial and final completion dates.

While the baseline schedule was detailed and contained a cost estimate of the proposed designs, it was dated August 25, 2022, resulting in a 56-day delay. OIA confirmed this delay did not financially impact the City, since the vendor was providing pre-construction services during this time frame, as previously mentioned.

**Recommendation: Ensure the vendor is complying with deadlines to avoid delays and any potential fees.**

- c) Determine if the vendor submitted a construction cost estimate of the proposed design as currently developed within thirty (30) days of the Pre-Construction Phase Notice to Proceed.**

The vendor included this estimate in the Baseline Schedule, addressed here in (b).



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- d) Confirm if the vendor provided to the City for its review and approval a written submission of the proposed bidding procedures. Such bidding procedures shall include a list of subcontractors that will be invited to bid and a narrative description of the process; at least two (2) potential subcontractors shall be identified for each trade package.**

Upon examination of the Early Work Release Amendment to Construction Manager at Risk Agreement, dated September 14, 2022, the vendor provided an Early Procurement Subcontractor Selection, which included bidding procedures and two (2) potential subcontractors for each of the following trades: mechanical/plumbing, electrical, and fire protection.

No exceptions noted.

- e) Prove the vendor and the City executed a GMP Amendment based on the GMP Basis Documents no later than January 13, 2023.**

Upon examination of the GMP Amendment, dated January 10, 2023, the following GMP Basis Documents were included:

- Drawing and Specification Dates,
- Value Engineering Process,
- GMP Estimate,
- Early Work Amendment (previously approved September 14, 2022),
- List of Allowances, and
- Baseline Schedule.

No exceptions noted.

- f) Review whether the vendor schedules and conducts, at a minimum, weekly progress meetings and promptly distributes meeting minutes to the City.**

OIA examined all bi-weekly meeting minutes as of August 2023 and confirmed these meetings have occurred since the inception of the project.

No exceptions noted.

- g) Review whether the vendor submits bi-weekly schedule updates which reflect actual conditions of project progress current to each update.**

Upon examination of the bi-weekly meeting minutes, each contain the following items:

- Support Department Update
- Safety
- Request for Information
- Submittals
- Schedule



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- Permits
- Design Updates
- Change Events
- Payment Applications
- Owner Supplied Items/Owner Items
- Material Procurement
- Access Control
- New Business, and
- Any uncategorized items.

No exceptions noted.

**h) Determine if the vendor provides written reports to the City on the progress of the entire work on a monthly basis.**

OIA requested all monthly written progress reports as of August 2023. However, OIA identified that the vendor had not been meeting this requirement: i.e., providing monthly updates with both a narrative description of the project progress and budget update. Aviation Management immediately rectified the issue by notifying the vendor as of 12/5/2023 to complete this moving forward.

**Recommendation: Ensure the vendor is complying with the requirement to provide monthly reports that detail project progress and budget updates.**

**i) Evaluate if monthly updates contain a narrative description of the project progress.**

Same response as (h).

**j) Confirm monthly updates reflect, by GMP line item, the original line item amount, approved, pending, any projected change order amounts, the cost incurred to date, the project cost to complete the work of the line item, and any variance between the actually approved budgeted balance of the line item and the projected cost to complete.**

Same response as (h).

**k) Check to see if pre-construction services are priced at \$105,717.50 on the schedule of values and that the vendor is compensated, as applicable.**

OIA examined all payment applications as of August 2023, which include the schedule of values, and confirmed pre-construction services were priced appropriately and that the vendor was compensated as applicable.

No exceptions noted.



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**l) Review payment applications for completeness and accuracy.**

OIA reviewed all payment applications as of August 2023 and confirmed all were mathematically accurate and that there are appropriate levels of segregation to request and remit payment. The vendor will submit a payment application along with the corresponding schedule of values to the Aviation Planning Manager, who will review it for accuracy, cost, and appropriate scheduling. When approved, the Aviation Planning Manager will forward the payment application to Aviation Fiscal who will then ultimately remit payment.

No exceptions noted.

**Conclusion**

Overall, the strategic review found that the vendor is complying with the contract terms and conditions and that Aviation's construction project management controls are adequate. As of August 2023, the vendor has entered into Phase 3 of Phase 5 and has used \$39,471,239 or 55% of their budget. There are no change orders to report. At this time, OIA recommends that Aviation continue operating its project management system of internal controls. Of the two recommendations mentioned in the report, one is considered closed.



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