



State of Rhode Island and Providence Plantations
Office of Management and Budget
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July 30, 2019

Attorney General Peter F. Neronha
RI Office of the Attorney General
150 South Main Street
Providence, RI 02903

Dear Attorney General Neronha:

The Office of Internal Audit has completed its audit of the Rhode Island Attorney General. The audit was conducted in conformance with the Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing and by the authority given to the unit as stated in the Rhode Island General Laws (RIGL) §35.7.1-2(a). The recommendations included herein have been discussed with members of management, and we considered their comments in the preparation of this report.

RIGL §35-7.1-10(d), entitled Annual and interim reports, states that, "Within twenty (20) days following the date of issuance of the final audit report, the head of the department, agency or public body or private entity audited shall respond in writing to each recommendation made in the final audit report." Accordingly, management submitted its response to the audit findings and recommendations on July 26, 2019, and such response is included in this report. Pursuant to this statute, the Office of Internal Audit may follow up regarding recommendations included in this report within one year following the date of issuance.

We would like to express our sincere appreciation to the staff of the Rhode Island Attorney General for the cooperation and courtesy extended to the members of our team during this audit.

Respectfully yours,

Tara Mello, CPA, CIA
Deputy Chief

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Honorable William J. Conley Jr., Chairperson, Senate Committee on Finance
Honorable Marvin Abney, Chairperson, House Finance Committee
Internal Audit Advisory Group
Steven Whitney, Senate Fiscal Office
David Trembly, Senate Fiscal Office

Audit Executive Summary

Why the Office of Internal Audit Performed This Review

The Office of Internal Audit conducted a limited scope construction audit of the Customer Service Center for the office of the Attorney General based on its fiscal year 2019 risk assessment.

The objective of the audit was to ensure that payments were made in accordance with contractual terms. As part of that objective, auditors reviewed source documents to verify compliance with contract terms, oversight of the construction, change order approvals, and the payment process to vendors and sub-contractors.

Background Information

As the central legal agency of the State, the Office of Attorney General is responsible for prosecution of all felony criminal cases and misdemeanor appeals, as well as prosecution of misdemeanor cases brought by state law enforcement agencies. Through affirmative civil litigation, the Office protects the public by bringing lawsuits against individuals and companies that break the law in ways that harm citizens and communities. The Office also provides state and national background check services to the public

The Office of Attorney General recently constructed a new Customer Service Center to better serve the needs of the public.

The Office of Internal Audits Recommends:

- Require proper documentation to support payments

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Introduction

The Rhode Island Attorney General (RIAG) is responsible for prosecution of all felony criminal cases and misdemeanor appeals, as well as prosecution of misdemeanor cases brought by state law enforcement agencies. The customer service function for the RIAG consists of the Bureau of Criminal Investigation Unit, Adult Diversion Unit, and the Consumer Protection Offices. Prior to 2018, these units were located at 150 South Main Street in Providence, Rhode Island. However, the building lacked the appropriate size and parking to meet demand for these services. To better serve the public, the previous Attorney General had a new Customer Service Center constructed at the Pastore Facility in Cranston.

Construction Oversight Structure

The State of Rhode Island, acting through the Division of Purchases (Owner) on behalf of the RIAG awarded contracts to an architect, a program manager, and a construction contractor.

- The architect was the party responsible for the design and creation of the structure.
- The program manager was a professional in building construction and served as a consultant for RIAG management by providing oversight of construction and review of billing documents.
- The construction contractor was the party responsible to physically assemble the building in accordance with the architect's design documents.

Together, these parties oversaw the construction of the building to provide assurance that the project was completed in accordance with contractual terms.

Payments to the architect and program manager were approved directly by RIAG staff who managed the project design and planning. As the subject matter experts, the architect and program manager were part of the payment approval process for the construction contractor billings; their purpose was to verify that the building was built according to the terms, conditions, and quality specification in the design documents.

According to the contract and prior to payment, the construction contractor was required to complete an itemized invoice and submit an "Application and Certificate for Payment" to the architect. The architect reviewed the forms and inspected the work performed to ensure it met quality guidelines; if the work was acceptable, the architect signed the form and submitted it to Attorney General office for review. RIAG staff, in coordination with the Owner Program Manager reviewed and approved the forms for payment.

Recommendations and Management's Responses

Require Proper Documentation to Support Payments

The construction contracts contain language requiring detailed documentation to verify the quality of work performed. In addition to the purchase contracts, the architect prepared a project manual as a contract supplement to provide specific requirements for each area of construction. This manual requires

the submission of quality assurance certificates, inspection reports, and other specific forms of documentation which validate the integrity of work performed. Specifically:

- The architect is required to submit employee time sheets and invoices for any reimbursable expenses.
- The program manager is required to submit monthly status reports, updated budget information, and invoices for any reimbursable expenses with the applications for payment.¹
- The construction contractor is required to provide certified payroll documentation and daily supporting logs² while maintaining all necessary quality assurance documents dictated by the project manual.

The OIA selected a sample of invoices totaling \$2.1 million dollars out of \$14.2 million (15%) in total expenses. This sample consisted of thirty-five invoice charges for payments to the construction contractor, six from the program manager, and six from the architect. The OIA reviewed the invoices to verify compliance with documentation requirements and found the following exceptions:

- For payments to the construction contractor, all (100%) invoice lines selected did not contain certified payroll documentation and daily supporting logs. 11 out of the 35 (31%) did not contain quality assurance documents required by the Project Manual.
- For payments to the program manager, monthly reports were not provided for six out of six (100%) invoices selected.

Without this documentation, the RIAG is unable to verify compliance with quality standards dictated by the contract. For example, some of the unavailable documentation included:

- Independent lab reports certifying quality of plumbing materials
- Structural Analysis reports for earth work
- Inspection reports for steel joists
- Quality control plan and reports for weatherproofing and stone work

While the physical presence of the building provides evidence that construction work was performed, failure to review these inspection and quality reports creates risk that substandard materials or building processes may have been used. This may increase maintenance costs and upkeep of the building in future years.

Recommendation:

1. Obtain and review required documentation from vendors to verify compliance with contract terms prior to final contract closeout and release of retainage.

¹ Required per 3.4 of AIA Document C172-2014 "Standard Form of Agreement Between Owner and Program Manager"

² Required per 1.9 of Project Manual

Management's Response:

OAG provided the audit team with extensive project records and documentation for review and, upon receiving a request from the audit team, OAG endeavored to promptly make available for inspection any relevant records. Notwithstanding OAG's efforts to comply with the audit team's requests, certain records identified in the Audit, that were and have remained in OAG's possession, were not shared. These records include the daily status reports submitted by the program manager, which were delivered weekly to OAG where they have since remained in OAG's possession and have been regularly consulted to ensure the quality of the work being performed and to support payments.

The Audit also identified certified payroll documentation and daily supporting logs and these records have been in the possession of OAG but, given their voluminous nature, were not stored with the invoices noted in the Audit. While also not among the records and documents provided to the audit team, OAG is in possession of all of the inspection and quality reports listed in the Audit including: independent lab reports certifying quality of plumbing materials, structural analysis reports for earth work, inspection reports for steel joists, quality control plan and reports for weatherproofing and stone work, as well as many other inspection and quality reports relating to the project. OAG continues to review this documentation to verify compliance with contract terms.

Responsible Party: Director of Operations, Office of the Attorney General

Anticipated Completion Date: end of July 2019

Objective and Scope

The Office of Internal Audit (OIA) conducted a limited scope audit of the Rhode Island Attorney General processes for oversight of the construction of the Customer Service Center located on the Pastore Campus. The purpose of the engagement was to review these processes and determine compliance with contractual terms, statutes, and state purchasing procedures.

Methodology

As part of our audit work, the OIA gained an understanding of the Attorney General construction contract for the Customer Service Center. To address our audit objective, we performed the following:

- Reviewed policies and procedures
- Evaluated key risks and controls
- Prepared flow charts of the processes involved
- Tested for compliance with contract terms and conditions