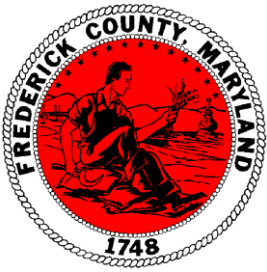


**FREDERICK COUNTY  
INTERAGENCY INTERNAL AUDIT AUTHORITY**

**FOLLOW-UP TO REPORT #10-03  
FCC CLASSROOM STUDENT CENTER PROJECT  
ISSUED DECEMBER 16, 2009**

**REPORT #11-C  
JANUARY 19, 2011**





**INTERAGENCY INTERNAL AUDIT AUTHORITY  
INTERNAL AUDIT DIVISION  
FREDERICK COUNTY, MARYLAND**

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*Memorandum*

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**To:** Doug Browning  
Vice President for Administration  
Frederick Community College (FCC)

**From:** Richard A. Kaplan  
Director, Internal Audit

**Date:** January 19, 2011

**Subject:** Follow-Up to Audit Report #10-03 on the FCC Classroom  
Student Center Project

**COUNTY MANAGER**

Barry L. Stanton

**CAE/DIRECTOR**

Richard A. Kaplan

We have completed our follow-up review of the open recommendations from Audit Report No. 10-03, issued December 16, 2009 on FCC's Classroom Student Center Project. We reviewed documentation provided in Dr. Eaton's November 22, 2010 memorandum and additional documentation that you provided on January 6, 2011. We found that Recommendations 2, 3, 4, and 5 have been implemented and no further actions are needed. Recommendations 6 and 7 will remain open until FCC finalizes a written error and omission policy which is expected by March 31, 2011.

**Recommendation 2:** FCC comply with their contract terms in the future, review remaining change orders on the Project for overpayments of bond amounts, and recover the \$12,159 and any additional unallowable bond costs paid to the Contractor.

FCC recovered \$12,840.50 in overpayments of bond amounts made on change orders 1 through 74. This recovery was made with the issuance and approval of construction change order 109 issued on March 25, 2010. In addition, FCC reviewed change orders 75 through 115 and reduced amounts billed by \$1,414.48 in unallowable bond amounts prior to approval for payment.

**Recommendation 3:** FCC comply with their contract terms in the future, review remaining change orders for overpayment of overhead and profit, and recover the \$7,341 and any additional unallowable overhead and profit costs paid to the Contractor.

In addition to the \$7,341.00 in unallowable overhead and profit costs identified in the audit, FCC and its Architect identified an additional \$501.24 in unallowable overhead and profit charges. FCC recovered \$8,000.00 as part



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of the negotiation with the Contractor for liquidated damages with the issuance and approval of construction change order 114 issued on May 12, 2010.

**Recommendation 4:** FCC strengthen their construction contract language to be more specific regarding overhead and profit to lower tier subcontractors.

In order to remove any ambiguity or misinterpretation, FCC revised their Supplementary Conditions "00800" to state that when a subcontractor uses a lower tier subcontractor, the markup will be limited to 5 percent of the amount due to the lower tier subcontractor. The Supplementary Conditions were also updated to align with the AIA A201 Supplementary Conditions 2007 edition.

**Recommendation 5:** FCC require the Contractor to submit the required detailed support for any remaining change orders.

FCC reviewed the remaining change orders received and obtained detailed support as required. The Architectural/Engineering firm performed an initial review and required the General Contractor to provide any additional items prior to submittal to the College for final review and approval. FCC then reviewed Change Order Requests and requested additional backup as may have been deemed necessary prior to approval.

**Recommendation 6:** FCC develop a written error and omission policy that includes an established dollar limit, taking into consideration costs for pursuing cost recovery. FCC classify change orders according to error and/or omission, unforeseen condition, or owner/user request.

**Recommendation 7:** FCC document the practices they use to handle architectural error and/or omission change orders. FCC document decisions detailing reasons for whether or not to pursue cost recovery from an Architect/Engineer for errors and/or omissions resulting in a change order.

To address Recommendations 6 and 7, FCC is finalizing their new error and omissions policy which they expect to implement by March 31, 2011. These recommendations will remain open until the new policy has been implemented.

If you need further information regarding this follow-up, please contact Richard Kaplan, Director, Internal Audit at x11675.

*Interagency Internal Audit Authority*

Interagency Internal Audit Authority

pc: Dr. Carol Eaton, President FCC  
Sam Young, Executive Director of Facilities Planning, FCC  
Rushanthi Leitan, Auditor, Internal Audit