

**SEATTLE PUBLIC LIBRARY  
CAPITAL PROGRAM**

**QUALITY ASSURANCE  
MEMORANDUM #2**

**SEPTEMBER 18, 2000**

September 18, 2000

TO: Mayor Paul Schell  
City Councilmembers  
Deborah Jacobs, City Librarian  
Library Board Members

FROM: Susan Cohen, City Auditor

SUBJECT: Seattle Public Library Capital Program

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The City plans to spend more than \$2.4 billion on capital projects over the next five years<sup>1</sup>, including \$234 million for Libraries for All. Due to the taxpayer's significant investment in the City's capital projects, my Office is committed to providing analyses and recommendations on using the allocated resources as equitably, efficiently and effectively as possible. Our primary focus is to integrate best practices into the management of the City's capital projects.

Our review of the Libraries For All capital program (work performed through April 2000) suggests ways in which LFA, and the City, can strengthen its management of capital projects. Delivered with this memorandum is our second quality assurance report on the "Libraries for All" project.

In brief:

- ◆ The City provides no meaningful centralized resources to departments carrying out capital projects, especially large capital projects. Rather than taking a systemized approach to "lessons learned" from prior capital projects, each department is on its own to seek out such information and is at risk to repeat mistakes made on other projects.
- ◆ In order to adequately defend, or adjudicate, construction claims, it is critical that the project documentation be maintained in a standardized manner with sufficient level of detail to permit key supporting documents to be easily retrieved, if necessary. If this approach is not taken, then the Library (and City) could be on the losing end of such claims. Large, complex projects utilizing innovative design and construction techniques, such as this one, are at risk for requests for change orders and/or claims from the contractor. We recommend that the Library and its consultants implement project management reporting that more closely follows standard industry practices. We believe the current project document management system is organized in too general a manner and does not allow those outside the Project to easily gauge its status.
- ◆ The Library is rightly proud of the strong relationship/partnership it has forged with The Seneca Group. However, a strong working relationship is no substitute for maintaining strong management controls and effective contract administration. We are concerned that the Seneca Group's planned staffing during the construction phase may not be adequate. Additionally, LFA relies heavily on its consultants, while at the same time it appears that LFA staff are performing some tasks related to document preparation that we believe are within the consultant's scope of work. Given the responsibilities delegated to it, Seneca has not taken sufficient initiative to ensure that appropriate and easily understood reporting procedures have been established to communicate project status both vertically and horizontally within the City organization.

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<sup>1</sup> Source: 2000-2005 Proposed CIP.

Table 1 below presents key success factors for construction projects, together with our opinion on where LFA currently stands in relation to those key factors.

**Table 1**

FACTORS FOR SUCCESS	OBSERVATIONS
<p><u>Contract:</u></p> <ul style="list-style-type: none"> <li>➤ <i>Well-defined scope/performance criteria</i></li> <li>➤ <i>Clear, concise and well-organized</i></li> <li>➤ <i>Project teams understand and comply with the contract provisions</i></li> <li>➤ <i>Clear understanding of roles and responsibilities</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ The contract with The Seneca Group is vague and does not adequately define roles, responsibilities and deliverables. Further, it appears that LFA staff may be performing work that should be within the scope of the consultants, such as developing status reports. Also, the scope of work in the contract with Lorig and Associates should have had better defined scope.</li> </ul>
<p><u>Communication:</u></p> <ul style="list-style-type: none"> <li>➤ <i>Effective, formal lines of communication between project teams</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ LFA and its consultants have developed a real sense of “team”, as evidenced by their extensive day-to-day contacts.</li> <li>➤ While there is extensive verbal communication and detailed minutes of meetings, we believe that there is insufficient formal project documentation to record key project decisions.</li> </ul>
<p><u>Communication:</u></p> <ul style="list-style-type: none"> <li>➤ <i>Properly documented projects</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ Standard project documentation is not being developed, such as monthly progress reports and monthly schedule updates. The detailed meeting minutes should not substitute for these standard best practices. <i>The Library has indicated that it will produce a sample monthly report in early September summarizing the work in August.</i></li> <li>➤ The consultants have yet to develop a Project Procedures Manual.</li> <li>➤ The document management file index system requires further detail to serve the project needs during construction.</li> </ul>
<p><u>Scope, Schedule and Budget Management:</u></p> <ul style="list-style-type: none"> <li>➤ <i>Proper management of scope, schedule and budget</i></li> <li>➤ <i>Simplified cost and schedule control systems</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ LFA is not tracking “actual” progress against “as-planned.”</li> <li>➤ LFA has not established the “baseline as-planned schedule.”</li> <li>➤ There is no master summary schedule for the LFA Program.</li> <li>➤ Procedures for updating schedules are not consistent.</li> <li>➤ Project schedules are not tied to budget reports and LFA has indicated that it does not have plans to do so at this time. (See Office of City Auditor Review of LFA, Attachment 2, for a sample Schedule to Budget report.)</li> </ul>
<p><u>Project Team:</u></p> <ul style="list-style-type: none"> <li>➤ <i>Experienced and qualified project management personnel</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ The Capital Program Director has a masters in architecture and 18 years experience with complex public capital projects.</li> <li>➤ The three project managers hired to date are architects with varying levels of experience with public capital projects.</li> <li>➤ We agree with the Capital Program Director’s plan to seek a fourth project manager with a strong construction background.</li> </ul>
<p><u>Change Control:</u></p> <ul style="list-style-type: none"> <li>➤ <i>Well-developed change control procedures</i></li> </ul>	<ul style="list-style-type: none"> <li>➤ The change control procedures have not yet been developed, therefore, we have no opinion at this time.</li> </ul>

To address the concerns we identified in our review, we recommend that LFA:

- Amend the contract with the Seneca Group to clarify roles, responsibilities, and deliverables.
- Require their consultants to prepare standard project reporting documents that can be used in all venues.
- Add a deputy project manager with a strong construction/engineering background and proven construction management expertise.
- Develop a project procedures manual.
- Establish the “baseline” project schedule and track actual progress against planned progress.
- Complete design of the detailed document management file index system to accommodate issue tracking and change control management processes.

In our attached report, we describe the various risks that the Library is currently facing and describe the mitigation actions we recommend the Library take to address the risk. After each of the various risks and mitigations, the Library’s response to the specific item is presented. At the end of the report, Attachment 6, is the Library’s overall response to this report.

Our recommendations are based on best industry practices as seen on other projects of similar size and complexity. Public and private owners such as King County, Utah Department of Transportation, City of San Diego, University of California, Intel Corporation, Transportation Corridor Agency, and various school districts, etc., have utilized these project management techniques to minimize and avoid project risk. In fact, many of these reporting processes we have recommended to LFA are currently being used on the City of Seattle Civic Center project.

It is my intention to revisit this project later in the year to again review progress and evaluate the City’s exposure relative to delays and/or cost overruns.

If you have any questions regarding our report, please contact me via email, or by telephone at 233-1093.

**OFFICE OF CITY AUDITOR REVIEW OF  
“LIBRARIES FOR ALL” PROJECT**

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## INTRODUCTION

In this review, the Office of City Auditor (OCA) evaluated key activities of projects under the Seattle Public Library capital program known as Libraries for All (LFA). OCA assessed various LFA project activities to identify any processes or procedures that could be improved or augmented to reduce the risk of potential budget/schedule overruns. Many of the suggestions included in this report are industry recognized processes and procedures recommended by the Project Management Institute (PMI) and used successfully by other public agencies and private owners.

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## OVERVIEW OF PROJECTS

In May 1998, the Seattle Public Library Board of Trustees adopted a comprehensive facilities plan, entitled "Libraries for All." The total cost of the eight-year plan is \$239,300,000 (including approximately \$4.6 million in bond issuance costs). In November 1998, Seattle voters passed a \$196.4 million bond measure, providing the bulk of the total funding. The remaining funds will be generated from councilmanic debt, allocations from the Cumulative Reserve Subfund allocations, sale of surplus property, and private fund raising efforts.

The LFA plan includes 28 library development projects, including:

- ◆ replacing the Central Library on its current site,
- ◆ housing the Central Library functions at a temporary location during construction,
- ◆ constructing three new branch libraries,
- ◆ replacing seven branch libraries,
- ◆ expanding seven branch libraries,
- ◆ renovating seven branch libraries, and
- ◆ relocating two branch libraries.

The budget for the new Central Library is \$149.0 million, and an additional \$10.2 million is budgeted for the Temporary Library. The total projected capital costs for the branch libraries are \$72 million (this includes \$6 million from the Opportunity Fund).

The Central Library will be constructed using general contractor/construction manager (GC/CM) contracting procedures, as authorized by RCW 39.10.60. A two-tiered request for qualifications (RFQ) process resulted in the selection of OMA/LMN, a Joint Venture, as architects for the new Central Library. Also, The Seneca Real Estate Group, Inc. (Seneca) was hired through a request for proposal (RFP) as the Library's Development Manager for the new Central Library project. Lorig & Associates (Lorig), was selected through an RFP as the development manager for the Temporary Library project.

An organization chart is displayed in Attachment 2 depicting the principal project firms, associate firms and the reporting relationship to LFA staff that serve as the primary project managers.

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## **BRANCH LIBRARY PROJECTS**

A number of branch libraries are being either relocated to a new facility or redeveloped. The Wallingford and NewHolly libraries have already been completed. The Wallingford branch library has been relocated in leased space in the recently built Fremont Public Association Building. The NewHolly branch library was constructed by the Seattle Housing Authority, and the Seattle Public Library holds a 99-year lease on this space.

The development plan for the remaining branch libraries is staggered, although most of the new and replacement projects occur early in the program. Architects have been selected for the Ballard, Capitol Hill, High Point, West Seattle, Greenlake, Greenwood, Lake City and Beacon Hill library projects. Schedules have been developed for each branch library. Project schedules for active projects have a greater degree of precision; other project schedules are more general. Some project schedules have already been changed due to various circumstances. For example, Beacon Hill is developing more slowly than expected due to a longer-than-expected siting process. Delridge's schedule has been accelerated two years to take advantage of a partnership with the Delridge Neighborhoods Association to construct a mixed-use (library and affordable housing) development.

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## **PROJECT MANAGEMENT TEAM**

LFA staff will serve as primary project managers (PMs) for most of the 26 branch library projects. Three of the four project managers have been hired. It is anticipated that each project manager will be responsible for 3-4 projects in different stages of development at any one time. One project manager is now managing the consultant contract with Lorig & Associates. The Library may hire a project management firm to manage some of the branch projects.

LFA's three project managers are architects with varying degrees of experience in public capital projects. The project managers report to the Capital Projects Director, who has a master's degree in architecture and 18 years experience managing complex, public capital projects. LFA plans to hire another project manager and recognizes that an individual with a strong construction background would strengthen the team.

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## **PROJECT CONTROLS**

The PMs develop the branch library project schedules, which are given on a bi-weekly basis (maximum) to the Capital Projects Director along with a progress report. Project budget and scheduling reports are provided to both the Capital Projects Director and the Chief Financial Officer (CFO). According to LFA officials, staff monitor budgets, perform cash flow analyses, and provide a variety of other reports and analyses for internal management as well as for external stakeholders. LFA uses the City's SUMMIT Financial System and approximately 300 linked Excel spreadsheets for tracking and analyzing project budgets and cash flow. The project schedules are not linked to the budget and LFA does not plan to link the budget to an overall master summary schedule.

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## TEMPORARY LIBRARY

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### INTRODUCTION

The Temporary Central Library will occupy space at the Washington State Convention Center that is planned to later house the new Museum of History and Industry (MOHAI). In determining location, a cost of \$28 per square foot was used as a benchmark. The total cost budgeted for the tenant improvements, including mechanical, electrical and plumbing, is \$6.2 million.

It is expected that the Library will publicly bid the contract and then lease the space from the Convention Center. Lorig, project manager for the Temporary Library project, noted that once the MOHAI site was selected, two other sites under consideration - Sandpoint's Building 9 and the Uwajimaya development in the International District - were considered "fallback" options.

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### CONSULTANT CONTRACTING PROCESS

Consistent with the Library's LFA Management Plan, the Library is using a Construction Manager (CM) for the relocation. LFA has entered into an agreement with Lorig for the temporary relocation of the Central Library using an adapted American Institute of Architects' (AIA) "Standard Form of Agreement Between Owner and Construction Manager in which the Construction Manager is Not a Contractor." LFA made major modifications to the AIA contract template to suit its needs.

The initial contract, dated April 22, 1999, was not signed until December 1999, eight months after the consultant began working on the project. The contract allows for the consultant's fees to be reevaluated after site selection if the requirements of the project change. Ideally, it is best to have the scope tightly defined at the start of the contract. LFA explained that the scope of work in the Lorig contract was written to provide flexibility, because at the time the scope was developed, there were a number of possible approaches to the project for which a tightly defined scope may not have allowed. However, OCA believes that both parties could have further defined the scope at the time the contract was signed in December 1999, and that LFA should have taken steps to accurately define the scope of the project at that time.

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#### **Risk 1: Scope of Work**

A vague or inadequately defined scope of work in a contract between a consultant and an owner creates a risk that the consultant will assert claims against the owner for out-of-scope work (change orders) that could result in cost overruns. When the contract was signed in December 1999, the MOHAI site appeared to be a viable option and the number of sites under consideration had been reduced. At that time, the Library could have evaluated the need to further define the contract scope of work. OCA points this out because we want the City and the Library to be aware of the risk of potential cost overruns due to a vague or inadequately defined contract scope of work.

At a meeting with Lorig, we asked whether Lorig anticipated filing a change order for changes in scope. Lorig told us they have every intention of completing the engagement within the original budget.

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**Mitigation 1**

Any known changes to a contract's scope of work should always be identified and discussed with the consultant to ensure both parties have a thorough understanding of the original scope of work. In this situation, the Library has stated the contract scope of work did not change between the start of work and December 1999, when the contract was signed. Given that the scope could not be more fully defined at the start of the work, it would have been advantageous to the Library to have met with Lorig before the contract was signed for a review of the contract to ensure a common understanding of the Library's and Lorig's respective roles and responsibilities, and an acknowledgment that there would be no changes in the scope of work. The meeting could have been documented and recorded contemporaneously with the contract signing, and the meeting documentation could have memorialized that both parties agreed that nothing had occurred between the start of work and the contract's signature date that would constitute a change in the scope of work.

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**LFA Response 1**

*The Library recently decided to publicly bid the Temporary Library project and is reviewing with Lorig mutual expectations, roles, and tasks for the remainder of the project. We will modify the contract as needed. As you have noted, we do not expect an increase in the cost of the contract.*

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**PROJECT MANAGEMENT**

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**Project Communication Planning**

LFA staff and Lorig communicate regularly by phone and in meetings. They consistently hold a weekly team coordination meeting. The meeting is documented and minutes are distributed to all attendees. The meeting minutes are broken into specific sections (schedule, data communication, construction, etc.). Each section lists issues that have been discussed, the resultant action items, the person responsible for resolving the issue and the date resolution is expected. Open issues continue to be included in the meeting minutes until they have been resolved. A listing of action items that have been completed are available, according to LFA, but the history is not generally attached to the minutes.

To date, only two meetings have been held between LFA, Lorig, and the Seneca Group, the consultant for the Central Library project. Lorig explained that all necessary information is reported and disseminated to Seneca and others through LFA's Capital Projects Director. LFA indicated they have not conducted more joint meetings with Lorig and Seneca because the only relevant issue between the Temporary Library project and the Central Library project is the project schedule - specifically the point at which the abatement work and move-out have been accomplished so that construction of the new Central Library can begin. LFA believes that additional joint meetings are unnecessary since there is no commonality of issues other than project schedule. However, we heard from the consultants that additional communication regarding the "hand-off" point would be useful.

Appropriately, the LFA's Capital Projects Director is the primary point of contact through which most project information flows. Because of the community involvement processes, such

information flow is expected in the initial stages of the project. However, as the project progresses to the construction phase, communication needs will increase, and the Capital Projects Director may find it necessary to revise the communication plan to accommodate those needs.

The weekly minutes adequately address what has been accomplished and what will be accomplished in the future but they do not itemize specific issues that have been identified as problems for which the team is seeking resolution. Thus, it is difficult for us to assess the order of magnitude of the number of issues that have been resolved or are in progress on the project. A thoroughly developed project communication plan would formally describe how problems are addressed, and elevated if necessary, throughout the execution of the project.

The Library relies heavily on verbal communications and e-mail to convey information between the consultants. Other than the weekly minutes, OCA was not provided any other examples of contemporaneous written documentation describing resolution of project issues or documentation of project directives. We do not believe the meeting minutes are sufficient to provide adequate documentation of project activities, and the format, as we stated earlier in this report, is difficult to reconcile on an issue-by-issue basis. According to LFA, additional documentation that would enable such reconciliation exists.

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## **Risk 2: Documentation and Audit Trail**

Insufficient documentation and audit trails documenting key management decisions that affect scope, schedule, or budget can result in an owner's inability to provide complete and accurate responses to requests for information, change orders, and project issues.

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### **Mitigation 2**

It is recommended that LFA re-address communication needs periodically throughout execution of the two main projects. In particular, OCA believes it would be useful for the Library to request that Lorig develop a project manual that describes the plan for accomplishing its scope of work during the construction phase. The manual should address, at a minimum, a communication plan; project control reporting processes for monitoring scope, schedule and budget; processes for handling change orders and project issues; and a thoroughly defined document management retrieval and distribution system.

A project manual provides a plan that guarantees that all project participants have a reference document that ensures that everyone is working within the same processes and procedures and that there is a common understanding of what should be done. Large projects that are accomplished over an extended period of time can experience staffing changes. Having a formalized plan in place that addresses communication, project schedule, document management, changes in work, etc., eases the transition of new project team participants.

A project manual also lessens the risk that project participants will establish their own processes and procedures simply because they don't know that formal processes have been developed that address specific project needs. Past audits conducted by OCA have shown that City staff sometime improvise non-standard processes to complete projects. This happens not because procedures were not developed, but because staff were never informed of the City's current procedures and processes.

One reason why OCA is auditing various capital projects is to determine whether capital project managers are currently applying standard project management techniques in accordance with best industry practices. Again, many of the suggestions included in this report are processes and procedures that are recommended by the Project Management Institute (PMI) and have been used successfully by other public agencies and private owners.

OCA recommends that LFA establish a communication plan to alleviate any potential bottlenecks that may occur due to the growing workload that will develop as the project progresses.

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### **LFA Response 2**

*The Library agrees to periodically re-address communication needs during the Central Library and Temporary Central projects. We believe communication (both oral and written) among all parties is presently sufficient. But as with all our processes and procedures, we will continually look for ways to make our communication more efficient and effective.*

*Regarding joint meetings: We are in daily communication with our consultants through a variety of methods and are confident that all parties are fully informed.*

*Regarding written communication, in addition to the meeting minutes, we also draft detailed, formal letters that communicate instructions to our design team. Our financial and invoice systems track all billing and financial matters and the Library uses Project Net as a clearinghouse for storing other formal communication.*

*We also believe that the project managers, in addition to LFA's Capital Program Director, serve as primary points of communication for their projects. Project managers are expected to document decisions and directives associated with each project. In addition, the City Librarian and Library Board are all integrally involved in the implementation of LFA projects.*

*Finally, the Library agrees with the OCA that it is important to have in place procedures such as policies on evaluating and approving change orders, setting levels of authority for paying invoices or signing contracts. The Library selected Seneca and Lorig based, in part, on their significant construction experience and their ability to respond to a variety of project demands. We are confident that our procedures and the expertise of our consultants guarantee swift and thorough resolution of issues and obviate the need to create a costly and time-consuming policy manual. We are further reassured by the conclusions of the City's lawyers and outside counsel, who reviewed the Library's contracts (including scope of work) and determined they pose no extraordinary risks to the Library.*

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### **Risk 3: Project Recordation Process**

The project recordation process currently in place does not provide easy access to historical project data. Project issues are difficult to track from identification to resolution to determine the eventual course of action or what key decision brought the matter to a close. This could weaken LFA's ability to defend against change orders that could result in budget overruns.

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### **Mitigation 3**

OCA recommends that LFA implement an issue log in which each issue is assigned a number by which it can be tracked from identification through resolution. The log would show key information such as the date the issue was identified, key decisions, resolution of the issue, and date of resolution. During the construction phase, unresolved issues can be identified as potential change orders (PCOs). An issue log is an efficient reporting tool during construction for staying on top of problems. Issue logs are typically 2-3 pages in length and serve as a quick reference guide to the potential risks that exist on the project. Tracking issue resolution provides contemporaneous documentation that increases LFA's (and the City's) ability to defend against change orders.

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### **LFA Response 3**

*In essence, an issue log exists. Lorig systematically compiles project issues and details their resolution in its minutes, which deal comprehensively with all project issues, assignments and progress. In addition, the Library produces letters of instruction to its consultants, which are used to formally document oral decisions made in meetings. The Library also keeps extensive e-mail records as documentation.*

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### **Project Schedule**

We reviewed various schedules that have been produced to date by Lorig. The initial schedule dated 12/23/99, which was attached to Lorig's signed contract, indicates that the MOHAI site selection was to have been completed by February 1, 2000. The current project schedule dated 02/28/99 indicates that the MOHAI site was to have been selected no later than April 3, 2000. We did not find any explanation for the two-month schedule slippage, but when we met with LFA staff on April 26, 2000, they provided us with the following explanation:

"There has been considerable delay involved in reaching consensus among attorneys on the communications with the Department of Revenue, and awaiting the response from the Department of Revenue. The Library cannot structure a lease until it knows who it is leasing from."

In addition, we noticed a comment in one of the meeting minutes indicating that the Temporary Library schedule may need to be accelerated if the move and abatement of the library cannot occur concurrently. The slippage in site selection is important to note because, while it does not appear to impact the end date, it does show that the same scope of work required before the start of the Central Library will now need to be done in a compressed period of time. Compressed project schedules often result in overtime and higher project costs.

LFA does not have a master summary schedule of the entire LFA program to depict critical relationships between the Temporary Library project and the Central Library project. The two projects are treated as if they are completely separate. However, if the Temporary Library project is delayed it will certainly impact the ability to begin construction of the new Central Library. Thus, the Library, and City, are at risk for acceleration costs of the Temporary Library to avoid impacting the larger and more costly Central Library project. The same holds true at the

end of the construction phase of the Central Library. If construction is delayed, rent/lease costs for the Temporary Library will need to be extended.

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**Risk 4: Coordination of Schedules**

Failure to coordinate the central and temporary library project schedules could result in delays at the key handoff points (e.g., move-out and move-in).

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**Mitigation 4**

Move-out of the Temporary Library project will affect the start of the Central Library project. Thus, it is important to treat the two projects as pieces of one large program. The most effective way of ensuring that all parties understand the status and critical timing of the projects is use of a master summary schedule that depicts the entire LFA program (Central Library, Temporary Library and Branch Libraries). A master schedule allows project participants to work as a team and provides a clear understanding of the project's commitments to schedule. OCA prepared an example of a master summary schedule for LFA staff that combined the individual schedules and reflected logical relationships such as the old Central Library moving to its temporary housing with the start of construction of the new Central Library. While LFA's contracts will include provisions for assessing liquidated damages, such assessments rarely go without contest by the contractors.

Lorig is contractually required during the construction phase to produce monthly reports comparing planned vs. actual cash flow. Monthly reports would include reporting on the progress of their contract with LFA. While at present there is nothing to report for construction, it is possible for Lorig to report on the status of their contract expenditures (i.e., planned vs. actual). We have included an example of a cash flow curve that uses Lorig's planned, revised plan, and actual data for their portion of the project budget. (Attachment 3)

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**LFA Response 4**

*The Library agrees that a master summary schedule would be a useful tool in viewing overall project progress. We commit to creating one.*

*We also agree with OCA that it is important that all parties understand the timing of the Central and Temporary library projects. We will continue to convene coordination meetings as needed. The Library sees the primary risk – albeit a normal one – as being the timely construction of tenant improvements at the Temporary Central Library. Our construction contracts include liquidated damage clauses that mitigate financial risks caused by delay.*

*MOHAI Site Selection: After exploring all possible options within our time constraints, we have concluded that it is best to publicly bid this project and to lease the facility through the Convention Center.*

*Lorig reports: The Library is currently monitoring project expenditures. We believe that Lorig's monthly reports will be most useful during the construction phase.*

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**Risk 5: Schedule Updates**

Currently, LFA does not measure progress against an “as-planned” schedule. Schedules are not being updated at regular intervals. Instead the schedules are updated when things change or on an as-necessary basis. Without consistent updates against a plan, LFA, the City and outside entities will be unable to accurately assess the value of the initial plan against what is/will be eventually implemented. LFA has repeatedly expressed its desire to retain flexibility and has indicated that they do not want to lock themselves into a projected plan until project constraints are better defined. However, allowing changes to control the development of a plan increases the risk of missing the original desired completion date.

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**Mitigation 5**

OCA recommends that LFA establish the “as-planned” schedule and revise the plan only if significant events occur that will impact the overall project completion date. Monitoring actual progress against a plan is the best schedule indicator of the “health” of the project. Targeting a schedule against the plan schedule allows the project team to take a proactive approach to mitigating delay.

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**LFA Response 5**

*The Library Board established baseline schedules, which were published in the Proposed 1998 Seattle Public Library Capital Plan. More detailed schedules were later prepared for each project when voters approved the Libraries for All capital plan in November 1998. We update the schedules as the Library Board approves schedule changes.*

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**LFA Project Team Expertise**

LFA’s project team includes the Capital Projects Director, the Chief Financial Officer, 3 Project Managers, a Finance and Management Analyst, an Assistant Communications Officer, 2 Capital Program Administrative Assistants, and a half-time Seattle Arts Commission Project Manager.

LFA’s project managers and Capital Projects Director have backgrounds in architecture. LFA has indicated that it plans to hire an additional project manager and has identified the need for an individual with a strong construction/engineering background.

LFA is relying heavily on the consultants for the knowledge they bring to the project. OCA believes Lorig and Seneca could help the project by taking a more proactive role in lending their expertise in developing typical standard project management practices for a project of LFA’s magnitude, including reporting processes, scheduling, cash flow curves, etc.

The Capital Projects Director is the “hub” for all communication between the consultants and LFA staff. The Capital Projects Director has indicated that each of the branch library project managers is familiar with their projects as well as overall program issues. Further, the Director believes that daily contacts with the project managers and consultants keep staff up-to-date on project issues.

Day-to-day verbal communications are acceptable at this stage of the projects. As the projects enter the construction phase, however, it will become increasingly important for the Capital Projects Director, the LFA project managers and consultants to formally document the decisions and directives associated with the project and to keep up with the project's communication demands.

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**Risk 6: Staffing During Construction Phase**

The potential of being understaffed during the construction phase exists. LFA must reassess personnel skill sets throughout the project to ensure that the right staff is available to meet project needs.

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**Mitigation 6**

Over the long-run, staffing a project with an adequate number of properly skilled staff is more cost effective than trying to manage a project with too lean a staff. Adequate staffing allows project issues to be addressed in a timely manner, which in turn can reduce administrative costs associated with processing change orders.

It may be helpful to provide training for LFA staff to increase their awareness of standard types of project documentation that are required to adequately monitor the scope, schedule, and budget on a project of this magnitude.

LFA may also wish to consider hiring a senior project manager to fill the last PM position and place that individual in a mentor role to the other branch library project managers who primarily have architectural backgrounds. As the projects proceed, the Capital Projects Director might benefit by having a "deputy" with significant construction project management experience to assist in monitoring the two major Central Library projects and the consultant contracts for those projects.

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**LFA Response 6**

*The Library has advertised to hire an additional project manager to supplement our experienced project team. In hiring decisions to date, the Library was careful to choose highly qualified project managers who had extensive experience in managing public sector projects.*

*In addition, the Library hired a senior project manager in January 2000 to provide guidance and oversight on contracts and other issues to the other project managers and staff. She also is largely responsible for communicating and coordinating with Lorig about the Temporary Library project.*

*We use consultants or other contractors as needed to supplement our work. Both Lorig and Seneca were chosen because of their extensive construction experience.*

*We believe the project managers also play a key role in communication for their projects. Project managers are expected to document decisions and directives associated with each project. In addition, the City Librarian, capital program director, and Library Board are all integrally involved in the implementation of LFA projects.*

*The Library believes that having too few staff may be a potential risk, but LFA, like any other City capital program, must live within the budget that has been allocated for program administration.*

*The Library is committed to providing on-going professional training to staff as needs arise.*

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**Risk 7: Project Documentation**

Large, complex projects, such as LFA, are often at risk for budget overruns due to change orders and claims. It is critical to maintain some project documentation on an issue-by-issue basis so that the Library (and City) can defend itself against potential construction claims. Without this type of document retrieval system, the Library (and City) may not be able to ensure that the supporting documentation required to prepare an adequate claim defense can be easily gathered.

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**Mitigation 7**

OCA believes that Lorig should be producing “standard” and essential project documentation. We recommend that LFA request Lorig to produce a monthly report, similar to the example described later in this report. (See pages 18-19.) LFA staff stated that they believe the current reporting is adequate and there would be no added benefit to the project to include additional reporting. The Project Management Institute Standards Committee cites project recording as a key component to assessing project performance. Standard project management reports, including those we suggested, organize and summarize the information known on the project and present the results (i.e., problems and any resolutions that were the result of owner directives).

As discussed above, the Capital Projects Director may benefit by having a “deputy” with significant construction experience to assist with monitoring the two major Central Library projects. This staffing technique is widely used on projects to ensure continuity in the event that key personnel leave the project.

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**LFA Response 7**

*We understand that the OCA prefers our consultants adopt standard reporting tools, but the Library is actively involved in daily decision-making. We believe we have sufficient document control and evaluation procedures in place to handle change orders. However, we will continue to evaluate procedures and systems and make changes and improvements as needed.*

*As noted, the senior capital projects manager hired in January 2000 plays a key role in helping to coordinate the Temporary Library project. And the Library intends to hire an additional project manager to supplement our team.*

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**Staffing Levels**

In comparing the initial and the revised Lorig staffing plan, we noted that the original scope of work has been spread over a longer period. To accommodate the longer project execution period without an increase in their contract price, Lorig reduced the planned staffing during the

construction phase, allocating only 1.25 FTEs to this phase. This reallocation of man-hours has diminished staffing levels during the most critical phase of the project, the one most prone to changes. It appears that Lorig's scope of work during the construction phase must have been reduced. OCA is concerned that the construction phase will require the most extensive effort and the staff reduction in that phase could mean that Lorig will not be able to deliver the planned scope of work as it was originally bid.

Lorig's responsibilities within Phase III (Construction Management) are extensive. They are required to monitor construction and the schedule; develop and monitor the project cost control; approve changes; and develop a system of contract administration for review and processing of payments and change orders.

The construction/tenant improvement phase typically is the one most prone to changes. The risk of understaffing the project could present problems if the requests for information are numerous or excessive changes occur. The proposed staffing levels may not be sufficient to meet the demands of the project. OCA was told in a meeting that Lorig will staff up to meet the demands of the project, if necessary. However, there is no written record that this will be done for the original contract price.

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**Risk 8: Written Documentation**

Written documentation will be critical to the resolution of any problems that occur on the LFA projects. While both parties to a contract may feel comfortable and confident that they have a mutual understanding, the reality is that harmonious relations often turn acrimonious; staff who understood the unwritten agreements leave, and, in the end, only the written documentation remains to determine who is responsible for what and at what cost.

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**Mitigation 8**

OCA believes LFA would benefit from conducting a scope clarification meeting to ensure that the scope of work and the intent of the contract are understood by Lorig. LFA has indicated that it has articulated its expectation that the project needs must be met regardless of planned staffing levels.

LFA has expressed its confidence in the consultant's ability to meet the project's demands and believes that Lorig's flexibility to date indicates that they will allocate appropriate staff if necessary. Our concern is not that the consultants will not staff up, but rather the price of the increased staffing. From a risk management standpoint, it is best to document, in writing, LFA's understanding that the project's needs and original scope of work as outlined in the contract will be accommodated at the original contract price despite the extended contract execution period.

Modification of the consultant contract execution period is technically a change in the contract, so this theoretically should be done with a no-cost change order or contract amendment. It is critical that changes to the contract be documented in the project record, because the individuals who make informal agreements often leave the project for various reasons. The replacement personnel, who have no written record of the original agreement, are at a disadvantage to enforce these agreements because there is no written record.

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**LFA Response 8**

*The Library agrees that written documentation is important and believes that our documentation is sufficient, though we are always looking for ways to improve our existing communication system.*

*The Library is moving to clarify its relationship and staffing needs with Lorig. Based on the response recently received from the Department of Revenue and the recent decision to publicly bid the Temporary Library project, we are reviewing with Lorig mutual expectations, roles, and tasks for the remainder of the project, and will modify the contract accordingly, as needed. We do not expect increases in project costs.*

*Lorig's staff will spend approximately 140 hours/month during the construction phase. At this time, the Library believes that Lorig's staffing coverage during construction will be sufficient. But if Lorig does need to increase staff, it has pledged to do so within the terms of the negotiated contract. LMN Architects and Seattle Public Library project management staff will also be involved in their respective roles of architect and Library oversight.*

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## **CENTRAL LIBRARY**

The Library has entered into a Development Manager Services Agreement with The Seneca Real Estate Group, Inc. (Seneca), a Seattle-based company. Seneca will act as the Development Manager (DM) for LFA throughout construction of the Central Library project. The agreement is for a total of 47 months, the start of which was on May 1, 1999. Seneca's fee for development manager services is slightly over \$2M.

The Library has also contracted with a joint venture for architectural services. The joint venture (OMA/LMN) is comprised of the Office for Metropolitan Architecture, a firm based in Holland, and LMN Architects, a local company.

Seneca is drafting the GC/CM contract. External legal oversight is being provided by Stoel Rives, special counsel to the Library, and by the City's Law Department.

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## **CONSULTANT CONTRACTING PROCESSES AND PROJECT DELIVERY METHODS**

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### **Development Manager Contract**

The Development Manager Services Agreement was developed by the City specifically for this project based on the recommendation of Stoel Rives. Unlike the Construction Manager Contract that was drafted for Lorig based on an AIA contract template, this contract is a hybrid.

Seneca is empowered as an authorized agent of "the Owner", defined in the contract as "The City of Seattle through the Seattle Public Library Board of Trustees." This requires that LFA and Seneca operate in an atmosphere of trust. From the meetings we attended, it appears that LFA and Seneca have a close working relationship. We also noted that much of the communication is verbal and via e-mail.

Seneca has an extensive scope of work that was consistently described in the contract as "support and assist the Owner". It is our belief that the language used in the scope of work should more clearly describe what the Development Manager must provide to LFA in terms of deliverables or work product. The Agreement contains the following description:

"The Development Manager's Scope of Work consists of providing to the Owner [with] comprehensive development management and construction services for the execution of the Project."

We believe it may be difficult to interpret such language. For example, who will determine how much effort on Seneca's part is considered "comprehensive?" We were provided weekly meeting minutes to review, which track what has been accomplished to date, but which do not discuss problems and resolutions or explain how problems are resolved.

OCA believes that, based on the documentation we received during the audit, LFA staff is fulfilling scope of work that Seneca should be providing. For example, Seneca is required under Section A.1, General Development Management of the Contract, to track actual and projected costs against the original budget. Until our meeting on May 31, 2000 to discuss issuance of this report, we received project budget spreadsheets prepared by the Library CFO, not by Seneca.

During the May 31 meeting, OCA was handed a two-page master budget report that LFA states was prepared by Seneca.

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**Risk 9: Scope of Work**

A vague scope of work often leads to misunderstandings as to the various parties' roles and responsibilities.

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**Mitigation 9**

OCA recommends that LFA develop a specific list of deliverables, reports and processes that it expects Seneca to provide.

We asked to review a number of reports that are typical project reporting tools. Based on the information provided in response to our request (Attachment 4), it appears that Seneca has not prepared many of these traditional project reports. For instance, typically the consultant prepares a Program Management Manual that outlines the processes and procedures by which the project will be managed. If this exists, we were not provided a copy.

We reiterated requests for samples of project management reports Seneca has prepared for other projects similar in size and complexity to the Library Project. LFA, in response to these requests did eventually provide OCA with a sample project management report. The sample report provided has not resolved OCA's concerns regarding tracking actual schedule and budget against planned, and did not contain examples showing how Seneca monitors schedule gains and delays, or changes in budget.

Currently, OCA is also conducting a performance audit on the Justice Center and Civic Center projects. Those projects have prepared a detailed Project Manual. OCA, and our consultant who has over 20 years experience in the area of project management and development of project controls, has experience on large capital projects, and consistently reviews project management manuals developed for these mega-projects. Project manuals are often a condition precedent to obtaining financing because it sets out the project team's plan and provides a comfort level to project investors that the team has exercised due diligence assessing potential project risk and responded by developing a mitigation/contingency plan to deal with project changes.

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**LFA Response 9**

*Seneca and the Library work as a team on a daily basis to manage the Central Library project. We believe in a proactive approach and immediately deal with issues that may arise. The scope of work in Seneca's contract is designed to be flexible in responding to the challenges of a large complex project. The City Attorney's Office and an independent legal counsel hired specifically for its construction expertise reviewed the scope of work clauses in each of our contracts and had no major issues with the language. So far this built-in flexibility has proven invaluable in dealing with special issues that have arisen. To date, Seneca's performance has been exceptional, providing us with service and expertise that more than meet our expectations. In the experience of our project managers and Seneca, the preparation of a project manual is not an industry standard.*

*Seneca's staff tracks both the actual and projected costs for the Central Library project. Seneca's cost/budget reports are quite extensive. The master report to which the auditor refers is a summary of many subreports that track invoices against budget and obligations. Seneca provides monthly reports to the Library's CFO, who keeps copies of the final report for his records and to update other reports that the finance office is responsible for producing.*

*As stated earlier, we believe communication (both oral and written) among all parties is presently sufficient but, as with all our processes and procedures, we will continually look for ways to make it more efficient and effective. During construction, different tracking systems will be developed that we believe will provide sufficient written documentation.*

*Written meeting minutes are one of several forms of written communication the Library has with external organizations. We also draft detailed, formal letters communicating instructions to our design team. Our financial and invoice systems track all billing and financial matters, and the Library uses Project Net as a clearinghouse for storing other formal communications.*

*We believe the meeting minutes thoroughly discuss problems and resolutions and explain how problems are resolved.*

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## **PROJECT MANAGEMENT**

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### **Project Communication and Reporting Processes**

The primary scheduled communication between the parties occurs in the weekly Design Team and Owner's Coordination meetings. Notes are taken at each meeting and minutes distributed weekly with all minutes residing on ProjectNet (discussed later). The minutes themselves reflect the items discussed and include action items, the individual responsible for those action items, and due dates.

Daily telephone and e-mail correspondence is recorded via note taking and e-mail, and is saved in folders on each person's computer, or filed as a hard copy on ProjectNet.

The third primary communication tool used at this time is Design Review letters, which go to OMA/LMN and summarize significant approved design decisions, design work needing further development, and information relevant to the project's schedule and budget.

OCA believes that it would be useful to have a reporting system that would enable external entities to more easily determine whether the project is "on schedule and within budget". This is particularly important for a construction project that is essentially deemed 'high-risk' due to its high public profile, innovative design, and planned new construction materials and techniques. The current reporting system requires an in-depth, detailed knowledge of the project to determine its status. The numerous spreadsheets, schedules, meeting minutes and milestone reports require extensive cross-checking and cross-referencing to glean basic information concerning schedule and budget. OCA believes that outside entities, concerned citizens, and the City Council will have difficulty evaluating the current progress of the entire LFA program and whether it is tracking against the original plan if the current reporting methods are not modified. This is compounded by the fact that LFA has not established the baseline schedule for the project and does not track actual progress against planned.

OCA believes that some of the processes and procedures that would routinely be in place at this stage of a project appear to be missing. While LFA and its consultants appear to have “businesslike relationships, in which trust has been earned, not assumed,” we cannot stress enough that, even in the best of circumstances, things can sometimes go wrong. Basic risk management practices require that an owner, in this case the Library, assess potential problems and then identify possible mitigation efforts.

If the contractor files claims on this project, a determination will need to be made as to the validity of the claim and an assessment of causation will be necessary. Current record keeping processes lack the detail necessary to prepare claim responses. The project documentation should not only serve as a working tool for the project, but also as a historical record to enable performance to be measured and to evaluate any problems that occur.

LFA appears satisfied with the current level of communication and with Seneca’s reporting processes. However, OCA believes that Seneca should be taking a stronger leadership role in defining core project management processes and procedures and advising LFA of the documentation that should be required on a project of this magnitude.

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### **Risk 10: Monthly Progress Reports**

Project documentation is inadequate to defend against potential change orders and claims making it difficult to prove causation. LFA has not implemented some of the industry standard reporting practices that allow those outside the project to easily gauge the “health” of the project. Comprehensive monthly status reports are standard in the construction industry for a project of this size and complexity.

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### **Mitigation 10**

OCA believes it would be beneficial if LFA required its consultants to implement monthly progress reports that are easier to use, and provide access to key information concerning the “health” of the project in a simplified format to those who want it. This type of reporting would be useful to the Library Board, City Council, and citizens. Monthly progress reports are a critical component in determining causation in the event that a schedule delay analysis or dispute resolution becomes necessary. Monthly progress reports typically include the following:

Narrative: An executive summary that depicts the current status of the project, potential problems, this period’s accomplishments, anticipated accomplishments for the next reporting period, and changes to the project with accompanying explanations.

CPM Schedule Update: The latest update of the project schedule. This update should ideally be measured against the baseline schedule for that period to enable the actual performance to be measured against planned.

Project Summary Status: A narrative of the changes made to the schedule (if any) and the reasoning for the changes.

Work Accomplished During the Reporting Period: A narrative of the work that was performed in the reporting period together with a spreadsheet depicting actual start dates and percentages complete for activities in the schedule.

Work to be Performed in the Next Period: A summary of the work that is planned to be performed in the next reporting period.

Cost Reporting/S-Curves: Spreadsheets depicting the original and revised budget and cost to complete together with a narrative explaining changes and reasoning. Also an S-curve that reflects the early planned and late planned project costs together with the actual costs to date.

Change Orders: A spreadsheet depicting change order status: approved, denied, pending.

A thorough Monthly Report would enable interested parties to see at a glance if the project was on or ahead of schedule and within budget, as well as serve as a historical record depicting the Project as it progressed.

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### **LFA Response 10**

*We understand that OCA would like the Library to ask its consultant to prepare monthly reports. The Library believes its current reporting structure and project documentation with Seneca meets the needs of the project and the Library Board. However, we understand that Council members and the City Budget Office would welcome a simple, one-stop summary that includes both milestone reporting and expenditure and schedule information. We have reviewed the format and level of detail being provided for the Civic Center/Justice Center projects in its monthly report, and believe reports now being provided to the Mayor and Council, in combination with expenditure tracking reports already being used by the Library's project administration team, could be combined with some reformatting to provide a similar level of information as is provided for the Civic Center. We propose to produce a sample report in early September summarizing the work in August for the Central Library in this monthly format, for review and comment by the City Council, OCA, and the City Budget Office.*

*In regards to whether the public can track LFA's progress, we sincerely believe that the public reporting of this project has been unprecedented. The Library produces a biannual financial report for the Libraries for All Oversight Committee, monthly reports for the Library Board and the Citizen Implementation Review Panel (CIRP), quarterly cash-flow and budget tracking reports to the City Budget Office and City Council, and monthly progress reports to the Mayor and City Council. In addition, the City Librarian, Library Board members, Capital Program Director and Project Managers spend a considerable amount of time at community meetings. The City Librarian and Capital Program Director meet monthly with the City Council's Culture Arts and Parks Committee, whose meetings are regularly broadcast on the City's cable channel, TVSea. The Chief Financial Officer meets monthly with citizen members of CIRP to review finances. His report is part of a board packet, which also is thoroughly distributed and broadcast. All financial reports are posted on the Library's Web site. Financial and budget reports have undergone a series of changes, thanks to input from the Library Board and citizens. To date, we have received positive feedback about our reporting structure.*

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### **Documentation Management**

The Central Library's architectural firm is physically located on another continent. The architectural team for the Central Library project is a joint venture - one is based in Seattle and the other is based in Rotterdam. During the design development phase, operations will transition to Seattle which will enable those in Rotterdam to be better connected. To

accommodate this situation, Seneca has opted to use the electronic document control software, ProjectNet.

ProjectNet allows project documentation to be viewed across the World Wide Web (the Web), ensuring that those parties that require it have access to the latest information and are working with the same documents. Seneca controls access to project documentation by assigning different security clearances for certain documents. This ensures that only the parties allowed to view particular documents have access to them. Any party that has the software can input documents by scanning them into the database although Seneca controls the security levels attached to each.

This document control system not only ensures that each party is working with the same information, but staff assume that it can also be used to speed up the Request For Information process later in the project by utilizing digital photographs to enable the architects to have an electronic view of specific issues. This will be helpful due to OMA's location in Rotterdam.

At present, ProjectNet serves primarily as a group of filing cabinets facilitating access to documents, but Seneca's goal is to fully utilize this system as the project enters the construction phase. OCA recommends that Seneca develop a formal plan explaining how the document control system will be structured.

There is always a learning curve associated with any new technology. OCA recommends that the architectural team and the GC/CM become familiar with, or provide training on, the use of this software before the construction phase is underway.

Seneca and LFA provided us with their current ProjectNet Document Log. Currently, it consists of folders for consultant agreements, correspondence, meeting minutes, budget and schedule. We believe that this system will need to be expanded and carried to a greater level of detail as the project progresses.

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**Risk 11: Document Management File Index System**

Prior to the construction phase, LFA must develop the detailed structure for the document management file index system to accommodate the long-term needs of the project.

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**Mitigation 11**

In general, project closeout processes continue to be an area requiring improvement for the City of Seattle. Establishment of a good document management system is key to timely closeout.

OCA again reiterates its belief that these core processes and procedures should be put in place now, while project team members can allocate the time to devise a file system that will meet the needs of the project over time.

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**LFA Response 11**

*The Library agrees that it is important to properly manage documents and is pleased to report the Project Net system for the Central Library is designed to accommodate expanding project information, particularly during construction.*

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**Seneca's Project Staffing Plan**

Exhibit 4 of the Developer Manager Services Agreement is a staffing plan and payment schedule that corresponds to the original schedule that was sent to the Library on May 14, 1999.

The staffing plan shows that Seneca will staff up to approximately 450 plus hours a month through the schematic design phase and raise the level to approximately 480 hours in the design development phase. The maximum planned staffing of 500 plus hours occurs during the construction documentation phase and finally evens out at 418 hours for the full length of the construction phase.

The payment schedule divides the baseline schedule into phases (schematic design, construction documents, construction, etc.) and averages the monthly payment per the hours planned per phase. From the inception of the project to the present time, Seneca has continued to bill according to this schedule. LFA considers this contract to be a fixed price contract.

We are concerned about Seneca's staffing plan because the original schedule has been revised to reduce the number of planned hours at the beginning of the construction phase. Historically, innovative, new construction techniques and the use of new materials, as are planned for the new Central Library, are associated with numerous requests for information and change order requests. These, as well as the general day-to-day oversight of the construction, will have to be managed by Seneca.

The latest schedule presented to us was dated February 15, 2000. This schedule shows that the design stage of the project has been pushed out further than planned on the baseline. We prepared a graphic (Attachment 5) which shows the original staffing plan (in hours per month) and the phases of the work, both in the baseline and revised schedules. As described above, the maximum planned hours per month were originally for the construction phase. The peak staffing now occurs during the design development plan, with the staff level reducing during the construction stage.

The revised schedule also shows construction continuing through May 2, 2003, compared to the baseline schedule completion date of March 28, 2003. Our concern is that the revised completion date on the agreement with Seneca, signed on May 1, 1999, is for a total of 47 months which means that Seneca is only contracted through March 2003, even though the project completion doesn't occur until June 27, 2003. Seneca's scope includes assisting the owner in the move-in process, and its payment schedule concludes in March 2003. According to this schedule, not only will Seneca not fulfill its contractual obligations as per the original scope of work, there has also been no provision for payment during the remaining two months of the project. If it is agreed that Seneca will perform its responsibilities during this period under the original budget (given that it is original scope work) then we recommend that this be documented somewhere in the project records.

The Agreement states:

*“If clear additions to the scope of the Development Manager’s work cause the Owner and Development Manager to mutually agree to expand the number of the Development Manager’s employees engaged in the work, the Development Manager shall provide the required additional staff and the Owner shall negotiate a fair compensation for the Additional Services by the Development Manager.”*

LFA has indicated that Seneca has formally confirmed to the Library that it will abide by the negotiated costs in its contract with the Library, but OCA was not provided written confirmation of this agreement.

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**Risk 12: Seneca’s Staffing Plan**

We are concerned that Seneca’s planned staffing level will not be adequate to meet the demands of the project. If the complex design and new technology in construction and materials should play a role in the generation of numerous requests for information or change orders, Seneca will either have to increase the number of staff or be forced to reduce its scope to stay within budget.

As discussed earlier in this report, the contract with Seneca is broad in its terminology and contains phrases such as “assist,” “interface,” and “coordinate,” which leave the exact scope open to interpretation.

The scope of work does not specifically designate which deliverables Seneca is responsible for producing. LFA has indicated that Seneca has stepped in to fulfill the needs of the project, and LFA believes that Seneca will do what it takes to get the job done within budget. LFA has also indicated that they will renegotiate Seneca’s contract if necessary to accommodate more work. In this context, we note that failure to adhere to the scope of work as outlined in the contract can create a situation in which the consultant believes additional compensation is due because they are working beyond the originally planned scope of work.

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**Mitigation 12**

We suggest that LFA adopt a proactive approach to monitoring Seneca’s performance of the original scope of work to ensure that Seneca fulfills the requirements of the contract. LFA has advised us that they will renegotiate the contract if necessary, and also that Seneca’s contract came in \$400,000 under the estimate. LFA views the delta between Seneca’s proposed budget and the estimate as contingency in the event that the contract requires renegotiation. We recommend that the Library document all changes in the scope of work to maximize its position if renegotiations occur.

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**LFA Response 12**

*The scope of work in Seneca’s contract gives Seneca comprehensive responsibility to meet the demands of the project under the direction of the Library. The nature of this particular assignment requires a high level of responsibility for managing and overseeing work performed*

*by others. The scope describes these tasks by project phase. Seneca's performance to date shows the acceptance of that responsibility and flexibility in meeting the needs of the project.*

*Seneca has told the Library it intends to abide by the negotiated costs in its contract. At this time, we believe Seneca's staffing plans will be sufficient to meet project demands. Seneca will not be operating alone; it will be working in tandem with Library staff, the GC/CM, and the architect.*

## ATTACHMENT 1 - Methodology

The review team consisted of Susan Cohen, City Auditor; Eileen Norton, Assistant City Auditor; Patti Jones, formerly of The Nielsen-Wurster Group, Inc., and currently President of CDR Consultants, Inc.

We interviewed Alex Harris, LFA's Capital Projects Director; the project managers for the branch libraries; key personnel from the Seneca Group; and key personnel from Lorig Associates. The interviews provided background on the "Libraries for All" Project and essential information on the core processes that have been put in place to date.

In addition to conducting interviews, we reviewed the following project documents:

LFA provided:

- Resumes of key Seattle Library staff
- Sample project schedule showing initial work done on new branch siting
- Seattle Library Information Sheet, Jan-24-00
- Seattle Central Library Master Budget Report, Revised Nov-17-99
- 1999 LFA Projected vs. Actual Cumulative Cashflows
- LFA Project Assignments Branch Budget Spreadsheet, sample from Beacon Hill
- Master Index of Capital Projects Director's Files
- Quality Assurance Memorandum, Susan Kraght, Audit Director, Oct-12-99
- OMA/LMN Joint Venture Contract for Central Library, Jan-10-00
- LMN Contract for Temporary Library, Nov-01-99
- Seneca Contract for Central Library, May-01-99
- Libraries for All Proposed 1998 Capital Plan
- Libraries for All Capital Plan December Report
- Library Oversight Committee Financial Progress Report
- Libraries for All Financial Status Report October 1999
- Libraries for All Milestone and Work in Progress Six Month Projected Report
- Libraries for All Project Summaries
- Seattle Public Library Board of Trustees Meeting Minutes, Jan-25-00
- Briefing to Cultural Arts Council, Jan-26-00
- Miscellaneous correspondence
- LMN Quality Assurance Process notebook

Seneca Group provided:

- Teleconference #4 Minutes, Nov-19-99
- Coordination Meeting #25, Feb-25-00
- Seattle Central Library Owner's Budget, Revised Nov-17-99
- Master Budget Report, Nov-17-99
- ProjectNet Training Manual and Document List
- Various Project Schedules
- Seneca Proposal for Central Library

Lorig & Associates provided:

Various Project Schedules  
Meeting Minutes  
Example of RFI Flowchart  
Lorig/Library Contract  
Summary Budget Estimate  
Initial Estimate provided by LMN through MOHAI, Jul-01-99  
Lorig hard cost take-off and back-up  
Site search and selection process, Apr-22-99  
Lorig original and revised staffing plan

Following a meeting on April 26, 2000, LFA provided the following additional documents:

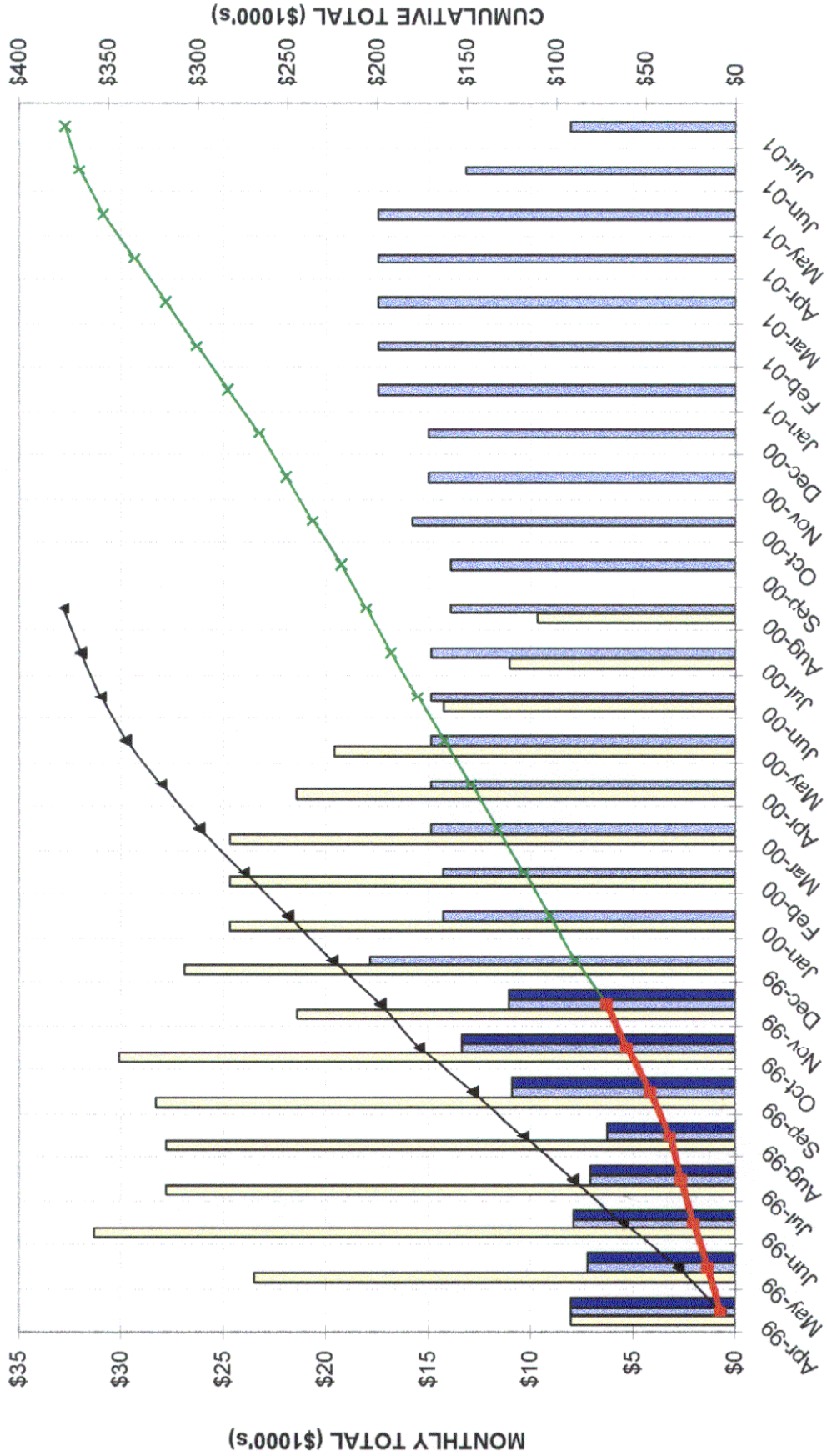
Libraries for All 1999 Year-end Financial Report  
Libraries for All Management Plan  
"UTGO Cash Flow Notes"  
LFA's GC/CM Request for Qualifications proposals  
Agreement between Owner and General Contractor/Construction Manager with a  
Development Manager  
MS Project Schedule for Branch Libraries  
Seneca listing of Project Management Experience  
ProjectNet Document Log



ATTACHMENT 3

Temporary Library Project: Lorig Budget

TEMPORARY LIBRARY PROJECT: LORIG BUDGET



NOT FOR USE  
REVIEW PURPOSES ONLY

## Attachment 4

### Documents Requested & Questions Asked of LFA Consultants

#### Seneca

- Meeting minutes from Project Development Meetings
- Tool for tracking actual and projected costs against the original budget.
- Review monthly reports for projections of the estimated project cost at completion
- Discuss process for review and validation of individual contractors/consultants invoices/actual costs. Reports comparing budgeted costs against actual costs.
- Review monthly summaries of invoices and request for payment (possibly included in monthly progress report)
- Cash flow monitoring system
- Project Schedule and monthly schedule updates. Audit trail of changes made to schedule and narrative explaining changes
- Discuss process for ensuring that public input from community process is being considered in the design during the schematic phase.
- What is Seneca doing to ensure that the community supports the Project and that ideas/suggestions are assessed and included in the design?
- Discuss the process between Seneca and Lorig to ensure that the two sub-projects are aware of the progress of each other and are pro-actively mitigating any potential problems. Master summary schedule depicting relationships between the two projects.
- Monthly Progress Reports including attachments
- List of roles and responsibilities for each member of the Project team as it relates to assisting the Owner in obtaining permits and approvals. Is the permit and approval process depicted in the Project schedule?
- Methodology/flow chart of the overall Project approval process
- List of environmental review documents, permit applications, easements, approvals required and utility coordination.
- How is the design being monitored to ensure that the Program and Budget are appropriate and that the design is on schedule and within budget? Provide a listing of major design milestones for the project.
- Project estimates produced to date
- Value Engineering and cost reduction proposals to date (log)?
- Discuss procedures for
- Procedures for RFI's, submittals, and change orders processes during design.
- Budgeted costs, actual costs, projected costs for consultants
- Discuss prior experience concerning development and negotiation of GC/CM RFPs.

- How is Seneca encouraging qualified firms to propose?
- Has the GC/CM selection criteria been established? At what point in the design phase will the GC/CM be brought on board to maximize input from this type of contracting tool?
- What are planned staffing levels for the construction phase?
- Discuss Project team experience in project controls(ie. Scheduling, contract administration, change order processes, etc.)
- Who will be responsible for document management during design and construction? Which document management software will be used for this project?
- What are the current staffing levels for the project?
- How will Seneca meet future staffing needs to ensure individuals have the appropriate skill set to accommodate the project requirements and stay within the projected monthly budget?

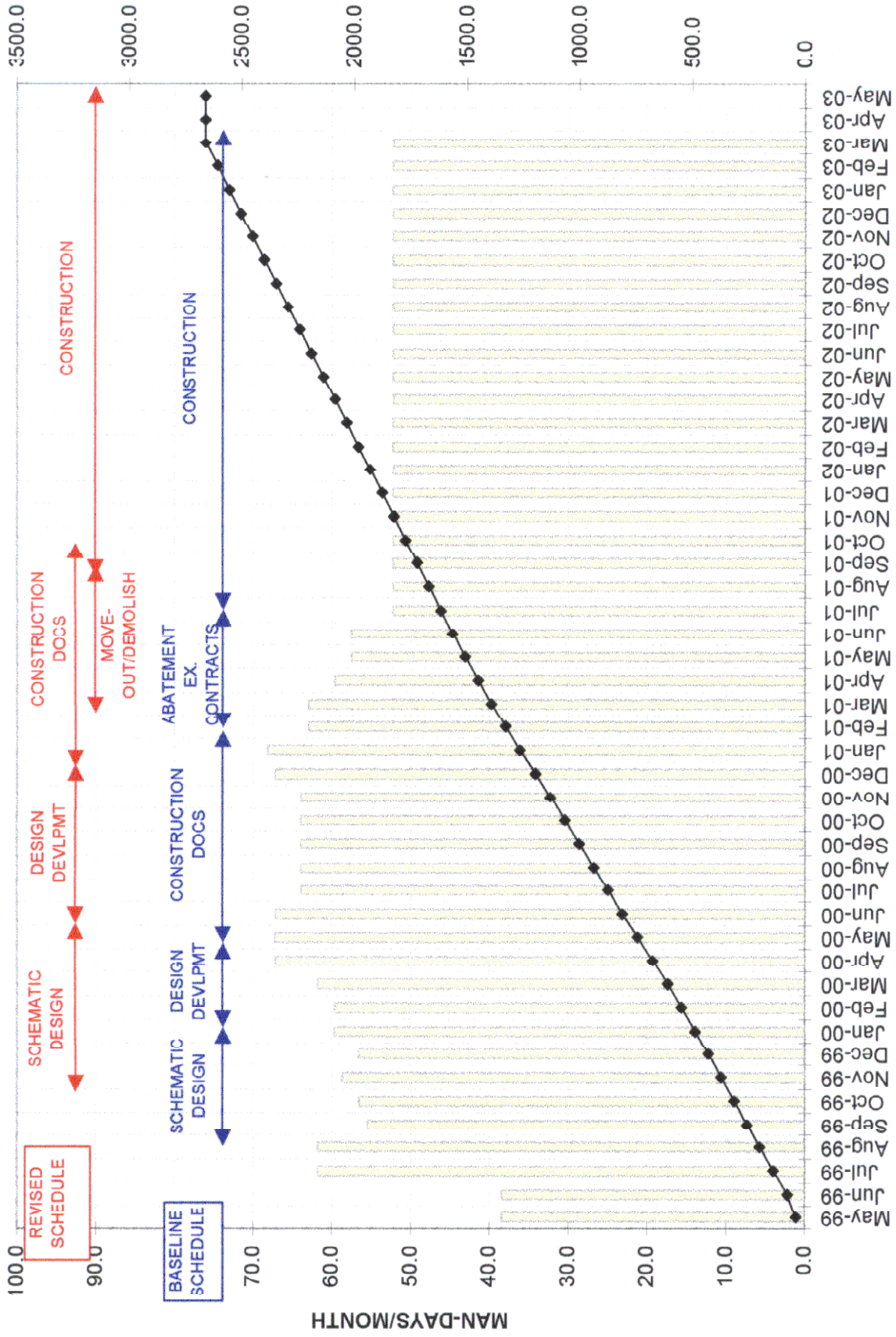
### Lorig

- The process Lorig went/is going through for the site identification process. How were the total costs for the options analyzed and a selection made?
- Project Budgets and operating pro-formas
- Monthly Progress Reports
- Cash flow monitoring system
- Project baseline schedule and monthly schedule updates including audit trail of changes and narrative explaining changes
- How is the design going to be monitored to ensure that the Program and Budget are appropriate and that the design is on schedule and within budget?
- Project estimates produced to date
- Meeting minutes to date
- How is Lorig interfacing with Seneca to ensure that the two sub-projects are aware of the progress of each other and are pro-actively mitigating any potential problems? Has Lorig provided input to the master summary schedule?
- Is the siting selection process on schedule?

Central Library Project: Seneca Staffing Plan

CENTRAL LIBRARY PROJECT: SENECA STAFFING PLAN

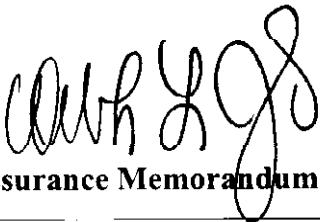
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## Library Response to Report



# Seattle Public Library

**Date:** September 5, 2000  
**To:** Susan Cohen, City Auditor  
**From:** Deborah L. Jacobs, City Librarian   
**Subject:** Libraries For All (LFA) Quality Assurance Memorandum

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Thank you for the opportunity to comment on the Office of the City Auditor's review of management controls for the "Libraries for All" program. We appreciate being able to explain our approach, which hinges on our deep commitment to open communication, involving the public in decision-making and the wise use of public and private dollars.

We have worked to create a first-rate team of staff and consultants who share a commitment to completing the comprehensive library building program on time and on budget. We are proud of what we've accomplished to date – we opened the first two branch libraries, NewHolly and Wallingford on time and on budget. We are confident that the procedures and mechanisms we have in place will allow us to continue our achievements.

We acknowledge your recommendations and will implement several of them. Specifically:

- We believe that creating a master summary schedule will be a useful management tool. Staff is now in the process of creating one.
- We agree that adding another highly skilled project manager will strengthen our team. We have advertised the position and hope to fill the spot soon. As with all key positions, finding the best staff is our priority.
- We agree it is vital to regularly review communications plans and reporting processes and commit to do so. We are recruiting for an administrative assistant with database management skills and hope to have this person on staff soon.
- We agree to prepare a sample Monthly Report for the new Central Library project in early September containing a similar level of information, and in a similar format to the Civic Center Monthly Report. If this format is useful to the City Council and City Budget Office, we are willing to continue to provide these on a monthly basis for the new Central Library project.

We haven't embraced some other recommendations of the Office of the City Auditor (OCA) report. The approach we are taking to the LFA program speaks to what I see as our fundamental commitment to go beyond the typical and to set new standards for completing public projects. We are committed to providing high levels of information to the public and policy makers, but with a compact and efficient project management team.

The Library is far more proactive and involved than most public-project clients. Alexandra Harris, our capital program director, is intimately involved in daily decision-making. Our governing body, the Library Board, is actively involved. I have daily involvement in and knowledge of all processes and major decisions. We have also developed a team structure which provides both accountability and effective distribution of tasks and responsibilities.

This approach is consistent with the preliminary management plan – which volunteers from the construction and design industries helped draft -- that Library staff and the Library Board discussed with the Mayor and the City Council in a lengthy work session in January 1999.

We discussed our intention to build a flexible management system with highly competent staff members and consultants from a variety of disciplines, including architecture, budgeting and finance, construction, law, and public relations. And we underscored our commitment to the Citizen Implementation Review Panel, which will monitor our progress throughout the life of the program, as well as the Libraries for All Oversight Committee.

Since then, of course, we have developed many tools and systems to implement the program, including legislation, thorough record-keeping, project schedules, budget and cash-flow tracking systems, milestones reports, and protocols for establishing contracts and paying invoices. I am confident our systems and contracts are flexible enough for us to further modify our reporting arrangements if project needs or reporting requirements change.

I am also proud of the system the Library has developed to keep the public informed and engaged in the implementation of our program. We hold countless community meetings: we ask residents to tell us where they think we should build new library branches, who we should hire to design the buildings, and what books and materials should be in the collections. We also strive to keep everyone informed on the progress of the building program through our extensive and heavily used Web site ([www.spl.org](http://www.spl.org)). We've managed to accomplish this unprecedented public and staff involvement while staying on schedule for decision making and implementation. To date, we have received positive feedback about our public process.

Please feel free to contact me if you have any questions about our response.