



[Home](#) / [Audit Services](#) / [News](#)

Visiting the Auditor's Office at City Hall

The business hours for the Auditor's Office are Monday through Friday from 9:00 a.m. to 5:00 p.m. The office is open to visitors Tuesday through Thursday in City Hall. View our [division webpages](#) for more information about how to connect with us in-person or remotely.



Audit Update: City approved final payment for Portland Building construction contract, lessons learned report remains

News Article



This is a two-year follow-up to our 2019 report, "Portland Building Construction Contract: Costs reviewed were compliant, although cost classifications required by contract and reconciliations need to start immediately."

Published: January 27, 2022 12:00 am

Audit Team: Tenzin Gonta, Performance Auditor III

[Ver el informe](#) | [Xem báo cáo](#) | [阅读报告](#) | [просмотреть отчет](#)

Our 2019 report found the Portland Building renovation costs reviewed were consistent with the construction contract, although key tasks remained to prepare for final payment. The City Auditor hired construction audit experts to review the City's compliance with the Portland Building construction

Contact

Leslie Chaires

Communications and Outreach
Coordinator

KC Jones

Audit Services Director

✉ kenneth.c.jones@portlandoregon.g

☎ [503-823-3544](tel:503-823-3544)

Related

[View our follow-up dashboard](#)

contract. That audit focused on how the contractor was compensated for costs, submitted contract changes, and selected subcontractors.

The City approved final payment of \$159.7 million to the contractor in November 2021. The final value of the construction contract was \$161 million, which reflects a \$2.5 million increase from what we reported [last year](#). The final payment included a City-approved \$1.7 million performance incentive.

The City has implemented all but one of the recommendations. The exception is delivery of a report documenting lessons learned throughout the project.

We conducted other related audits of the Portland Building project in [2016](#) and [2019](#). Our latest follow-up on recommendations from the latter was published in [September 2021](#).

One recommendation in process



- **Lessons learned report remains unfinished**

We recommended the City identify lessons learned and distribute this information to bureaus that manage large-scale capital construction projects. Last year, the City had started drafting a “playbook” of lessons learned from the Portland Building renovation. This year, the City reports no progress because of staff turnover. The City is identifying a new lead staff person to complete this work.

Five recommendations implemented



- **Construction audit consultant added to City’s team**

We recommended the City use a construction auditor to assist with cost reconciliations and help identify any questionable costs or potential cost savings. The City used an owner’s representative to help manage the

Portland Building renovation. The owner's representative contract included a provision for audit services, and an audit subconsultant started working for the City's owner team in January 2020.

- **Completed classification affirmed which costs were subject to audit**

We recommended that the City classify costs into categories that determined which documentation the City could review. The classification was a missing piece of information needed by the City to assess contract compliance, evaluate reasonableness of costs, and help calculate final payment to its contractor. The City completed the cost classification that aligned with the contract amount as of December 2020. The completed classification confirmed estimates in the 2019 audit report that the City had the right to audit detailed invoices and actual costs for about half of the contract amount. The remainder of the costs were not eligible to be audited because, for example, the price was fixed for an agreed upon scope of work.

- **Plan in place for cost reconciliations**

We recommended that the City develop a plan for the work leading up to the calculation of final payment to the contractor. That is because cost reconciliations for large construction projects can be time consuming. For example, it is critical for the City to compare estimates billed to actual costs paid by the contractor. The City developed a two-part audit plan and identified the parties involved, role, responsibilities, and timeframes for completion.

- **Planned audits completed and issues addressed**

We recommended the City reconcile costs in phases during the project rather than wait until construction closeout. The construction auditor reviewed billed costs through August 2020 when the project was about 97 percent complete. The City has since addressed the items identified by the construction audits, published in July and December 2020. For example, the City pursued credits for instances when it was overcharged.

- **Reviewed of personnel costs completed and issues addressed**

We recommended that the City scrutinize contractor rates for personnel costs other than salary or wages, such as health benefits and unemployment taxes. Personnel costs is one of the largest areas for potential cost savings during construction audits. During last year's audit, the construction auditor hired by the City found the contractor accurately calculated rates for their personnel costs and did not recommend more work. The construction auditor did recommend more work after their initial examination of subcontractor personnel costs. The project team has since addressed those items the City decided to pursue.

Visit our online dashboard to track the status of recommendations from other reports