

August 1993

THE HONOLULU POLICE DEPARTMENT HEADQUARTERS PROJECT

Findings

Construction of a new headquarters building for the Honolulu Police Department was originally scheduled for completion in early 1991. However, after petroleum-contaminated soil was discovered during excavation, completion of the facility was delayed until 1992, and over \$6 million in additional funds were required.

To assess how the project management, fiscal, and environmental issues were addressed, the City Council authorized a performance audit of the project and engaged the firm of Coopers & Lybrand to conduct the audit.

Coopers & Lybrand found that no one person or entity exercised adequate control over the project. Too much responsibility had been delegated by the Building Department, and not enough guidance given. When problems such as the soil contamination arose, many assumed action was being taken when actually little was being done.

Coopers & Lybrand also found that the Building Department had relied on a vague contract with the construction manager in believing the project was actively managed. In fact, the manager acted as little more than an administrator and site inspector. There were no deadlines for contractors to send in construction change orders. Late change orders contributed to cost increases and construction disputes.

It was also noted that the City's capital budget documents did not allow the actual costs for a project to be compared against the amount budgeted. Further, project costs and schedules were not revised once the seriousness of the contamination was discovered. With such information, the City could have taken corrective action earlier. Coopers & Lybrand concluded that decisions on the project were made without adequate information.

The Building Department believes that it did actively manage the project, and that the chain of command and the roles of its staff and consultants were clearly defined. It stated that their division chief served as overall project manager and provided continuity over the life of the project. It also maintains that costs were reforecast and schedules revised after the contamination and clean-up plan were

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determined. If there was any confusion or delay in dealing with the contamination, that was attributed to the lack of State Department of Health rules at the time.

Recommendations and Response

Coopers & Lybrand recommended that a project manager be made responsible for construction projects from start to finish. That person should be in charge of cost control, schedule control, and project status reporting. Someone should oversee compliance with environmental laws and, if necessary, have the power to stop the project. For a project as large or complex as the police headquarters building, an outside consultant should be hired for this task.

Along with having a project manager with necessary expertise, it was recommended that the Building Department clearly define the roles and responsibilities of the parties involved. For example, the project manager should be responsible for project communications; coordinating City agencies, consultants, and contractors; controlling costs and schedules; and resolving day-to-day problems. The department should set time limits for contractors to submit change orders, and require unit price quotes for doing additional work. When major delays or changes do occur, the impact on costs and scheduling should be re-estimated.

Finally, it was recommended that: (1) the City budget for a large project should detail the amount for each of its major components; (2) costs to date and a forecast of total costs compared to appropriations should be periodically reported; and (3) audits should be done in the middle of construction to identify serious problems early.

The Building Department agreed to establish change order time limits. However, they felt that requiring contractors to provide unit costs would only produce excessively high price quotes and not affect the selection of bidders.

Regarding budgets, the Building Department maintained that ongoing costs against budget were being monitored. It believes interim audits would not have reduced the unforeseen delays and higher costs. The department also stated that the City budget document was never intended for cost accounting. That is done internally by the department.