



**METROPOLITAN GOVERNMENT OF  
NASHVILLE AND DAVIDSON COUNTY**

**OFFICE OF INTERNAL AUDIT**

**Professional Audit and Advisory Service**



**Audit of the Music City Convention Center Construction  
Project**

**INTERIM REPORT  
APRIL 1, 2010, THROUGH JULY 31, 2010**

Date Issued: August 5, 2010

Office Location and Phone Number

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*The Office of Internal Audit is an independent audit agency reporting directly to the  
Metropolitan Audit Committee*

## AUDIT INITIATION

The continuous performance audit of the Music City Center construction is being conducted as part of the approved 2010 Audit Work Plan. This is the first, in a series of interim reports that will be issued throughout the duration of the construction project. These reports will culminate with a more detailed performance audit report at the conclusion of construction related activities. Significant observations and recommendations noted throughout these interim reports will be included in the final report.

## MUSIC CITY CONVENTION CENTER PROJECT STATUS

### Exhibit A - Project Budget Status as of June 30, 2010

Description	Budget	Paid to Date	% Paid	Cost to Complete	Percent Remaining
Direct Construction Costs	\$452,044,757	\$22,798,126	5.0%	\$429,246,631	95.0%
Land Acquisition & Relocation Costs	57,000,000	47,968,931	84.2%	9,031,069	15.8%
Architectural Design & Engineering	40,189,684	30,047,949	74.8%	10,141,735	25.2%
CCA Project Management	10,993,758	3,929,995	35.7%	7,063,762	64.3%
Project Insurance & Programs	8,252,322	1,930,567	23.4%	6,321,754	76.6%
Legal, Financing, Audits, and Consultants	2,869,480	1,552,606	54.1%	1,316,874	45.9%
MCC Furniture, Fixtures, and Equipment	11,650,000	-	0.0%	11,650,000	100.0%
MCC Pre Opening Operations	2,000,000	-	0.0%	2,000,000	100.0%
<b>Totals</b>	<b>\$585,000,000</b>	<b>\$108,228,175</b>	<b>18.5%</b>	<b>\$476,771,825</b>	<b>81.5%</b>

Source: Convention Center Authority Project Financial Summary

## SIGNIFICANT PROJECT MILESTONES

- As of June 28, 2010, architectural construction documents for permitting and code comments were completed by Thompson, Ventulett, Stainback, & Associates resulting in over 2,700 sheets of drawings.
- Over 6,000 of 110,000 cubic yards of concrete and 700 of 12,000 tons of rebar have been poured and installed.
- Greyhound bus terminal acquisition was completed on July 15, 2010; demolition of the site was completed on July 23, 2010.

- The Diversity Business Enterprise team submitted the State of Tennessee Compliance Reports on July 20, 2010, outlining the percentage of dollars paid and the workforce composition for the current quarter.
- The Diversity Business Enterprise team held four vendor fairs in the month of July 2010 to inform and entice local businesses on how they can get in and participate in the construction project. A total of 600 firms participated in these sessions.
- As of July 20<sup>th</sup>, the workforce development component has received over 600 local job applications. Screened applications are being forwarded to prime subcontractors.

## AUDIT ACTIVITY UPDATE

### BACKGROUND

The objective for this initial phase of the audit was to obtain an understanding of the processes and controls in place as they relate to procurement, financial reporting, invoice payment process, diversity business enterprise, and overall project management procedures.

### CONCRETE TESTING

As part of our operational assessment, the Office of Internal Audit performed on site and off site observations and inspection of geological and foundational concrete testing performed by TTL, Inc on behalf of the Convention Center Authority. Additional procedures to assure quality of work will be conducted in the coming quarters.

#### Exhibit B - On Site and Off Site Concrete Testing Equipment



## TRADE CONTRACTOR'S LABOR TESTING

As of July 26, 2010, the Office of Internal Audit began work toward assessing trade contractors' and subcontractors' compliance with the Tennessee Code Annotated, Metropolitan Nashville Code of Laws, and contractual stipulations pertaining to labor regulations, with regard to rates, classification, medical insurance, and legal employment requirements. Labor testing will be conducted continuously throughout the duration of the construction project.

### Exhibit C - Construction Progress at the Music City Center



## OBSERVATIONS AND RECOMMENDATIONS

There were no observations and recommendations for this interim period.

# **GENERAL AUDIT INFORMATION**

## **STATEMENT OF COMPLIANCE WITH GAGAS**

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform our work to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our observations based on our audit objectives.

## **METHODOLOGY, SCOPE AND OBJECTIVES**

To gain that understanding, the Metro Nashville Office of Internal Audit interviewed project management personnel and obtained signed contracts between the various principal parties involved. Subsequently, we performed analytical reviews on a total of nine contracts which originated from Metropolitan Development and Housing Agency and assumed by the Convention Center Authority upon its inception. The review enabled the completion of the initial planning phase of the audit. Also, the audit team attended site safety training and obtained read-only access to the project document management system (Constructware).

The initial audit scope will include the following areas:

- Construction Manager's, trade contractors' and sub-contractors' compliance with State of Tennessee and Metropolitan Code requirements as they pertain to: authorized laborers, labor rates, labor classification, insurance, safety, and other related items
- Controls to ensure that materials used and its installation complies with pre-determined specifications
- Construction Manager's expenses related to reimbursable items including equipment transactions (purchases, leases and rental agreements) and purchases of supplies, tools, and consumables not included in the lump sum portion of the General Conditions section of the contract
- Change orders, back charges, claims, and other material scope changes as they pertain to overall costs, materials, and labor
- Project billings for, completeness, cut-off, accuracy, and existence of supporting documentation
- Reliability of reported Diversity Business Enterprise composition and local labor participation

## **CRITERIA**

In conducting this audit, the existing processes and controls in place pertaining to the Music City Convention Center construction project were evaluated for compliance with:

- Construction Management Agreement with Bell/Clark, A Joint Venture dated September 1, 2009
- Tennessee Code Annotated § 7-4-205 Wage rates and benefits for workers
- Metropolitan Code of Laws § 4.20 Procurement of Construction Contracts
- Prudent business practices

## **STAFF ACKNOWLEDGEMENT**

Metropolitan Auditor: Mark Swann, CPA (Texas), CIA, CISA  
In-Charge Auditor: Mel Marcella, CPA, CIA, CFE, CISA, CMA