

## ***Introduction***

The audit of the Lake Road Improvement Project (Project) was selected based on the Office of Public Integrity's (OPI's) risk assessment for Monroe County.

## ***Background***

On March 12, 2019, the Monroe County Legislature adopted a resolution to enter into a contract with Nardozzi Paving and Construction, LLC for \$4,755,000 (later amended to \$4,760,811) to make improvements to Lake Road, between Pellett Road and Route 250. These improvements are phase 1 of 4 for sections of Lake Road.

The Project included installation of new open and closed drainage systems, reconstruction of the paved shoulders, deep milling and resurfacing of the asphalt, and replacement of four culverts crossing the road.

## ***Framework for Audit***

OPI's audits are based on the following 5 Control Objectives:

- Compliance with laws, regulations, and contracts
- Accomplishment of goals and objectives
- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets

Based on OPI's 5 Control Objectives, audit plans are developed to assess whether:

- All eligible customers are being served
- Revenues are maximized
- Receivables are collected
- Expenditures are proper and authorized
- Assets are safeguarded
- Employees are trained and competent
- Liabilities are minimized and laws are complied with
- Financial and operational reports are timely, relevant and accurate

## ***Risks to Monroe County***

Risk is the possibility of an event occurring, which could prevent the County from meeting its objectives. To maximize its resources and effectiveness, OPI focuses on areas of high risk to the County. Based on our preliminary research and discussions, we determined that the Project posed the following potential risks to the County, which were addressed in our audit objectives:

- a) Did the County follow its procurement policies and procedures?
- b) Were expenditures to prime contractors and subcontractors allowable, authorized, necessary, and for services that were actually provided?
- c) Did subcontractors adequately complete their portions of the construction, in a timely manner and without putting residents at risk of accidents?
- d) Was traffic control adequate to prevent accidents from occurring?

- e) Did Prime and subcontractors adhere to contractual requirements, including Minority, Women, Disadvantaged, Business Enterprise (MWDBE) areas?
- f) Were revenues from State and Federal grants maximized and collected?

### ***Audit Objectives***

Based on the potential risks that the Project posed, our audit objectives were to:

- a) Confirm that the County followed its procurement policies and procedures.
- b) Confirm that expenditures to the prime and subcontractors were for expenses that are allowable, authorized, necessary, and for services actually provided.
- c) Confirm that traffic control was adequate.
- d) Confirm that contractors completed their portions of construction and complied with contractual requirements, including MWDBE efforts.
- e) Confirm that State and Federal funding was maximized and collected.

### ***Scope and Methodology***

OPI's scope was all prime and subcontractors related to the Project.

To meet our objectives, OPI performed the following:

- Reviewed the documents related to the selection process, including, but not limited to, the public bid, the project specifications, the vendors' proposals, the vendor scoring sheet, and the Contract Approval form.
- Reviewed the documents related to the contract process, including, but not limited to, legislative referrals and resolutions, the executed contract, insurance certificates, and debarment certifications.
- Reviewed the documents related to M/WBE compliance, including the public bid, proposals, contracts, and monthly M/WBE reports.
- Attended subcontractor meeting on 5/16/19.
- Reviewed meeting minutes from the engineering architect, Popli Design Group, for meetings dated 5/20/19, 6/13/19, 6/27/19, 7/11/19, 7/25/19, 8/08/19, 9/19/19, 10/03/19, 10/17/19, 10/31/19, and 11/14/19.
- Reviewed progress reports from Nardozzi Construction dated 5/16/19, 6/13/19, 6/27/19, and 7/11/19.
- Reviewed payment applications from Nardozzi Construction dated 6/10/19, 9/06/19, and 12/03/19.
- Conducted construction-site visits on 5/16/19, 8/29/19 and 11/22/19.
- Made inquiries to management as to certain procedures and outstanding issues.
- Reviewed SAP transactions to confirm the funding sources.

### ***Finding and Recommendations***

#### **Finding**

Per the public bid, the MWBE goal is 12% for MBE's, 3% for WBE's, and 0% for DBE's.

Nardozzi submitted a Utilization Plan for \$572,000 (12.01%) for MBE's and \$438,000 (9.20%) for WBE's.

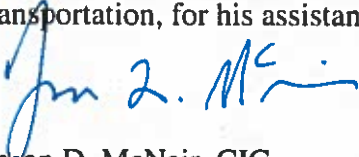
Actual expenditures to Nardozzi have been \$4,732,762.80. At 12%, required payments to MBE's is \$567,931.54. Since Nardozzi actually paid MBE's \$74,131.92 (1.57%), a potential recoupment could have been \$493,799.62. However, based on correspondence from the County's MWBE Officer to Nardozzi, various legal opinions are that those emails could be implied as being waivers. Therefore, Nardozzi is being considered as in compliance with the MWBE requirements for this project.

Recommendations

There are no recommendations unique to this project. Rather, OPI has compiled 20 recommendations related to the MWBE process for Monroe County, and these can be found in our report dated 6/10/21, which is available upon request.

*Final Note*

We would like to thank Henry Herdzik, Transportation Project Manager for the Monroe County Department of Transportation, for his assistance during our audit.



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*To report fraud, waste, or abuse, or to comment on this report, please contact the Monroe County Office of Public Integrity.*

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