



# Cuyahoga County Agency of Inspector General



Review – Department of Public Works:  
Road & Bridge Projects 2013-2017

July 28, 2017

Inspector General Mark D. Griffin

## I. Executive Summary

In 2010, Cleveland.com and the Cleveland Plain Dealer reported that

A secretly taped conversation between Cuyahoga County Auditor Frank Russo and Commissioner Jimmy Dimora presents a jaw-dropping playbook on how to cheat the county's competitive-bidding system.

The two powerful Democrats, targets of a widespread federal investigation of government corruption, discussed the best way they could help contractors hoping to land public projects. And they agreed that, despite their efforts, some contractors were tough to coach.

Russo: "I tell all these guys -- go in low and just add a thing or two on as you go along."

Dimora: "Yeah."

Russo: "But they don't listen."

Dimora: "No."<sup>1</sup>

The 2010 media report further noted that the taxpayers of Cuyahoga County ("County") were billed \$1.3 million in extra change orders on just three construction contracts granted to confederates of Russo and Dimora.

This review analyzes – at a very high level -- whether the administration of County construction contracts continues to be manipulated by initially low bids that eventually result in higher contract costs to taxpayers. Briefly, the AIG determined that road and bridge projects have been completed for 9.58% less than originally estimated by the County, but slightly higher – 0.05% or \$40,681.19 higher -- than the amounts agreed to in competitively bid contracts.<sup>2</sup> So far, the

---

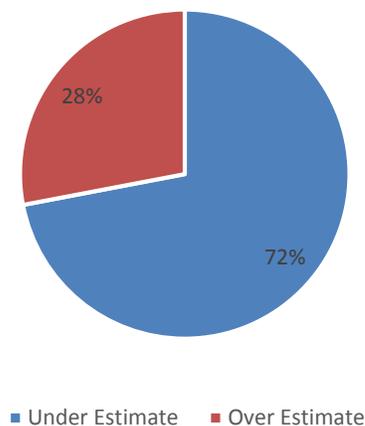
<sup>1</sup> [http://www.cleveland.com/cuyahoga-county/index.ssf/2010/06/ferris\\_kleem.html](http://www.cleveland.com/cuyahoga-county/index.ssf/2010/06/ferris_kleem.html)

<sup>2</sup> On balance, the competitive bidding process resulted in contracts that were less than the amounts estimated by the County. As a result, final expenditures were less than the initial estimates, but slightly higher than the amounts eventually placed under County contract.

totals for all of the projects that have been started and completed since 2015 have been completed for less than the estimates and the bids. This is a significant improvement over past practice.

In this report, the AIG specifically examines the County Department of Public Works’ (“Public Works”) ability to complete road and bridge projects within the initial estimate and, separately, within the projected budget established after the completion of competitive bidding. Since 2013, when measuring actual completed costs of projects against the costs originally estimated during the planning stage, Public Works has completed 72% of its road and bridge projects under the original estimate, 28% over estimate.

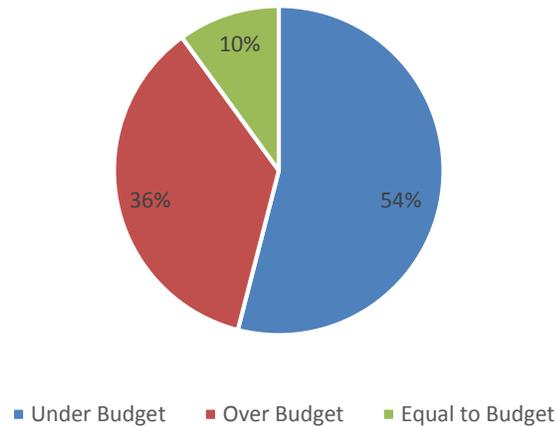
Projects Over/Under Initial Estimates



Once the project costs are estimated, the contract is posted for competitive bidding. The AIG also reviewed whether Public Works completed its road and bridge projects for more – or less – than the competitively bid contract amount. In short, the question examined by the AIG is whether the County contracting process continues to be manipulated by bidders who “go in low and just add a thing or two on as you go along.” Since 2013, 54% of completed road and bridge projects have been finished under budget, 36% were over budget, and 10% were equal to the budget. The AIG

did not find evidence that the over-budget projects were a result of improper change orders or bad faith bidding.

Projects Over/Under Bid Amounts



In dollar terms, Public Works initially estimated project costs of \$97,351,003.91 but was able to lower these projected costs through the bidding/contracting process to \$87,983,880.40 in contracted costs. Next, the AIG compared “contracted costs” with “actual expenditures.” The AIG sought to determine whether there were substantial change orders that occurred after contracting which would suggest bad-faith bidding.

During this period, the County’s final actual road and bridge expenditures were \$88,024,561.59. Thus, actual expenditures were \$9,326,442.32 or 9.58% **less** than originally estimated by County engineers, but \$40,681.19, or 0.05% **more** than the bid amounts. Although there were change orders, they were not of a magnitude to suggest systematic or pervasive bad faith bidding. Thus, the AIG concludes that the County’s road and bridge projects completed since 2013 and reviewed in this document were unlikely to have been subjected to deliberately manipulated bids or change orders. These numbers suggest that the County’s contract supervision

has substantially improved. The AIG believes that Public Works deserves credit for its management of taxpayer dollars with regard to road and bridge projects.

## **II. Methodology**

From 2013–2017, Public Works has undertaken 48 projects. Of those 48 projects, Public Works has completed 39 of them and used a total of 12,394 days to complete those projects. This analysis will look at data from the 39 completed projects and analyze Public Work’s ability to meet their project budgets and estimate project costs.

There are three metrics that measure Public Works’ ability to stay within budget, including (1) how many project expenditure totals were over and under the bid amount; (2) the added amount of amended agreements; and (3) the percentage that the expenditures are over or under the bid amount.

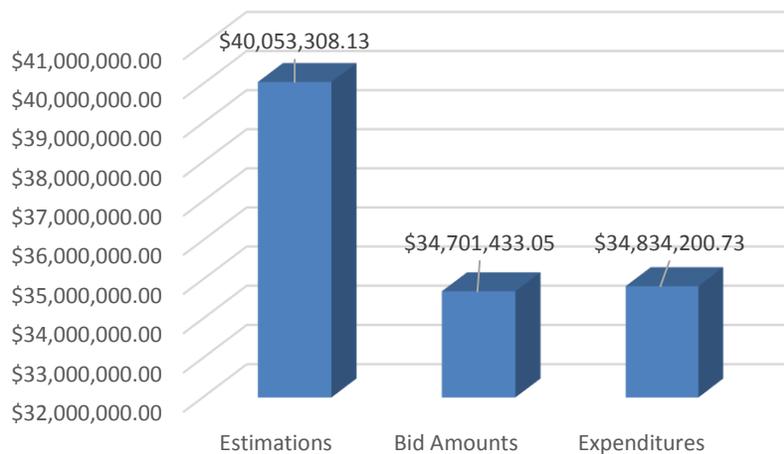
This analysis will also measure Public Works’ ability to accurately estimate its project costs. The first such measurement is how many project expenditures were over or under project estimates. The second statistic is the difference between the project estimates and project expenditures. The third measurement is the percentage that the expenditures are over or under the estimates. The final measurement is the difference between the bid amount and estimate and the corresponding percentage.

## **III. Analysis of Project Costs by Year of Completion**

### **A. In 2013, Actual Expenditures Were Substantially Less Than Original Estimates, but Slightly Higher Than the Amounts Bid by 0.38%.**

Public Works started and completed 14 projects in 2013. The total estimates equaled \$40,053,308.13 and bid amounts totaled \$34,701,433.05. Project expenditures for 2013 equaled \$34,834,200.73.

## 2013 Totals



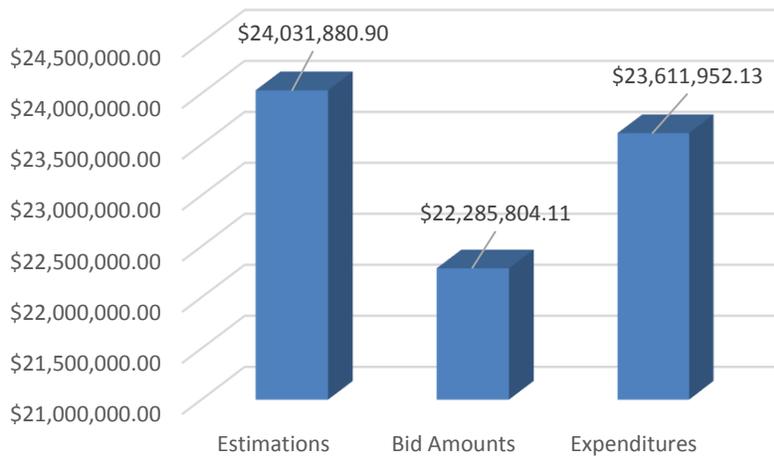
Of those 14 projects, 10 of the projects' total expenditures came in under the bid amount and four projects were over the bid amount. Even though more projects' total expenditures came in under the bid amount than over, the amendment amounts exceeded the bid amounts by \$132,767.68, which translates to actual project expenditures exceeding the bid amounts by 0.38%.

As for estimates, 10 of the projects' total expenditures came in under the estimate amount and four were over the estimate amount. Unlike amendment amounts, estimate amounts exceeded project expenditures by \$5,219,107.40, which translates to project expenditures coming under estimates by 13.03%. In comparing the estimates to the bid amounts, estimates exceeded bid amounts by \$5,351,875.08. All total, the estimates exceeded the bid amounts by 15.42%.

### **B. In 2014, Actual Expenditures Exceeded Award Amounts, but Not Estimates.**

In 2014, Public Works started 11 projects of which they have completed 10. The total estimates equaled \$24,031,880.90 and bid amounts totaled \$22,285,804.11. Project expenditures for 2014 equaled \$23,611,952.13.

## 2014 Totals



Of the 10 completed projects, eight of the projects' total expenditures came in over the bid amount and two projects were under the bid amount. As expected when more projects' total expenditures come in over the bid amount, the extra change orders exceeded the bid amounts by \$1,326,148.02. This translated into project expenditures being greater than bid amounts by 5.95%.

Project estimates show a slightly different story. Of the 10 completed projects, six project expenditures were under the estimate and four were over. Estimates exceeded expenditures by \$419,928.77 and 1.75% respectively. Comparing estimates to bid amounts shows that estimates were higher than bid amounts by \$1,746,076.79 or 7.83%.

### **C. In 2015, Actual Expenditures Were Less Than Estimates and Bids.**

Public Works started and completed 10 projects in 2015. The estimate amounts added to \$25,598,873.88 and total bid amounts equaled \$24,024,746.98. The total amount of project expenditures equaled \$23,171,837.56.

## 2015 Totals



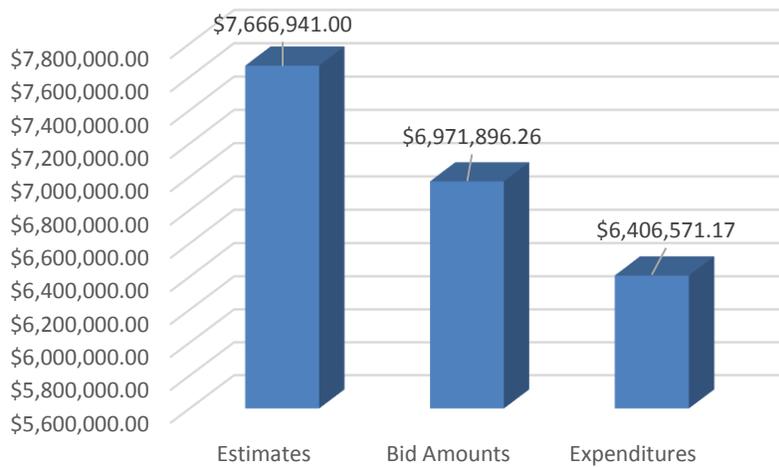
Unlike 2014, more expenditures for projects came in under the bid amount than over. All total, five projects' expenditures were under the bid amount, two were over, and three equaled the bid amount. Public Works saved money in 2015 as amendment amounts did not exceed the bid amounts. In fact, expenditures came \$852,909.42 under the bid amounts for the year, which translates to 3.55% under bid amounts.

Project estimates followed the same trend as seven projects' expenditures were lower than the estimate and three were over. Estimates for the year exceeded project expenditures by \$2,427,036.32, or 9.48%. Comparing the estimated totals to the bid amount totals shows that estimates exceeded the bid amounts by \$1,574,126.90. As a percentage, estimates exceeded the bid amounts by 6.55%.

### **D. In 2016, Actual Expenditures Were Once Again Less Than Estimates and Bids.**

Public Works has completed six of eight projects started in 2016. Of the completed projects, estimates equal \$7,666,941.00 and total bid amounts equal \$6,971,896.26. Project expenditures for the year add up to \$6,406,571.17.

## 2016 Totals



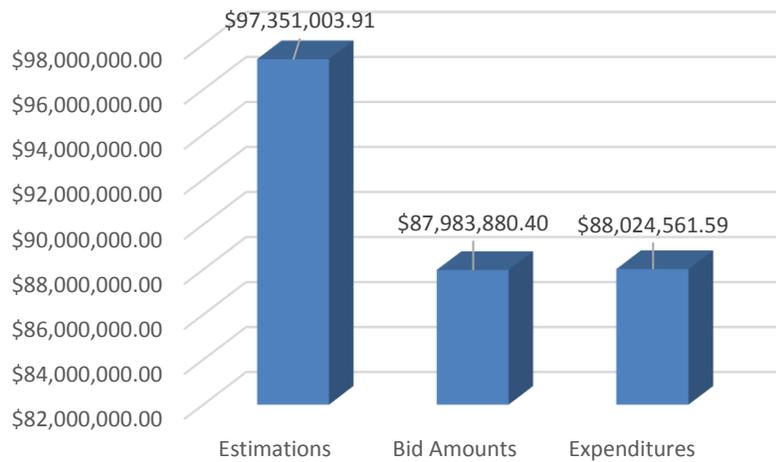
Like 2015, more expenditures for projects came in under the bid amount than over. Five of the projects' expenditures were under the bid amount and one was equal to the bid amount. Again, Public Works saved money in 2016 as project expenditures came \$565,325.09 under the bid amounts. As a percentage, this equals 8.11% under the bid amounts.

Estimates follow a similar pattern. Project expenditures for projects were under the estimate amount five times and over zero times. Estimates exceeded project expenditures for the year by \$1,260,369.83 or 16.44%. Compared to the bid amounts, expenditures were \$695,044.74 over the bid amounts or 9.97% over as a percentage.

#### **IV. Conclusion: From 2013–2016, Actual Expenditures Were Significantly Less Than Estimates, But Slightly More Than Amounts Bid.**

From 2013-2016, Public Works projects' estimates totaled \$97,351,003.91 and bid amounts totaled \$87,983,880.40. Project expenditures during this period totaled \$88,024,561.59.

### 2013-2016 Totals



Overall, more projects' expenditures came in under the bid amount than over. Of the 39 completed projects, 25 projects' expenditures came in under or equal to the bid amount and 14 came in over the bid amount. The amendment amounts exceeded the bid amounts by \$40,681.19, or 0.05%.

Like the trend from most years, more project expenditure amounts were under the project estimates than over. There were 28 projects whose expenditures were lower than their estimate and 11 projects who were over. Over the four-year period, estimates exceeded project expenditures by \$9,326,442.32 or 9.58%. Over the same period, estimates exceeded the bid amounts by \$9,367,123.51 or 10.65%.

The AIG concludes that the County's management of road and bridge contracts has significantly improved. Public Works has effectively overseen its road and bridge contracts to the extent that most contracts have come in for less than estimated or contracted, and only a small fraction of contracts have exceeded the contracted amounts. The AIG recognizes and appreciates Public Works' stewardship of taxpayers' dollars in this matter.