

Memorandum

To: Honorable Board of Directors

From: William Wolfson, CACO

CC: Sue McCormick, CEO; Nicolette Bateson, CFO, Cheryl Porter, COO

Date: December 5, 2018

RE: **Corrective Action Plan – Retroactive Change Orders; Work Begun Without Necessary Approvals**

Issue

At the November 28, 2018 meeting of the Great Lakes Water Authority (GLWA) Board of Directors (Board), contract change orders were presented for review and approval that were both retroactive in nature where work had begun prior to Board approval. Upon subsequent review, additional change orders were discovered that were in the process of presentation to the Board at its December 12, 2018 meetings.

Performance Standards

1. When a Change Order to a Contract is required, the Change Order Process for a Contract should be completed, including required approvals and authorizations, within the term of the Contract.
2. When a Change Order to a Contract is required, the Change Order Process for a Contract should be completed before work is performed pursuant to that change order.
3. When a Change Order to a Contract represents an emergency procurement, that Change Order should be processed as provided in Section 3 of the GLWA *Procurement Policy*.
4. When a Change Order has not been timely processed additional costs associated with that delay, such as vendor demobilization, do not form the basis for an emergency procurement.

Corrective Actions

1. Expand Bonfire Utilization

A. Utilize Bonfire Software to generate a report of all GLWA contracts expiring within 90 days.

B. Area Chief to meet with assigned Project Manager Team Member to determine if any Change Orders are anticipated and, if so, ensure that they are put in process.

C. Utilize Bonfire feature that provides notice to project manager 90 days prior to expiration of contract term. As requested, provide additional copy of notifications to Area Chief along with analysis supporting that dollars and time remaining on the contract are sufficient to complete the task. If not, provide analysis to cure any shortfall of dollars or time.

2. Training

A. Provide Bonfire Training for applicable Water Operations Group Team Members. (Initial rollout of Bonfire emphasized integration of Wastewater Operations Group Members.)

B. Provide Procurement Policy Overview training for GLWA Team Members.

3. Vendor Relations

A. Address liability and risk issues with vendors at outreach events.

B. Expand agenda for monthly vendor relations meetings with CFO to include change orders and related matters in addition to billed receivables.

4. Analysis

A. Project Manager Team Member prepares explanatory report for all retroactive Change Orders on which work has been performed without appropriate authorization.

B. Implement appropriate response, including Board notification, as may be necessary based upon the report.

5. Review

A. Prepare, include, and review a Report on Contracts expiring within 90 days as a part of current internal weekly meeting regarding Operations & Resources meeting preparation.

B. Prepare, include, and review a Report on Contracts expiring within 90 days as a part of internal monthly capital project status meeting with Project Management leadership and executive leadership.

5. Timeframe

A. Immediate implementation. Completion on or before June 30, 2019.

B. Monthly updates of Corrective Action Plan progress to GLWA Board Operations and Resources Committee commencing in February 2019.