

The TKW Audit Recommendations

In May 2007, the audit firm of Talbot, Corvola, and Warwick completed a limited scope performance audit focusing on the Port of Seattle’s Capital Project Delivery Costs and Small and Disadvantaged Business Enterprise Opportunities within its Capital Improvement Program. (This was before the creation of the Capital Development Division as a separate division within the Port.) Since that time, there has been an ongoing effort to respond to the recommendations contained in the attached report. The summary recommendations regarding the first area involved this objective:

“How do the Port’s capital project delivery costs compare to other organizations of similar complexity and size? If Port project costs generally exceed those of comparable organizations, what are the causes of the Port’s higher costs and what opportunities are available to reduce costs?”

This is the subject of the report-back from Ray Rawe, Director of Engineering Services and Chief Engineer, as he updates the Committee on recent progress on implementing the recommendations listed below from the TKW Audit.

Recommendation #1	<p><b>We recommend the Port of Seattle</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <b>develop a historical database that will support estimating and project management groups.</b></li> <li><input type="checkbox"/> <b>improve functionality of existing project reporting systems to support benchmarking of key performance indicators and detailed data analysis.</b></li> </ul>
Recommendation #2	<p><b>We recommend the Port of Seattle:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <b>define an organizational structure that fosters innovation, teamwork, supports accountability and defines roles, responsibilities, and expectations.</b></li> <li><input type="checkbox"/> <b>document the organizational structure and communicate lines of authority Agency-wide.</b></li> <li><input type="checkbox"/> <b>maintain up to date organization charts.</b></li> </ul>
Recommendation #3	<p><b>We recommend the Port of Seattle update existing procedures and senior management ensure implementation and adherence.</b></p>
Recommendation #4	<p><b>We recommend the Port of Seattle focus upon consistency in content, quality, and updating of project notebooks.</b></p>
Recommendation #5	<p><b>We recommend the Port of Seattle require consistent input of “lessons learned” into a centralized agency database.</b></p>
Recommendation #6	<p><b>We recommend the Port of Seattle:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <b>integrate best practice risk management activities into the project cost/schedule delivery cycle.</b></li> <li><input type="checkbox"/> <b>develop procedures that provide guidelines for</b></li> </ul>

	<b>project risk assessment and application of tools.</b>
Recommendation #7	<p><b>We recommend the Port of Seattle:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <b>appoint an estimating subject matter expert.</b></li> <li><input type="checkbox"/> <b>develop written Estimating Standard Operating Procedures (SOPs) that are supported by training.</b></li> <li><input type="checkbox"/> <b>investigate past performance and incorporate lessons learned into new Standard Operating Procedures.</b></li> <li><input type="checkbox"/> <b>implement a standardized structure for estimates and deliverables that include direct construction costs.</b></li> <li><input type="checkbox"/> <b>integrate cost/schedule risk analysis practices into the estimating process.</b></li> <li><input type="checkbox"/> <b>investigate launching an enterprise level estimating software.</b></li> <li><input type="checkbox"/> <b>develop the capability to produce trending reports for key performance indicators.</b></li> </ul>
Recommendation #8	<p><b>We recommend the Port of Seattle:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <b>develop the reporting capability to demonstrate whether the Port maintains a competitive award environment for Professional Services Agreement (PSA's).</b></li> <li><input type="checkbox"/> <b>ensure that Invitation for Bid (IFB's) have an appropriate level of pricing breakdown to allow comparison against Engineer's Estimates.</b></li> </ul>
Recommendation #9	<b>We recommend the Port of Seattle pursue a performance contracting strategy for applicable projects.</b>
Recommendation #10	<b>We recommend the Port of Seattle investigate further opportunities to have a single enterprise level application which meets all of the Port's reporting needs.</b>
Recommendation #11	<b>We recommend the Port of Seattle maintain change source reports, including bid item overruns, contractor generated changes and claims, to understand trending of cost growth categories.</b>