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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 8, 2022

Erik Kulleseid
Commissioner
Office of Parks, Recreation and Historic Preservation
625 Broadway
Albany, NY 12233

Re: Oversight of Construction
Management Contracts
Report 2022-F-16

Dear Commissioner Kulleseid:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Office of Parks, Recreation and Historic Preservation to implement the recommendations contained in our audit report, *Oversight of Construction Management Contracts* (Report [2020-S-43](#)).

Background, Scope, and Objective

The Office of Parks, Recreation and Historic Preservation (Parks) is responsible for operating and maintaining the State park, recreation, and historic site system to conserve, protect, and enhance the natural, ecological, historic, cultural, and recreational resources of New York State. This system includes over 250 parks, historic sites, recreational trails, golf courses, boat launches, and more. Parks oversees a range of capital projects to improve these sites.

In an effort to better ensure certain capital projects are executed and constructed properly, Parks occasionally contracts with firms that specialize in construction management (CM) services. These firms offer a range of services that enable Parks to control project scopes, schedules, and budgets.

In 2012, Parks entered into a contract with the Dormitory Authority of the State of New York (DASNY) to serve as the construction manager of a \$25 million Niagara Falls State Park revitalization project. After several amendments, this contract remained active until November 30, 2021 and totaled \$14 million.

Parks also enters into contracts with private firms to serve as the construction manager (term contracts). These contracts are set up by regions. Upstate contracts are awarded for three regions – Saratoga, Taconic and Palisades; Niagara, Allegany, and Genesee; Central, Finger Lakes, and Thousand Islands – while individual contracts are awarded for New York City and Long Island. Contracts are for a period of 3 years and are awarded for a total maximum compensation amount. If needed, supplements can be completed to add additional time and/or compensation to the contract.

Parks currently has 10 active CM term contracts with private firms totaling \$24.6 million for 108 projects, of which 44 are completed.

The objective of our initial audit report, issued June 24, 2021 and covering the period June 29, 2017 through July 17, 2020, was to determine if Parks was adequately monitoring construction management contracts to ensure they meet contract terms and requirements. The audit found that Parks paid over \$229,000 in fees under the contract with DASNY that could have been avoided if it had used a term contract. Furthermore, we found Parks officials do not receive detailed support for payments made under the DASNY contracts; therefore, they cannot monitor payments made under this contract as effectively as term contracts.

The objective of our follow-up review was to assess the extent of implementation, as of August 24, 2022, of the two recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

Parks officials made progress in addressing the issues identified in our initial report. Of the initial report's two recommendations, one was implemented and one was partially implemented.

Follow-Up Observations

Recommendation 1

Complete new CM projects using the term contracts in place or under new term contracts, as practicable.

Status – Implemented.

Agency Action – Parks closed the contract with DASNY on November 30, 2021 and has not contracted with DASNY for any new projects. Parks utilizes the 10 existing term contracts in place to engage new CM projects. As of August 2022, there were 64 active projects with private firms under these term contracts. Parks also published a Term Contracting Manual in November 2021 containing guidance for staff on overseeing term contracts.

Recommendation 2

Develop and implement a process to obtain additional support to adequately monitor vouchers under the DASNY contract for accuracy, support, and project-related expenses.

Status – Partially Implemented

Agency Action – Parks has not contracted with DASNY for any new projects since the contract expired in November 2021. Since the contract expired, Parks continued to complete the billing and closeout for projects started under the DASNY contract. Parks added additional layers of review by multiple staff, which added further assurance vouchers were accurate for only project-related expenses. However, Parks did not request additional support from DASNY for the vouchers as recommended.

Major contributors to this report were Daniel Raczynski, Jiaying Li, and Lisa Whaley.

We thank the management and staff of Parks for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Heather Pratt, CFE
Audit Manager

cc: Laura Mason, Acting Director of Internal Audit