

AMERICAN OVERSEAS COMMERCIAL TRADING COMPANY

2918 HSA RENOVATION OF GOV.'S MANSION REPORT

Jonathan W. Scribner

-2-

December 14, 1983

- 5) Employees within the Contract Administration Section placed the contractor on the register in violation of statute and regulation requirements.

Based on the above, I am unable to conclude that Mr. Linthwaite was responsible for the addition of the contractor to the register. I do not feel that I have sufficient justification to reprimand Mr. Linthwaite as recommended by Mr. Chenoweth.

DEU:ka

# MEMORANDUM

State of Alaska

cc Elmer Starbuck  
cc Jack Chenoweth  
cc Don Dieckmeyer

TO Jonathan W. Scribner  
Deputy Commissioner  
Southeast Region  
Department of Transportation  
and Public Facilities

DATE: January 10, 1984

TELEPHONE NO: 465-3603

FROM: Norman C. Gorsuch  
Attorney General

SUBJECT: Interpretation of  
AS 36.98

By:

*JGM*  
Jack McGee  
Assistant Attorney General  
Transportation Section-Juneau

The question you raised in your memo of January 3, 1984 can be re-phrased as follows:

Must the value of a rental car be included in determining whether the \$25,000 limit for professional services contracts set out in AS 36.98 is satisfied?

AS 36.98.010 authorizes the state to enter into professional service contracts without going through the competitive bidding process when "the total amount of the contract does not exceed \$25,000." The use of the word "total" here indicates that the value of all remuneration received by a contractor must be included when one is calculating the "total amount" of the contract. It follows, therefore, that the value of a rental car must be included in determining whether the \$25,000 limit of AS 36.98.010 is reached.

It is my understanding that in Mr. Wood's contract relating to the Governor's Mansion, it was originally contemplated that the value of a leased car would not be included in determining total value of the contract. After the issue was raised, however, DOT/PF personnel were specifically directed to insure that Mr. Wood's contract did not exceed the sum of \$25,000 including the value of vehicle rental. See appendix #1. This instruction, it seems to me, served to correct the original misunderstanding. As a result, there was no violation of AS 36.98.010.

JM:ebc

# MEMORANDUM

State of Alaska  
Department of Transportation & Public Facilities

J. L. Boff, P. E.  
District Chief  
Building Design & Construction  
S-177F

Charles S. Matlock  
Acting Director  
S. T. Region Design & Construction  
S-177F

DATE August 9, 1963

FILE NO.

TELEPHONE NO.

SUBJECT Consultant Contract  
Governor's Mansion  
Project No. H-79164

Please take the appropriate action to insure that the Consultant Contract for Jerry Fred does not exceed the contract amount of \$25,000.00 including extended services and vehicle rental.

CSH:JUL:ra

August 9, 1963

A SPECIAL REPORT ON THE  
DEPARTMENT OF TRANSPORTATION  
AND PUBLIC FACILITIES AND THE  
OFFICE OF THE GOVERNOR  
GOVERNOR'S MANSION RENOVATION PROJECT

December 29, 1983

Commissioner (Acting),  
Department of Transportation  
and Public Facilities

H. Glenzer, Jr.

Deputy Commissioners,  
Department of Transportation  
and Public Facilities:

Standards and Statewide  
Programs (Acting)  
Southeast Region  
Central Region  
Northern Region (Acting)

Daniel Malick  
Jon Scribner  
David Haugen  
William McMullen

Office of the Governor

Governor  
Lieutenant Governor

Bill Sheffield  
Stephen McAlpine

# STATE OF ALASKA

AUDIT DIVISION  
POUCH W  
JUNEAU, ALASKA 99811

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

January 3, 1984

Members of the  
Legislative Budget and Audit Committee:

In accordance with a Legislative Budget and Audit Committee special request and Title 24 of the Alaska Statutes, the attached report is submitted for your review.

A SPECIAL REPORT ON THE  
DEPARTMENT OF TRANSPORTATION  
AND PUBLIC FACILITIES, AND THE  
OFFICE OF THE GOVERNOR, GOVERNOR'S MANSION  
RENOVATION PROJECT

December 29, 1983



Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

TABLE OF CONTENTS

	<u>Page</u>
Purpose of the Report. . . . .	1
Historical Background. . . . .	3
Findings and Auditor's Comments. . . . .	5
Appendix:	
A. Governor's Mansion Renovation Project, Schedule of Contracts and Costs . . . . .	17
Agency Response:	
Office of the Governor . . . . .	23
Department of Transportation and Public Facilities . .	26

## PURPOSE OF THE REPORT

In accordance with a Legislative Budget and Audit Committee request and Title 24 of the Alaska Statutes, this special report has been prepared to document the activities surrounding the renovation of the Governor's mansion. The review was of the Department of Transportation and Public Facilities and the Office of the Governor and addresses specific areas of concern:

1. The sources of funding used to finance the project;
2. Contracting procedures used to hire individual contractors;
3. Cost overruns and expansion of the project beyond its original scope.

(Intentionally left blank)

## HISTORICAL BACKGROUND

The construction of the Governor's Mansion in Juneau in 1912 was under the direction of William N. Collier, U.S. construction engineer. The structure was authorized by Congress in the Public Builders Act of 1910, which appropriated \$40,000 to cover both building and furnishing. The architecture of the building was designed by a well-known architect of the time, James Knox Taylor, and is described as a liberal interpretation of New England Colonial.

The mansion, measuring 58 x 60 feet overall, has two and a half stories with a full basement. The original \$40,000 was insufficient to furnish the entire building, but the lower floor and some of the bedrooms were furnished in 1912. The third floor was left virtually unfinished though the original detailed drawings show that half of this top floor was to serve as a territorial museum (which it never did).

The single most extensive renovation of the exterior of the house was done with Federal funds (\$14,100) in 1936. Renovations to the mansion, which had been badly run down, were started in June 1936, under contract to the J.B. Warrack Company.

The entire exterior of the building was plastered over the original clapboard finish, and painted white giving the building the appearance that it has today. The short porch that covered only the entry steps was extended to cover the driveway. The peaked roofs of the dormers were flattened and the three small windows above the small entry porch were consolidated into one large window. The three windows on the third floor were consolidated into two to be in balance with the roof angle. Outside shutters were provided for all flush windows. The garage was also dug into the basement in 1936.

The most dramatic change made in the 1936 renovation was the extension of the original portico which covered the central third of the porch. The short portico was extended to cover the entire length of the house supported by six pillars rather than the original four. No major renovations to the exterior have been done since 1936.

Interior renovations done in 1936 included redesigned bathrooms with new plumbing and other minor cosmetic changes.

Minor changes took place between 1936 and 1967. A kitchenette was installed sometime during the Egan administration in the late fifties and early sixties.

The single most significant interior renovation prior to 1983 was executed in 1967-1968 by Arthur Morgan Designers of Seattle, Washington. The renovation, done under the Hickel administration, included gutting the third floor and remodeling it. The ceiling on this floor was lowered and two suites and one bedroom were constructed. A sauna was installed in the basement also. Although the lower two floors remained structurally unchanged, major cosmetic changes were made. The entire color scheme of the mansion was changed to greens and golds, wall-to-wall carpeting was installed in many rooms, and contemporary furniture was purchased.

On November 7, 1976, the mansion was placed on the National Register of Historic Places.

The 1983 renovation of the mansion is the most extensive in the history of the building. The first and second floors and the basement were renovated to restore the interior appearance to the 1912 era.

General changes included removing all of the wall-to-wall carpeting and replacing it with large oriental rugs. Hardwood floors were refinished and repaired throughout the mansion. All of the seven fireplace mantles and all the walls were stripped and repainted. Some antique furniture was purchased and bathroom fixtures were replaced by old style fixtures, (bear claw tubs, pedestal sinks, brass and porcelain handles, etc.).

Several structural changes were made during the 1983 renovation. The kitchenette on the second floor was removed to allow for the large entry hall per the original blueprints. A door was installed between the Governor's study and the master bedroom. The bathroom adjacent to the Governor's study was converted into a kitchenette with toilet facilities. Mahogany shelving from floor to ceiling was installed along all of the walls of the library on the first floor, and a new mahogany mantle was built. A new hardwood floor was placed in the entry way and the conservatory. The pantry was changed to the dishwashing area and a new refrigerator and dishwasher installed. The dishwashing area was changed to the pantry and custom cabinets installed. A hot tub (purchased by Governor Sheffield) was installed in the basement, and the mantle from the library was installed around the fireplace in the recreation room in the basement. Also, a wall was built to block off the laundry room in the basement. The 1983 renovation included installing new electrical and plumbing systems on the first and second floors as well as the basement, and a new fire detection and intrusion system.

FINDINGS AND AUDITOR'S COMMENTS

A. What were the sources of funding used to finance the Governor's Mansion Renovation project?

DOTPF transferred a total of \$1,455,000 to the Governor's mansion project from appropriations that were originally intended for other purposes. The following is a list of the source of funds used for the mansion project:

1. Ch 120, SLA 80 appropriated \$71,000 to DOTPF for the Governor's Mansion Fire Sprinkler System.
2. Ch 82, SLA 81 appropriated \$5,200,000 to DOTPF for Energy, Safety, and Architectural Barrier Changes. Of this total appropriation, \$1,385,000 was used to fund the mansion project. However, only \$235,000 was specifically intended for the mansion. The residual amount, \$1,150,000, had originally been intended to be used to correct deficiencies noted in energy audits performed on Interior Region buildings. The specific projects are:
  - a) \$596,000, project number H79364 (Fairbanks Electrical Retrofit), Fairbanks Court House and parking garage.
  - b) \$200,000, project number H79361 (Interior Buildings Retrofit), State office buildings.
  - c) \$204,000, project number H79362 (Interior Shops Energy Retrofit), maintenance shops.
  - d) \$150,000, project number H79363 (Fairbanks Peger Road Energy Retrofit), DOTPF building complex on Peger Road, Fairbanks.
3. Ch 107, SLA 83 appropriated \$500,000 to DOTPF for the Governor's Mansion. Intent per DOTPF's budget documents was for remodeling/repairs to the Governor's mansion.
4. An RSA between the Department of Administration (DOA) and DOTPF transferred \$305,000 from DOA to DOTPF for the Governor's Mansion Renovation project. The source of funds of the amount transferred was Ch 25, SLA 82, which appropriated \$7,000,000 for Building Renovation, Replacement, and Surplus. The intent per budget documents was for this appropriation to be used for providing housing to State employees, particularly in remote rural locations. The following projects were eliminated as a result of the RSA:

FAI

FAI

FAI

- a. Deer Mountain Hatchery (\$100,000)
- b. Livengood Septic System (\$60,000)
- c. Nelchina Septic System (\$30,000)
- d. McGrath Septic System (\$70,000)
- e. Slana Exterior (\$75,000)

DOTPF subsequently transferred \$117,000 to the Office of the Governor for the acquisition of furniture, rugs, and other decor items.

5. Ch 101, SLA 82 appropriated \$13,121,400 to the Office of the Governor for Executive Operations, and \$169,000 was used for the Governor's Mansion Renovation project.

In summary, DOTPF funded \$2,144,000 and the Office of the Governor funded \$286,000 for the renovation of the Governor's mansion, which totals to \$2,430,000. Of this amount, \$1,455,000 (\$1,150,000 of Ch 82, SLA 81 and \$305,000 from RSA) or 60% of the total funding was budgeted for other purposes.

B. Were individual contractors on the Governor's Mansion Renovation project hired in accordance with State contracting procedures?

The purpose of the various statutes, regulations, and P&Ps regarding competitive bidding and advertising for State contracts is probably best summarized by an Attorney General's opinion note to AS 35.15.050:

"The purpose of this section and the Fiscal Procedures Act (AS 37.05) is not only to protect the state and the public purse from uneconomic contracts let because of failure to request competitive bids and because of possible favoritism, but also to insure that contractors are insured a certain amount of 'fair play' in dealing with the state government and in competing with one another for state contracts."

When the competition has been limited through sole source contracts, restricted advertising, etc., this sense of "fair play" is missing. It also opens up the State to possible litigation and gives the appearance of favoritism.

Department of Transportation and Public Facilities  
(DOTPF)

DOTPF did not follow established procedures or the intent of statutes and regulations when awarding

several contracts for construction and professional services on the Governor's Mansion Renovation project:

1. Vernon Akin & Associates was awarded a sole source contract for engineering design and construction services in the amount of \$60,000. This project was not advertised as required by AS 36.98, or DOTPF P&P 28-8000. AS 36.98.030 does allow DOTPF to contract on a sole source basis if they can demonstrate that there is a single person or firm that can clearly perform the required tasks more satisfactorily because of the person's or firm's prior work. Although DOTPF stated that this was the basis for the sole source contract, it was not clearly demonstrated by any written evidence in the files.
2. Jerry D. Wood, P.E., was awarded a sole source contract of \$25,000 to provide on-site management for the Governor's Mansion Renovation project. In addition, the contract provided Mr. Wood with a car during the duration of his contract. The contract was later amended up to a total of \$35,000, which included the car rental in the contract price.

In our opinion, the original contract amount exceeded \$25,000 and therefore should have been advertised in accordance with AS 36.98. There were over 100 firms on DOTPF's prequalification register for these types of services. DOTPF's not allowing these and other contractors the opportunity to compete for this contract clearly violates the spirit and intent of the law. Several other items noted were:

- a) Mr. Wood had been a business associate with Fred Seeger in a corporation known as SeeWood (this is discussed further in "D" of this section of the report). Fred Seeger was Deputy Commissioner of DOTPF until he resigned in early December, 1983.
- b) Mr. Wood was added to the DOTPF professional services contractor register without all of the proper forms being submitted and reviewed.
- c) Mr. Wood obtained a business license the same day his contract was signed, July 7, 1983.
- d) Mr. Wood's business address was DOTPF's Southeast Regional office.

- e) Three out of the four construction contracts for this project had been awarded and work started (with one contract completed) by the time Mr. Wood's contract began. His contract terminated October 18, 1983. Both before his contract began and after it was terminated, the project was managed by DOTPF employees (project was not complete until mid-December).
3. The August Corporation was awarded a contract of \$90,000 for roof repair and attic insulation. DOTPF did not advertise this contract as required by DOTPF P&P 70-7001. In addition, AS 35.15.130 requires that at a minimum, informal bids shall be requested from as many contractors as can be requested conveniently. Five local firms were contacted, with two responding.
  4. The Rhine Stone and Plastering Company was awarded a contract of \$14,000 for concrete and masonry services. This contract was not advertised. However, two local firms were contacted for informal bids.
  5. Harbor Plumbing & Heating was awarded a contract of \$600,000 (subsequently amended to \$1,000,000 with costs to date of \$1,081,000 and estimated to exceed \$1,130,000) for plumbing, heating, and electrical renovation. This contract was not advertised as required by DOTPF P&P 70-7001. P&P 70-7001 states "projects shall be advertised in three consecutive weekday issues in newspapers in Anchorage, Fairbanks and Juneau, local papers where available, the Tundra Times and the All Alaska Weekly. Large projects should also be advertised in the northwest regional construction trade papers." However, DOTPF only advertised in the Juneau Empire, limiting the response to only those firms located in the City and Borough of Juneau, and provided a cost estimate indicating the project would cost only \$250,000 to \$500,000.

In addition, this contract was not dated, did not contain a project completion date, but did provide a bonus of \$25,000 if the contractor completed the project on time.

6. Coogan Construction Company and Capitol Construction Company, a Joint Venture, was awarded a \$300,000 contract (subsequently amended to \$400,000 with costs to date of \$676,000 and estimated to exceed \$735,000) for architectural renovation work. This project was not advertised in accordance with P&P 70-7001 which requires a

minimum advertising period of 21 days. DOTPF did not submit advertising orders to newspapers, etc., until June 27, 1983, but they required that completed "Expression of Interest Questionnaires" be returned to DOTPF by 2:00 PM, July 8, 1983, a period of eleven days maximum.

In addition, DOTPF prequalified the contractors and stipulated that only the top three would be allowed to bid on the project. This further restricted the competition (two bids were not opened).

The purpose of prequalification is to assure that only contractors who meet certain qualification criteria are allowed to bid on a project. However, DOTPF does not have established procedures or standards for prequalifying construction contractors. In this particular case, allowing only the top three prequalified contractors to bid could not only have resulted in excluding some qualified contractors, but it also could have resulted in DOTPF having to award the bid to an unqualified contractor if one of the top three was really not qualified to perform the contract but submitted the low bid. DOTPF, if it wishes to use prequalification, should establish procedures and standards so that all qualified and interested contractors will be allowed to bid on projects where prequalification is used.

#### The Office of the Governor

Title 36, Chapter 98 of the Alaska Statutes governs professional services contracts. Under these statutes and the related regulations, 02 AAC 17, the Department of Administration has established procedures for professional services contracts in the State Administrative Manual (SAM) sections 8102 through 8193. Section 8120 specifies required procurement procedures for contracts depending on their dollar value: \$5,000 or less, informal solicitation of interest; over \$5,000 up to \$25,000, formal or informal solicitation of interest; over \$25,000, formal solicitation as well as advertise in a newspaper in general circulation in Alaska. Section 8120 also states that all costs for the life of the contract including any anticipated successive phases or follow-up work are to be included in determining the dollar value of the contract.

However, the Office of the Governor awarded three sole source contracts (stated face value \$64,000) worth over

\$280,000 to Phyllice Bradner, dba Snow Goose Productions, that were not advertised nor were informal or formal proposals solicited:

1. A \$5,000 contract was awarded February 7, 1983 for Ms. Bradner to act as coordinator for the Restoration Advisory Committee on the Governor's Mansion Renovation project. This contract had not been advertised. Also, informal proposals had not been solicited as required by the SAM, Section 8120.
2. A \$14,000 contract was awarded March 24, 1983 for Ms. Bradner to provide a cost estimate study of the Governor's Mansion Renovation project and to continue as the coordinator for the Restoration Advisory Committee. This contract was awarded without securing competitive proposals because the Office of the Governor requested and the Department of Administration granted the authority to negotiate this contract on a sole source basis. However, we question the reason used to justify the sole source (to facilitate continuity in the project and to maintain consistency of style), especially since the initial contract was awarded without advertising or soliciting proposals from several firms. We believe a request for a sole source contract because of wanting to continue a relationship should come under much closer scrutiny.
3. A \$45,000 contract was awarded May 19, 1983, for Ms. Bradner to act as project coordinator for the Governor's Mansion Rehabilitation project. Her services included the selecting and purchasing of all decor items (furniture, antiques, draperies, etc.), selling these items to the Office of the Governor (plus a handling charge for wholesale items), and overseeing the placement and arrangement of these items in the mansion. Again, as in the previous contract, the authority to negotiate a sole source contract was requested from and granted by the Department of Administration, eliminating the competitive process.

In addition, the contract did not restrict the amount of the items the contractor could purchase. As a result, the Office of the Governor could have been liable for all items purchased even though the amount may have exceeded that intended for purchases (\$222,000 was encumbered for decor items). We believe because of the nonstandard nature of the scope of services and degree of latitude being allowed the contractor that this

contract should have been reviewed by the Department of Law.

C. Why was the original scope of the project expanded and what changes resulted from the scope expansion?

The original scope of the Governor's Mansion Renovation project was defined by the Governor's House Restoration Advisory Committee which was formed to oversee the project. The initial concern expressed by DOTPF to the Restoration Advisory Committee was for maintenance of the mansion which highlighted the need for a fire suppression (sprinkler) and alarm system. Subsequently, DOTPF personnel suggested that new electrical and plumbing systems be included in the scope of work being defined by the Restoration Advisory Committee, due to major plumbing problems and electrical deficiencies, and because it would be most economical and practical to install the systems while the walls are opened up to install the sprinkler system.

In April, 1983, the Restoration Advisory Committee defined the original scope of work, Phase I, to consist of installing a new hot water heating system, new electrical wiring and distribution system, new sprinkler and smoke detection systems, and related cutting and patching. The preliminary cost estimate was \$600,000. In May, 1983, Phase II of the renovation, which was for interior finishes, cabinetry, and wainscoting, was added to the original scope of work per the wishes of the Office of the Governor. The estimated cost of the additional work was \$300,000.

Phase II scope of work was again expanded per the wishes of the Office of the Governor in July, 1983 to include tile work for the scullery, cabinetry in the pantry, cast iron radiator wood enclosures and carpeting. The scope increase was estimated at a cost of \$235,000.

In September, the scope of Phase I was expanded to include additional electrical wiring work, television distribution, telephone system, fire alarm and intrusion systems. The estimated cost of the expanded scope was \$175,000. The scope of Phase I was expanded again in September to include heat distribution in the basement area, new dishwasher and refrigerator, and installation of antique plumbing and electrical fixtures. The cost of the additional work was estimated to be \$75,000. Phase II work was also expanded in September to include additional painting, wall papering, kitchen pantry, mill work, and door hardware. The estimated cost for the scope expansion was \$75,000. The scope

was expanded in these cases because of additional work required due to unknown conditions.

The amount of \$283,000 was identified for consultant contracts roof repairs, new telephone system, attic insulation, and furnishing storage. The total cost estimate was increased by \$401,000 due to low estimates and overtime pay to expedite project completion. The total cost estimate for the construction phase of the project was \$2,144,000, with an additional \$286,000 cost estimate for overseeing the project and for decor items, bringing the total to \$2,430,000.

D. What was the relationship between Fred Seeger (DOTPF Deputy Commissioner until December, 1983) and the project coordinator Jerry Wood?

The following items were noted relating to this question:

1. Fred Seeger and Jerry Wood had been associates in a business known as SeeWood Corporation.
2. Mr. Wood gave to DOTPF personnel (in June, 1983) a SeeWood Corporation business card that contained both Mr. Wood's and Mr. Seeger's name on the face, indicating a current business relationship.
3. Mr. Wood was first mentioned as a potential contractor by Mr. Seeger.
4. Mr. Wood was awarded a sole source contract.
5. Mr. Wood was added to the DOTPF professional services contractor register without all of the proper forms being submitted and reviewed.
6. Mr. Wood obtained a business license the same day his contract was signed, July 7, 1983.
7. Mr. Wood's business address was DOTPF's Southeast Regional Office.
8. Three out of the four construction contracts for this project had been awarded and work started (with one contract completed) by the time Mr. Wood's contract began. His contract terminated October 18, 1983. Both before his contract began and after it was terminated, the project was managed by DOTPF employees (project was not complete until mid-December).

All of the above give the appearance of a conflict of interest. It should be noted, however, that the State

of Washington corporation records have not listed Jerry Wood as an owner or officer of SeeWood Corporation since 1981.

E. Expenditures and contract administration.

DOTPF

DOTPF transferred Governor's Mansion Renovation project expenditures of \$40,000 to an overhead account. The project expenditures transferred consisted of personal services expenditures for DOTPF employees who worked on the mansion project. In addition, November and December expenditures for DOTPF Maintenance and Operations employees working on the Governor's Mansion Renovation were not charged to the project.

Alaska Statute section 37.07.080(e) prohibits transfers between appropriations except as provided in an act making the transfers between appropriations.

Personal services expenditures related to the project should be included as a part of the total project costs and should not have been transferred to another account.

The Office of the Governor

The Office of the Governor in administering and making payments under two of the Snow Goose Productions contracts:

1. paid for expenses of the contractor that were not provided for by the contract. The contract stated that in full consideration of her services she would be paid \$40 per hour with no reference made to expenses (the second contract with her provided for expenses as well as \$40 per hour).
2. paid \$10,000 in advance of receiving the services.
3. paid a percentage handling charge for retail items, shipping, and services while the contract only allowed this handling charge on items purchased at wholesale by the contractor.
4. paid for items without invoices as required by the contract. In addition, they had not verified that the items had been received.
5. did not assure that competitive quotations were obtained where possible on items or services purchased.

The above problems resulted in some overpayments and two double payments totalling over \$3,600. While the Office of the Governor has adjusted subsequent billings for most of these overpayments (after it was brought to their attention), it indicates they need to improve their controls over contracts and contract payments.

F. Could Federal Funds have been used to finance the Governor's Mansion renovation?

Since the Governor's mansion is on the National Register of Historic Places, the question was raised whether Federal Funds were available for this project. The National Park Service of the U.S. Department of the Interior does provide project grants under its Historic Preservation Grants-in-Aid Program to states operating historic preservation programs. These grants, which are to be matched equally with State funds, can be used to help finance state surveys and plans for historic preservation, research, preservation for public benefit of National Register listed properties, and other costs necessary to accomplish the purposes of this program.

To obtain further information on this program, we contacted the Alaska Regional office of the National Park Service and were informed that in recent years, the total funding available under this program has been substantially reduced for all states. In addition, Federal funds provided to Alaska have been restricted to performing surveys and planning activities.

G. What department of the State of Alaska should be responsible for the Governor's Mansion?

There is a question of whether DOTPF or the Department of Natural Resources (DNR) should be responsible for the Governor's Mansion. In general, DOTPF is responsible for the construction (which includes major repairs) of public works, as well as the maintenance of State-owned buildings.

However, AS 41.35, Alaska Historic Preservation Act, provides that State-owned historic properties are under the control of DNR. To clarify this issue, we have requested an opinion from the Department of Law.

H. What happened to the furniture that was in the mansion before the renovation?

Part of the furniture that was in the mansion before the renovation was placed back in the mansion after the reconstruction phase. Some of these items were reupholstered and/or refinished.

Other furniture and decor items have been placed in storage, for example the Austrian Bentwood chairs that had been in the ballroom. Some of these items in storage will be auctioned at a later date.

The rest of the furniture was auctioned to the public on October 29, 1983 (the State received approximately \$7,200 for the sale of these items). However, the Department of Administration, Division of General Services and Supply (GSS), did not inform other State agencies of this excess furniture (to determine if they could use some of the items) as required by the State Property Accounting Manual. GSS had been specifically instructed by the Office of the Governor to hold all these excess items for auction to the public.

In addition, three items on the list to be auctioned (two decoupage wall plaques and a set of draperies) were never received by GSS, and are currently missing.

(Intentionally left blank)

APPENDIX A

GOVERNOR'S MANSION RENOVATION PROJECT  
 SCHEDULE OF CONTRACTS AND COSTS  
 (Note 1)

CONTRACTOR Subcontractor	Contract Description	Contract Amount Amendments *	Effective Date Price Method	Bid Method	Costs					
					Materials	Labor Straight	Overtime	Other Expenses	Profit O/H	Total Costs
<u>Department of Transportation and Public Facilities</u>										
LINN A. FOREST ARCHITECTS, A.I.A.	Fire and intrusion detection system design.	\$ 16,500	9/3/81 Fixed	Informal Solicitation 3 Firms	\$ -0-	\$ 10,098	-0-	\$ -0-	\$ -0-	\$ 10,098
(Note 1)	Architectural services for Phase II, construction services.	18,000 <u>6,204 *</u>	6/17/83 Fixed	Informal Solicitation 3 Firms	-0-	16,300	-0-	7,904	-0-	24,204
Total FOREST		<u>40,704</u>			-0-	26,398	-0-	7,904	-0-	34,302
LARRY BRFDJIG	Basic fire sprinkler design	<u>12,000</u>	9/29/81 Fixed	Informal Solicitation 3 Firms	-0-	10,200	-0-	-0-	-0-	10,200
VERNON AKIN & ASSOCIATES (Note 1)	Design services for heating and sprinkler system	<u>60,000</u>	4/18/83 Fixed	Sole Source	-0-	40,083	-0-	19,917	-0-	60,000
AUGUST CORPORATION	Repair and replace roof, insulate attic	<u>90,000</u>	5/12/83 Cost Plus	Informal Solicitation 3 Firms	22,604	46,964	1,585	490	10,747	82,390
WHITE STONE & PLASTERING (Note 1)	Resurface south deck, clean rock work and replace	14,000 <u>(8,000)*</u> <u>6,000</u>	6/9/83 Fixed	Informal Solicitation 2 Firms	-0-	-0-	-0-	6,000	-0-	6,000
HARBOR PLUMBING & HEATING (Note 1)	Plumbing, heating and electrical	600,000 300,000 * 100,000 * 131,576 *	6/20/83 Cost Plus	Bid (1 bidder)	102,777	184,278	-0-	69,412	59,089	415,556
August Corporation	Cutting, patching carpentry, and clean-up renovation				25,454	82,470	37,502	-0-	36,424	181,850

APPENDIX A

GOVERNOR'S MANSION RENOVATION PROJECT  
SCHEDULE OF CONTRACTS AND COSTS

(Note 1)

(Continued)

CONTRACTOR Subcontractor	Contract Description	Contract Amount Amendments *	Effective Date Price Method	Bid Method	Costs					Total Costs
					Materials	Labor Straight	Overtime	Other Expenses	Profit O/H	
Cochran Electric	Electrical, telephone cable, smoke/ intrusion system				47,010	196,004	31,640	-0-	-0-	274,654
H.L. Lawler, Inc.	Pipe insulation				7,846	21,477	14,494	-0-	1,208	45,025
Harri Plumbing	Install sprinkler system				23,986	20,137	10,127	-0-	7,034	61,284
Rhine Stone & Plastering	Plaster walls and ceilings				14,922	34,497	9,923	-0-	6,102	65,444
Associated Gravel	Pave driveway to garage				1,281	-0-	945	-0-	-0-	2,226
Reliable Sheet Metal	Sheetmetal work for ventilation system				2,558	19,173	-0-	-0-	-0-	21,731
Johnson Controls	Heating/pneumatic system design and installation				21,478	17,691	3,906	-0-	998	50,073
C. Klassen Concrete	Porch garage, basement, and bathroom floors				-0-	774	200	-0-	-0-	974
Peakin Construction	Install new water main				<u>7,232</u>	<u>4,762</u>	<u>715</u>	<u>-0-</u>	<u>-0-</u>	<u>12,709</u>
<b>Total HARBOR PLUMBING</b>		<u>1,131,576</u>			<u>260,544</u>	<u>581,263</u>	<u>109,452</u>	<u>69,412</u>	<u>110,855</u>	<u>1,131,526</u>
JERRY LIND, P.E.	Provide on-site project management using computerized scheduling	25,000 <u>10,000 *</u> <u>\$ 35,000</u>	7/77/83 Fixed (Plus Car) *	Sole Source	-0-	<u>31,030</u>	-0-	<u>3,784</u>	-0-	<u>34,814</u>

APPENDIX A

GOVERNOR'S MANSION RENOVATION PROJECT  
 SCHEDULE OF CONTRACTS AND COSTS  
 (Note 1)  
 (Continued)

CONTRACTOR Subcontractor	Contract Description	Contract Amount Amendments *	Effective Date Price Method	Bid Method	Costs					
					Materials	Labor		Other Expenses	Profit O/H	Total Costs
					Straight	Overtime				
COOGAN CONSTRUCTION/ CAPITOL CONSTRUCTION, Joint Venture (Note 1)	Architectural renovation work	300,000 100,000 * 335,217 *	7/19/83 Cost Plus	Prequalifi- cation Bid (5 responses, 3 bids opened)	16,842	115,333	67,354	82,274	75,499	357,302
Renoir Painting	Painting, stripping and detail work				15,648	90,069	48,191	-0-	26,799	180,907
F & C Enterprises	Alar's representative for Coastcraft, Inc.				489	967	-0-	-0-	103	1,559
Queen City, Inc. (Note 2)	Hardwood floors, tile, and carpet				68,650	23,287	13,654	-0-	9,839	115,430
JD Glass & Door	Storm windows, glass work and glazing				317	1,494	-0-	-0-	-0-	1,811
Coastcraft, Inc.	Hill work, cabinets, woodwork				78,208	-0-	-0-	-0-	-0-	78,208
<b>Total COOGAN/CAPITOL</b>		<u>735,217</u>			<u>180,354</u>	<u>231,150</u>	<u>129,199</u>	<u>82,274</u>	<u>112,240</u>	<u>735,217</u>
<b>Total DOTPF Contracts</b>		<u>2,110,447</u>			<u>463,502</u>	<u>967,088</u>	<u>240,236</u>	<u>189,781</u>	<u>233,842</u>	<u>2,094,449</u>
<b>DOTPF Direct Expenditures</b>										
Personal Services:										
Buildings Design and Construction (Note 3)					-0-	61,484	-0-	-0-	-0-	61,484
Maintenance and Operations (Note 1 & 3)					-0-	27,683	-0-	-0-	-0-	27,683
Other					-0-	-0-	-0-	17,449	-0-	17,449
<b>Total DOTPF</b>		<u>2,110,447</u>			<u>463,502</u>	<u>1,056,253</u>	<u>240,236</u>	<u>202,230</u>	<u>233,842</u>	<u>2,201,065</u>

APPENDIX A

GOVERNOR'S MANSION RENOVATION PROJECT  
SCHEDULE OF CONTRACTS AND COSTS  
 (Note 1)  
 (Continued)

CONTRACTOR Subcontractor	Contract Description	Contract Amount Amendments *	Effective Date Price Method	Bid Method	Costs					
					Materials	Labor Straight	Overtime	Other Expenses	Profit O/H	Total Costs
<u>Office of the Governor</u>										
SNOW GOOSE PRODUCTIONS	Restoration Advisory Committee Coordinator	\$ 5,000	1/8/83	Sole Source	-0-	4,160	-0-	839	-0-	4,999
SNOW GOOSE PRODUCTIONS	Provide Cost estimate study & continue as coordinator	14,000	3/24/83	Sole Source	-0-	4,360	-0-	9,625	-0-	13,985
SNOW GOOSE PRODUCTIONS	To be Renovation Project Coordinator, interior decorator, & purchase furniture & other decor items. To sell to the State decor items purchased.	45,000	5/19/83	Sole Source Fixed	-0-	-0-	-0-	45,000	-0-	45,000
		<u>222,000</u>	Cost Plus		<u>132,273</u>	<u>-0-</u>	<u>-0-</u>	<u>68,750</u>	<u>12,132</u>	<u>213,155</u>
<u>Total Office of the Governor</u>		<u>286,000</u>			<u>132,273</u>	<u>8,520</u>	<u>-0-</u>	<u>124,214</u>	<u>12,132</u>	<u>277,139</u>
<u>Total Governor's Mansion Renovation</u>		<u>\$2,396,447</u>			<u>\$595,775</u>	<u>\$1,064,775</u>	<u>\$240,236</u>	<u>\$111,444</u>	<u>\$245,974</u>	<u>\$2,478,204</u>

APPENDIX A  
GOVERNOR'S MANSION RENOVATION PROJECT  
NOTES TO SCHEDULE OF CONTRACTS AND COSTS

Note 1 - Estimated Costs

We have included estimated costs (per DOTPF and the Office of the Governor) because the final cost figures were not yet available. We have also provided adjustments to contract amounts to match anticipated costs where necessary. The breakdown of these estimates are as follows:

	<u>Contract</u>	<u>Materials</u>	<u>Labor Straight</u>	<u>Other</u>	<u>Profit O/H</u>	<u>Total</u>
<u>DOTPF</u>						
Linn A. Forrest, Architects	\$ 6,204	\$ -0-	\$ -0-	\$ 7,904	\$-0-	\$ 7,904
Vernon Akin & Associates	-0-	-0-	-0-	19,917	-0-	19,917
Rhine Stone & Plastering	(8,000)	-0-	-0-	6,000	-0-	6,000
Harbor Plumbing & Heating	131,526	-0-	-0-	50,390	-0-	50,390
Coogan/Capitol J.V	335,217	-0-	-0-	58,675	-0-	58,675
Total DOTPF Contracts	<u>464,947</u>	<u>-0-</u>	<u>-0-</u>	<u>142,886</u>	<u>-0-</u>	<u>142,886</u>
<u>DOTPF Direct Exp.</u>						
Pers. Svcs. M & O	-0-	-0-	7,382	-0-	-0-	7,382
Total DOTPF	<u>464,947</u>	<u>-0-</u>	<u>7,382</u>	<u>142,886</u>	<u>-0-</u>	<u>150,268</u>
<u>Office of the Governor</u>						
Snow Goose Productions	222,000	4,528	-0-	8,364	296	13,188
Total Estimates	<u>\$686,947</u>	<u>\$4,528</u>	<u>\$7,382</u>	<u>\$151,250</u>	<u>\$296</u>	<u>\$163,456</u>

Since these figures are only best estimates of anticipated costs, the final actual cost of the renovation may vary from the schedule.

Note 2 - Queen City, Inc.

The costs for this sub-contract include approximately \$8,800 for subsistence, lodging, and related expenses.

Note 3 - DOTPF Direct - Personal Services

The Buildings and Construction personal services charges include approximately \$40,000 that had been transferred to an overhead account. The Maintenance and Operations charges of \$27,683 are from an operating project account (see E.1. of the Findings and Auditor's Comments section of this report).

Note 4 - Snow Goose Productions

The \$222,000 included in the contract amount column was the amount that had been encumbered for the purchasing of decor items. However, no amount had been specified in the face value of the contract (see F of the Findings and Auditor's Comments section of this report).

(Intentionally left blank)

BILL SHEFFIELD  
GOVERNOR



STATE OF ALASKA  
OFFICE OF THE GOVERNOR  
JUNEAU



January 24, 1984

Mr. Gerald L. Wilkerson, C.P.A.  
Legislative Auditor  
Division of Legislative Audit  
Pouch W  
Juneau, AK 99811

Dear Mr. Wilkerson:

The Office of the Governor has reviewed the audit of the Governor's Mansion renovation project, entitled "A Special Report on the Department of Transportation and Public Facilities and the Office of the Governor Governor's Mansion Renovation Project."

We have the following comments regarding the report:

Section B:

In the discussion of contracting procedures under the subsection "Office of the Governor," the auditor neglects to mention that both the statutes and related regulations regarding professional services contracting also provide procedures for sole source contracting (AS 36.98.030(d)(1) and State Administrative Manual, Section 8122). Although the auditor acknowledges that the Office of the Governor obtained approval from the Department of Administration to negotiate the sole source contracts, there is no indication that procedures were followed as required by law.

Section E:

Item two - Advance or mobilization payments are a common practice in State contracting, and are acceptable to the Department of Administration in most cases. The Department of Administration has stated that agencies have the authority to determine when such payments are necessary for mobilization costs for a contract.

Mr. Gerald L. Wilkerson

- 2 -


January 24, 1984

Item three - All questionable handling charges were deducted from payments prior to the completion of the contract. Payment was subsequently made only on those charges which the contractor was able to substantiate were wholesale charges or where she had been given a professional discount.

Item four - Payment was made by this office upon receipt from the contractor of her invoice, detailing each purchase and any applicable handling charges as required by the contract. These invoices were submitted with backup for each purchase consisting of invoices, statements, purchase orders, and/or cancelled checks.

Errors pointed out by the auditor were discovered prior to the completion of the contract. Adjustments were made prior to the completion of both the contract and the audit. No close-out audit had yet been done by this office, because the contract was still in progress, a fact the auditor fails to mention. Since adjustments were made prior to the completion of the contract, and the State, in fact, lost no money, charges of overpayments totaling over \$3,600.00 are premature.

Sincerely,



Laura J. Herman  
Executive Assistant  
for Administration

cc: Bill Sheffield  
Governor

John Shively  
Chief of Staff

Michael A. Nizich  
Director, Division of  
Administrative Services

(intentionally left blank)

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

P.O. BOX 1467  
JUNEAU, ALASKA 99802  
(907) 364-4360

SOUTHEAST REGION



January 25, 1984

Re: Governor's Mansion  
Project

The Honorable Robert H. Bettisworth  
Alaska State House  
Pouch V  
Juneau, Alaska 99811

Dear Representative Bettisworth:

This is in response to the Special Report on the Governor's Mansion Project, December 29, 1983. Our response addresses only those areas involving DOT&PF actions.

Historical Background

- We believe this fairly represents the background on this project as we understand it.

Findings and Auditor's Comments

- A. The sources of funds for this project are accurately described. But, we very much disagree that the appropriation "transfers" were "originally intended for other purposes".

Chapter 82 SLA 81 appropriated \$5,200,000 to DOT&PF for energy, safety and architectural barrier changes.

Attached to the budget documentation for this appropriation was a list of projects totaling over \$20,000,000. The budget documents state: "This list exceeds the funding available and will necessarily have to be reduced to identify the highest priority projects ... In addition, the following specific projects are (emphasis added) to be funded from the total amount available ...

Southeast Electrical Systems Maintenance	69.3
Valdez Time Clock Heat System	17.6
Southeast Life Safety Improvements	220.0
Governor's Mansion Sprinkler System	185.0 "

The budget documents also direct that the limited funds should be used to perform a comprehensive upgrade program for all aspects of high priority facilities in order to minimize project administration costs by reducing the number of small projects; reduce contractor mobilization costs; and resolve design interrelationships among different upgrade requirements.

The four projects listed (H79361 Interior Buildings Retrofit, H79362 Interior Shops Energy Retrofit, H79363 Fairbanks Peger Road Energy Retrofit & H79364 Fairbanks Electrical Retrofit) were the result of an internal allocation of funds within this appropriation. As implied, they were not specifically included in the original budget documents by either name or cost.

Since the Governor's Mansion project is one of the four projects specifically mentioned in the budget documents, and because the funds were clearly used for the purposes intended, the department was clearly within its authority. In fact, to have limited this project to only the fire sprinkler system after it was determined that other life safety and energy code problems existed would have clearly violated legislatively approved directions to comprehensively upgrade high priority facilities.

The funds appropriated to the Department of Administration were likewise reduced from the original request. Therefore, they, too, were required to exercise statutory discretion to choose projects consistent with legislative purposes.

- B. We disagree that the intent of statutes and regulation was not followed when awarding various contracts for the project. We agree that certain established procedures were not followed, but note that several procedures could not be applied to this unique project.

1. Vernon Akin & Associates:

According to AS 36.98.030 a sole source contract is permitted if a waiver is granted. This waiver was signed by the Commissioner according to statutory requirements. The audit report suggests that the waiver did not contain sufficient written evidence to justify the waiver. However, no criteria exist for such a waiver. The waiver was therefore based on our understanding of the statutory requirements. Vernon Akins & Associates had just concluded a subcontract with another contractor on the mansion and he was by far the most knowledgeable engineer in Alaska with many years of prior experience on the mansion. There was no question among the staff familiar with this project that this firm could clearly perform the required tasks more satisfactorily than any other firm because of their prior work on the mansion. This is the

"test" required by statute and, hence, the reason the waiver was requested and approved.

2. The audit report fails entirely to note that Jerry Wood was selected according to procedures for contracts not exceeding \$25,000, so that AS 36.98 did not apply. During one of the many investigations on this project it was pointed out that the rental cost of a vehicle should be included in the "total amount of the contract." We disagree, but immediately issued instructions to ensure that the "total amount of the contract" including car rental would not exceed \$25,000 to avoid any potential for inadvertently stepping over the line on AS 36.98. This was possible because the fixed fee amount of the contract was only \$21,100. This confirmed our stated intent not to exceed \$25,000 and clearly assured that AS 36.98 did not apply. Please note the enclosed Attorney General's Opinion confirming the propriety of our action on this point. A review of the preliminary cost estimates for this contract, including contingencies, show the cost was always anticipated to be well below \$25,000. This is confirmed by the fixed fee amount in the contract of \$21,100. Accordingly, we take strong exception to the audit statement that the "contract clearly violates the spirit and intent of the law". We very carefully followed the spirit and intent of applicable law and suggest the audit comment is inappropriate.
- a). As a matter of fact the business and financial relationship between Jerry Wood and Fred Seeger was severed over two years before this contract was signed. This is more than 1 1/2 years beyond which the Attorney General's office proposed last year in analogous legislation as constituting a conflict of interest violation. Also, Fred Seeger was organizationally in no way responsible for this work, nor did he have any authority over it.

We agree that anytime there is a "perception" or "appearance" of impropriety there is cause for concern. But if we based all our decisions on certain people's "perception" of a problem, one can readily imagine government coming to a virtual standstill.

It is regretable that a copy of the gentlemen's business card from their previous relationship received such wide circulation, but it hardly seems appropriate or responsible to use that as a basis for suggesting the contract may not be appropriate or that a conflict of interest existed.

- b). It is irrelevant that Mr. Wood was placed on the register improperly. Because the original contract amount was not over \$25,000, a register was not required; hence, it was not used for selection.

January 25, 1984

- c). Applicable law requires a contractor to have a business license before he begins work in the State. This was done.
- d). There are no statutory or procedural requirements on where a contractor states the location of his business. Mr. Wood stated his business mailing address as 1815 114th S.E., Everett, Washington 98205. He inadvertently stated the location of his business as our office, since he was working out of our office and the Governor's Mansion during the entire time he was on the project. It was an error to list our office as his business location, but his business mailing address was correctly noted.
- e). This item is essentially correct. The project was "substantially complete" on December 2, 1983. But we fail to see the significance of this statement. If it is intended to suggest there was no need for Jerry Wood on this project we would take strong exception.

Late in the project development we determined a cost-reimbursable contract would be much more cost effective than the normal lump sum approach about which our staff is most familiar. Mr. Wood first came to the project as an advisor at our request and at his own expense (we paid travel and per diem only) because of our increasing concerns about the project. As a result it was evident that he had strong project management capabilities for fast-track cost-reimbursable contracts and, importantly, that we could learn from him how to better administer these type contracts. Another advantage was he could serve as a buffer for our staff and share their capabilities with new management in the Department who perceived in-house staff may not be able to efficiently administer projects.

Therefore, Jerry Wood was hired to supplement our own staff's capabilities and to give this project the best attention possible. He left the job near the end as soon as his functions could be assumed by staff with minor impact on the job.

- 3. We agree that Policy & Procedure 70-7001 was not followed. Each of the responsible individuals has been notified officially that it is unacceptable to ignore or take lightly substantive requirements in procedures.

In partial mitigation, we have reviewed the process used and are satisfied that statutory requirements for obtaining informal bids were met and that a documented process was used to ensure competition. Although the process was documented, the required waiver to support the lack of formal advertising was not obtained.

- 4. Same as 3. above.

5. For project control on a cost-reimbursable contract, we believe it is essential for the contractor's management to be immediately available to expedite the acquisition of materials and promptly respond to problems on the job. Several highly qualified contractors are headquartered locally to ensure good competition. In order to provide the level of on-site management necessary, key contractor management personnel not in Juneau would need to relocate during the project at a decided extra cost compared with local contractors. This was confirmed on the bids opened for the decorative contract. Since this was a cost-reimbursable contract, as opposed to the more conventional "lump sum" approach normally used by the State, contractor innovation and other project cost saving techniques were not compromised. In other words, only the time and materials mark ups for overhead and profit are competitive in a cost-reimbursable contract.

The Department's Policy & Procedure on advertising is not applicable to the competitive contractor selection system used for this fast-track, cost-reimbursable contract.

In retrospect, regardless of the mitigating factors, we agree that statewide advertising of the project would have precluded the audit comment. We have requested our Standards & Technical Services Division to develop procedures for these types of contracts.

Meanwhile, we have instructed all personnel to advertise statewide should we encounter this type of project in the future.

We would like to underline that the statutory requirements to advertise this project were in fact met.

The undated contract is immaterial since work could not start until the Notice to Proceed was issued. Also, the payment and performance bonds were signed, dated and attached as part of the contract giving evidence of the effective date. A completion date is not appropriate because that responsibility rests with the State in a cost-reimbursable contract.

The bonus was offered to induce the contractor to accelerate his work schedule. This was particularly important in this cost-reimbursable contract to ensure successful completion of the job.

6. While the advertising period for this project was less than specified in P & P 70-7001 it also should be noted that this P & P is designed primarily for lump sum contracts. It is not appropriate for the cost-reimbursable contracts used for this project. A contractor can prepare a prequalification package and time and materials bid in markedly less time than for a typical lump sum project. The adequacy of preparation time is evidenced by the number of bidders (five, which is average for this size job) and by the absence of any complaints from contractors.

You are correct to note the lack of established procedures for prequalification of contractors. The department has never before been involved in major renovation of historic buildings, so it was never anticipated that such procedures would ever be needed. Given this fact we developed a process to ensure a top quality professional and long lasting renovation. Rather than starting from scratch, however, we used our existing professional services procedures, to the extent applicable, to ensure a workable and fair process. We can now see ways to improve the process for future jobs of this nature. But, regardless of short comings which may appear in hindsight, no contractors were prevented or restricted from participating and we were never in a position of being committed to award the work to an unqualified contractor. Our experience on this project will be most helpful in developing a procedure for these types of historic/renovation projects in the future. We have requested our Standards & Technical Services Division to develop such procedures.

- C. We feel the audit comments on the scope changes accurately describe the situation as we understand it.
- D. See B.2. for response to these items.
- E. No funds were transferred between appropriations on this project. Hence, it is factually incorrect to cite AS 37.07.080(e) when referring to which appropriation expenditures were charged.

We consider our FY 84 Operating Budget to be a proper appropriation to charge certain Design & Construction personnel costs working on the Governor's Mansion particularly when so much of this time was consumed in responding to the extraordinary number of inquiries and investigations on this project. However, to respond to your concern we have directed that these personnel costs in question be charged to the Governor's Mansion project to the extent funding allows.

We strongly disagree with the suggestion to transfer Maintenance & Operations costs to the project. These costs were incurred at the very end of the job. As you know our Maintenance & Operations staff has had a continuing responsibility for up keep on the Governor's Mansion for as long as anyone can recall. The Maintenance & Operations work was closely in line with this responsibility.

- F. No comment. Not applicable to DOT&PF involvement.
- G. No comment.
- H. No comment. Not applicable to DOT&PF involvement.

Representative Bettisworth

-7-

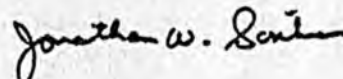
January 25, 1984

Appendix A:

The original Jerry Wood contract was for a fixed fee of \$21,100 to perform the work anticipated. Up to an additional \$3,900 at the rate of \$300/day was entirely at the discretion of the State. The car rental was later charged against this \$3,900 to ensure the total original contract amount did not exceed \$25,000. The Appendix should be changed to indicate these facts.

We trust this response is satisfactory.

Sincerely,



Jonathan W. Scribner  
Deputy Commissioner

JWS/sh

Enclosure

cc: H. Glen Glenzer, Jr.  
Acting Commissioner

# MEMORANDUM

State of Alaska

cc Don Dieckmeyer  
cc John C. ...

TO: Jonathan W. Scribner  
Deputy Commissioner  
Southeast Region  
Department of Transportation  
and Public Facilities

DATE:

January 10, 1984

FILE NO:

TELEPHONE NO:

465-3603

FROM: Norman C. Gorsuch  
Attorney General

SUBJECT:

Interpretation of  
AS 36.98

By:

Jack McGee  
Assistant Attorney General  
Transportation Section-Juneau

The question you raised in your memo of January 3, 1984 can be re-phrased as follows:

Must the value of a rental car be included in determining whether the \$25,000 limit for professional services contracts set out in AS 36.98 is satisfied?

AS 36.98.010 authorizes the state to enter into professional service contracts without going through the competitive bidding process when "the total amount of the contract does not exceed \$25,000." The use of the word "total" here indicates that the value of all remuneration received by a contractor must be included when one is calculating the "total amount" of the contract. It follows, therefore, that the value of a rental car must be included in determining whether the \$25,000 limit of AS 36.98.010 is reached.

It is my understanding that in Mr. Wood's contract relating to the Governor's Mansion, it was originally contemplated that the value of a leased car would not be included in determining total value of the contract. After the issue was raised, however, DOT/PF personnel were specifically directed to insure that Mr. Wood's contract did not exceed the sum of \$25,000 including the value of vehicle rental. See appendix #1. This instruction, it seems to me, served to correct the original misunderstanding. As a result, there was no violation of AS 36.98.010.

JM:ebc

# MEMORANDUM

State of Alaska  
Department of Transportation & Public Facilities

W. L. LeBoff, P. E.  
Assistant Chief  
Building Design & Construction  
BTL/FF

DATE August 9, 1983

FILE NO

TELEPHONE NO

Charles S. Matlock *CSM*  
Acting Director  
Building Design & Construction  
BTL/FF

SUBJECT Consultant Contract  
Governor's Mansion  
Project No. H-79164

Please take the appropriate action to insure that the Consultant Contract for Mary Wood does not exceed the contract amount of \$25,000.00, including extended services and vehicle rental.

CSM:JTH:na

# STATE OF ALASKA

AUDIT DIVISION  
POUCH 'W  
JUNEAU, ALASKA 99811

## THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

January 26, 1984

Members of the  
Legislative Budget and Audit Committee:

We have reviewed the Department of Transportation and Public Facilities, and the Office of the Governor responses to our preliminary report on the Governor's Mansion Renovation Project. Our comments on the submitted responses are listed below:

### Department of Transportation and Public Facilities

#### Findings and Auditor's Comments

- B.2. We reiterate our statement in the report "in our opinion, the original contract amount exceeded \$25,000, and therefore should have been advertised in accordance with AS 36.98". In addition, the amount paid on this contract and its amendment totaled \$34,814.
- E. Costs related to the Governor's Mansion Renovation should all be charged to the project and recorded in the accounting records accordingly. If sufficient funds are not available, it is not appropriate to record these costs in overhead or operating accounts. Rather, to cover these overexpenditures, the Department should request additional funds through either a revised program or a supplemental appropriation.

In addition, the Maintenance and Operations costs incurred at the end of the job were due to the mansion renovation and not general maintenance. As such, these appropriately should be charged to the project.



Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

# MEMORANDUM

# State of Alaska

TO: Gerald L. Wilkerson, CPA  
Legislative Auditor  
Division of Legislative Audit

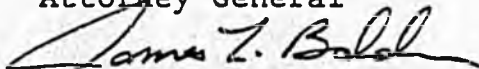
DATE: January 26, 1984

FILE NO: 366-353-84

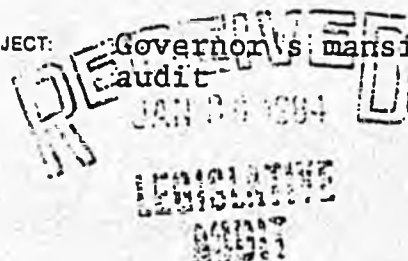
TELEPHONE NO: 465-3600

FROM: Norman C. Gorsuch  
Attorney General

SUBJECT: Governor's mansion  
audit



By: James L. Baldwin  
Assistant Attorney General  
Governmental Affairs-Juneau



In connection with your audit of the renovation of the governor's mansion, you have asked for our advice and interpretation of various statutes. In answering your questions, we have first set out your question, followed by our response.

1. In light of ... [AS 41.98.170 and AS 41.35.040], what should the Department of Natural Resources (DNR) involvement have been with respect to the Governor's Mansion renovation project (the Governor's Mansion is on the National Register of Historic Places)? Should DNR have been the State Agency that budgeted for the mansion renovation? If DNR should have been more involved in the project such as receiving the appropriation and planning for the renovation what are the remedies that could/should occur?

We believe that the provisions of AS 41.35 do not apply to the governor's mansion renovation project. The mansion has never been designated a historic site as provided in AS 41.35.030. The mansion remains the official residence of the governor and has been consistently managed by the Department of Transportation and Public Facilities (DOTPF) as an operating facility of the state. In any case, the placement of the mansion on the National Register of Historic Places does not constitute a designation under AS 41.35.030. The Department of Natural Resources (DNR) is not responsible for administering the financing of the renovation of the mansion. That responsibility rests with DOTPF.

2. If the original amount of a contract is \$25,000, and is later amended up to a total of \$35,000 (as is the case with the Jerry Wood, P.E. contract with DOTPF), should this contract be required to comply with AS 36.98 provisions? Or is it exempt because the original contract was \$25,000?

AS 36.98 applies only to professional service contracts which exceed \$25,000. AS 36.98.010. The consequences of exceeding this amount through amendment of the original contract are

... in AS 36.98 or the implementing regulations. A provision of the state administrative manual in effect before the enactment of AS 36.98 provided that "If an amendment to a contract has the effect of placing the agreement, as amended, in the category of those requiring [Department of] Administrative Approval, such approval must be obtained." Administrative Manual, § 8114 (rev. Nov. 1980). Under that rule, the amendment to the Wood contract should have been justified as a source procurement in the same manner as provided in AS 36.98.01(1). The operative effect of the state administrative manual is in doubt after the enactment of AS 36.98. Deputy Commissioner Scribner correctly noted this deficiency in his letter of September 28, 1983, in which he set out his determinations regarding the amendment. It is relevant to note that under 17 AAC 07.070 only the commissioner of transportation and public utilities can waive the public solicitation requirements imposed by AS 36.98. However, Scribner alone approved the amendments. We believe that DOTPF and DOA must amend 17 AAC 07 and 2 AAC 15.070 to provide for the approval and processing of amendments which increase the total contract price so that the \$25,000 threshold is exceeded. Under existing law and departmental practices, DOTPF acted reasonably when it amended the Wood contract.

A regulation which prescribes procedures for the amendment of professional services contracts is necessary to avoid confusion of the purposes of AS 36.98. Without some limitation of the power to amend, the \$25,000 threshold imposed by AS 36.98.010 is meaningless. Until these limitations are adopted by regulation, we believe that amendments which, if added to the original contract amount, cause the contract amount to exceed \$25,000, the amendment must be justified in the same manner as an original contract covered by all of the provisions of AS 36.98.

The treatment of the expense attributable to the contractor's rental car is determined by the intent of the parties to the contract. If the rental is considered to be compensation for services performed, the value of the rent must be considered part of the contract amount. However, if the vehicle is considered to be a tool provided by the contracting agency with the specific intent to reduce the cost of performance, the rental cost should not be considered a part of the contract amount. DOTPF accounted for the rental car as if it were compensation for the contractor.

3. DOTPF advertised one of its [construction] contracts only three days (over a five day period) and restricted respondents to firms located in the City and Borough of Juneau. Was this a violation of the Statute? If

this violated the statutes and/or DOTPF P & P's, what are the remedies?

The advertising requirement for DOTPF construction contracts (financed entirely by state appropriation) are imposed by AS 37.05.230(2). AS 35.15.040(b). That subsection provides:

(2) if the amount of the contractual services, purchase, or sale is estimated to exceed \$5,000, sealed bids shall be solicited, when practicable, by publication in a newspaper calculated to reach prospective bidders and by posting notices in public places within the area where the work is to be performed or material furnished and in addition the department may also designate a trade journal for publication; the department shall also solicit bids by sending notices by mail to all active prospective bidders known to it and all bids shall be sealed when received, and shall be opened in public at the hour stated in the notice; the department may limit the solicitation of bids or negotiate directly if it finds that it is in the best interests of the state;

AS 37.05.230(2)(emphasis added). The statute does not set out with specificity the manner in which publication of a request for bids is made. These details are apparently covered by "policies" set out in an internal DOTPF publication. We believe it is not appropriate to provide for contract procedures which apply to the public in policy manuals. This topic should be set out in administrative regulations. The adoption of regulations to prescribe agency conduct is required if the subject matter covered "affects the public or is used by the agency in dealing with the public." AS 44.62.640(2). DOTPF must review the departmental policy and procedures manual to determine if any subjects covered there must be adopted as administrative regulations under the procedures specified in AS 44.62.180 - 44.62.290.

Generally, the failure to comply with competitive bid provisions established by law makes the resulting public contract void. However, for the contracts questioned by this audit, the minimum requirements prescribed by law (AS 37.05.230(2)) were complied with. Internal policies were waived by implication. Generally, the failure to follow internal policies and procedures does not void a contract. We believe that no violation of the competitive bid laws occurred.

4. The Office of the Governor has a contract with Phyllice Bradner dba Snow Goose Productions .... Is this a legal contract since it does not contain the amount of the contract on the first page?

Should the stated amount of the contract include the amount of furniture purchases and mark-up (total encumbered for this contract is \$267,000 including services and purchases)? Could the Governor be held personally liable if the contract is deemed invalid?

Since there appears to be no control on the amount she can purchase and bill the State for, would the State (and/or the Governor) be liable for all purchases she makes for the mansion?

Is the scope of Services (Article II, Appendix B:) such that it is non-standard and should have been reviewed by the Department of Law?

What remedies are available if this contract or parts of it are deemed invalid?

It appears that the Office of the Governor used a standard form contract which did not contain provisions for setting out the contract amount on page 1. However, the updated professional services contract forms with all of the features required by AS 36.98 were not provided to agencies until after June 1, 1983. Pending adoption of the updated contract forms, DOA informally required the hand insertion of the contract amount on page 1. This informal policy was followed for the Snow Goose contract. Consideration of this issue does not stop with the requirement that the amount be stated, but what amount should be attributed to this contract. The Office of the Governor considers the contract amount to be \$45,000. You have asked if the contract amount should include the approximately \$267,000 worth of antique furnishings purchased by the contractor. We believe the contract amount for the professional services contract should have been an amount in excess of \$45,000. The services of this contractor were obtained to assist the state in purchasing antiques. However, the contractor not only served as a consultant but, she was also compensated as if she were a supplier of the antiques. The contractor was permitted to mark-up the cost of an item for "handling" and was reimbursed for freight. The contract provided not only for the procurement of professional services, but also for the purchase of goods. The cost of these charges should have been included in the contract amount of the professional services contract. Under the contract, as written, the

contractor received a set percentage of the purchase price for handling. This form of compensation should be avoided because the contractor has no incentive to seek bargains for the state. Alternatively, the purchase of the antiques could have been treated as a separate contract with Snow Goose. It is a close question whether the services necessary to locate, purchase and provide for the delivery of antiques comes within the definition of the term "professional services" set out in AS 36.98.080(2). It is probable that a noncompetitive supply contract could have been awarded to purchase antiques because of their unique, one of a kind nature. Presumably, for these items, a certification can be made that no competition exists. See AS 37.05.230(1)(i).

We believe the contract did not contain terms which varied the provision of the standard form contract. AS 36.98.-045. However, because of the delegation provisions, the contract should have been reviewed by the Department of Law before award. This review would have been desirable but not mandated by law. DOA should have obtained this review before awarding the contract to Snow Goose. Snow Goose was delegated by contract the power to act as a state purchasing officer with little control over the exercise of the contractor's discretion. While we believe this contract is valid, in the future a state agency can avoid criticism for a similar delegation if it makes a delegation only to the extent necessary to obtain a sufficient number of price quotes. The agency should then review the quotes with the assistance of the professional and make the purchase.

5. Was it a conflict of interest for a DOTPF official to be involved in the decision to make the Wood contract?

We issued an opinion on this subject in which we concluded that there was not a conflict of interest resulting from this contract. 1983 Inf. Op. Att'y Gen. (Nov 16; 366-124-84). A copy of that opinion is attached.

JLB/pjg

Enc.

# MEMORANDUM

# State of Alaska

TO: Jonathan W. Scribner  
Deputy Commissioner  
Southeast Region  
Department of Transportation  
and Public Facilities

FROM: Norman C. Gorsuch  
Attorney General

By: Diane T. Colvin  
Assistant Attorney General  
Department of Law

DATE: November 16, 1983

FILE NO: 366-124-84

TELEPHONE NO: 465-3600

SUBJECT: Review of depart-  
ment's project man-  
agement contract for  
conflict of interest

You asked us to review the contract award made to Jerry D. Wood by the Department of Transportation and Public Facilities. Mr. Wood was hired in conjunction with renovation of the Governor's mansion to provide project management services. On August 4 the Ombudsman issued an opinion in response to a complaint received on the project services contract. One of the Ombudsman's findings was that the contract involved a conflict of interest, because of Mr. Wood's business relationship with Fred Seeger, Deputy Commissioner, Department of Transportation and Public Facilities. You have asked us to review the conflict of interest issue.

According to your response of August 9 to the Ombudsman, Mr. Seeger suggested Jerry Wood for the management services project initially. After that recommendation was made, you claim that Mr. Seeger had no further involvement in the award of the contract to Mr. Wood. You have also informed us that although Mr. Seeger and Mr. Wood did have a prior business relationship, that relationship was severed at least two years ago.

As you may know, the applicable standard for conflict of interest is the common law. This is a strict standard, prohibiting not only actual conflicts of interest but also requiring avoidance of even the appearance of impropriety. See 1982 Op. Att'y Gen. No. 15 (Dec. 3).

Based on the facts you provided, we find no conflict of interest in the award of the Wood contract because Mr. Seeger did not and could not benefit as a private person from the contract. The issue arose because of the previous business relation between the two individuals. However, if as you state, the relationship was severed two years ago, the potential for conflict is tenuous. Even under the common law, the amount of time involved here between the business association and the award of the contract diminishes the possibility of a conflict.

INTERNAL AUDIT  
DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES  
GOVERNOR'S MANSION

## MEMORANDUM


State of Alaska  
Department of Transportation & Public Facilities

TO: Jon Scribner  
Deputy Commissioner  
Southeastern Region  
Department of Transportation  
& Public Facilities

DATE November 2, 1983

FILE NO:

TELEPHONE NO. 465-3900

FROM: Fred J. Seeger   
Deputy Commissioner  
Standards & Statewide Programs  
Department of Transportation  
& Public Facilities

SUBJECT: Special Audit 83-S-10  
Governor's Mansion

Attached for your information and response is a special audit conducted on the Governor's mansion project. Please address comment on the specific contracts addressed and also on the other comments and recommendations listed within report.

Please respond within seven working days as this is a high priority.

Attachment

cc: Daniel A. Casey, Commissioner  
Department of Transportation & Public Facilities

RWJ:smm

CONFIDENTIAL

# MEMORANDUM

State of Alaska  
Department of Transportation & Public Facilities

TO: Fred J. Seeger  
Deputy Commissioner  
Standards & Statewide Programs  
Department of Transportation  
& Public Facilities

DATE: November 7, 1983

FILE NO: 010-1390

TELEPHONE NO: 465-2080

FROM: Robert W. Janes, CPA *RWJ*  
Chief, Internal Review  
Department of Transportation  
& Public Facilities

SUBJECT: Special Request 83-S-10  
Review of Contracts  
Governor's Mansion

Per our conversation and your request on October 28, 1983, I have reviewed the project files both in the Buildings Section in Douglas and the contract files in the Contracts Section at the Glacier Avenue building. I wish to express my appreciation to the staffs of both offices for their assistance in this review. They were very straight forward and made themselves available with necessary documents on short notice. The scope of the review was to examine how contracts were awarded on the Governor's mansion and was limited to three contracts. Rationale for their selection is at Appendix A. The main effort in the review concentrated on three contracts as listed below:

<u>Firm</u>	<u>Contract Amount</u>
Harbor Plumbing and Heating Plumbing, Heating, Electrical Renovation (Construction Contract)	\$1,075,000
Coogan Construction Company Capital Construction Company (Joint Venture) Architectural Renovation (Construction Contract)	\$ 670,000
Vern Akin & Associates Mechanical/Electrical Design (Professional Services Contract)	\$ 60,000

The statutes and policies that apply to the award of these contracts are as follows and copies are attached for your information and reference at Appendix B.

Title 35.15.010 - Public Works - Construction Procedures  
35.15.030 - Public Works - Construction Procedures  
35.25.020 - Public Works - General Provisions  
35.27 - Art Works in Public Buildings  
36.98 - Professional Service Contracts  
37.05.230 - Public Finance - Bids  
Regional Policy and Procedure Memorandum on Advertising from  
Scribner to Directors dated 9/23/82  
Policy & Procedure (P&P) 10-0013 Legal Advertisements -  
Invitation to Bid

**CONFIDENTIAL**

I will address each contract individually and make other comments but because of the limited amount of time we have spent on this review the areas addressed should be considered preliminary, as other information may become available with further research. The following areas on the mansion contracts may concern those outside the Department and expose the Department to criticism.

#### Harbor Plumbing Contract

The contract was advertised in the Empire three times. One firm responded. A time and materials contract was let to the one responding firm, Harbor Plumbing.

Because of the size of the contract and the need to solicit interest from the widest possible area, the department is exposed to the allegation that the contract should have been advertised in more than the Empire and in newspapers of statewide solicitation not restricted to City & Borough of Juneau. This would insure the State would have received bids from all interested firms. The Department may limit solicitation of bids or negotiate directly as per AS 37.05.230 "Competitive Bids", but it must find that this is in the best interests of the State. I did not find where this was sufficiently documented to restrict advertising and bids from only Juneau firms. The newspaper ad stated that work could total \$500,000, but the current contract is for \$1,075,000. Other firms might have been interested if it was known that the contract would be over a million dollars. Other information, as required in Policy & Procedures 10-0013, Advertisement for Bids, is not included in the ad. Principle items of work and project details are only briefly addressed in the ad. There is no reference to project completion dates or notice for certification on hire of minority subcontractors as listed in the P&P format at Appendix C. There is also a question as to whether the contract was for management and coordination or for plumbing, heating and electrical work. The ad states "to provide management and coordination to provide work to renovate the Governor's Mansion plumbing, heating and electrical systems" Appendix C. The standard for advertising professional service contracts, which generally are much smaller dollar contracts, found in AS 36.98.030(a) requires advertising in at least one newspaper of general statewide circulation and one of local circulation which raises the question as to whether the contract was adequately advertised.

#### Coogan/Capital Construction Joint Venture

A project for Governor's Mansion Architectural Renovations was advertised. Five firms responded with questionnaires and bids. Three firms were prequalified and the lowest bid of these three firms was accepted. The two other bids were rejected. This procedure was spelled out in letter to concerned firms.

Because of the importance placed on the solicitation for bids on contracts of this nature in the statutes, the intent is to obtain the largest number of responses to insure the State receives the best possible price and there is open competition. There is also a question as to whether the advertisement contained all items required in Policy and Procedures

**CONFIDENTIAL**

Appendix C as the advertisement used for this contract did not mention project completion dates, principle items of work, or certification on minority subcontractors.

Prequalification is available to the Department under an Attorney General's opinion note to AS 35.15.050 but a "system" must be established. In this instance a method was established for only this contract. The Department has no system of prequalifying contractors for construction contracts that applies to all jobs or even time and materials jobs. In this case a method similar to that of professional services contracts was used which had the effect of restricting competition as two bids were not opened.

#### Vern Akin Contract - Mechanical and Electrical Design

This is a professional services contract for which normal selection procedures were waived by the Commissioner. The waiver contains justification that the Governor has expressed concern as to time required and, to expedite work, a waiver was requested. The mansion has not had any major renovation for many years so using the time constraints as a justification for a waiver appears inappropriate. Also, in the AS 36.98.030, an exemption to advertising for proposals for professional services may be made if the agency demonstrates sole source or there is a determination of public necessity. The definition of public necessity in AS 36.98.080(3) is that "an urgent public need that could not have been anticipated... or... emergency situations where work is necessary to protect life or property. Since neither of these criteria appear to be met, a waiver may have been inappropriate.

#### Other Comments

1. Review of the contract files suggest that because of the time constraints placed on this project, and the lack of a well-defined scope of work cost overruns were incurred. Two of the contracts contained a total of \$35,000 in bonuses for performance by a specific date. The performance dates were not met but, because there was no fault of the contractor, the State will be forced to pay the bonuses anyway. Also, the current cost breakdown for the Harbor Plumbing contract contains \$150,000 for extended work hours due to time constraints (necessity for overtime). Perhaps the Department personnel should have determined the magnitude of the problem earlier on in the project so that potential cost overruns would have been known by top management.
2. Some documents available in files in Douglas were not contained in master files in the Contracts Section. All pertinent documents on selection, advertising, award and amendments should be in the master file as required by Department P&P 10-0012.
3. There may be potential problems with union contracts as the Department may have been able to have some of the work performed by State Local 71 employees.

CONFIDENTIAL

4. Also, we could find no contract as required by AS 35.27.20 for artwork up to 1% of construction cost. (See Appendix E for procedures and statute.)
5. In early May, when the Governor's mansion refurbishing project was first conceived, the Southeastern Region Buildings Division defined some readily-apparent improvements. They were for roof repair, attic insulation, and cleaning and refurbishing exterior stonework and the south-side deck. Local contractors were called, invited to a walk-through on or about 5/5/83, and quotations solicited for cost-plus work. On 5/9/83 a contract was signed with the August Corporation for the roof and attic work and on 5/23/83 another was signed with Rhine Stone and Plastering Company. This course of events did not follow the procedures defined in "Advertising Procedures for State-funded projects under \$100,000", issued by Jon Scribner to Regional Design Directors on 9/23/82 where advertising was to be made even for informal solicitation, Appendix B.
6. In a bid by Harbor Plumbing dated 5/24/83, also for cost-plus, the two contractors noted in 5. above were cited as proposed subcontractors. Harbor's bid was accepted. As a result, for trades contracted for and already on-the-job the State paid Harbor's additional markup (Journeymen Carpenter per hour for the August contract is \$35.20/hour and \$42.06 in the Harbor contract as an example, Appendix D). Five percent markup was also added to subcontractor bills as allowable prime contractor markup. Because of this the state may have been charged excessive profit and overhead and it is conceivable that the State may have paid twice for the same work.
7. Several Equal Employment Opportunity (EEO) forms are required to be part of the contract and also to be submitted during the term of the contract (see Appendix F). Some of the contracts examined in the Contracts Section master file did not contain all documents and some were not completely filled. Examples would be form 25A330A (State EEO Goals and Timetable) missing from Coogan/Capital contract file and incomplete forms 25A321 (Female and Minority Business Contact Reports) for both Coogan/Capital and Harbor Plumbing contracts. Also, I was unable to determine if form CC-257 U.S. Department of Labor, on monthly employment utilization has been submitted as required.

#### Recommendations

1. An Attorney General's opinion should be solicited to clarify intent of the statutes concerning advertisements, bid requirements, and contractor prequalification on Public Works Construction contracts.
2. Departmental procedures should be evaluated and clarified to cover this type of situation and insure that all requirements are documented. Standardized forms should be developed to document such items as informal solicitations with follow-up in writing, telephone conversations with contractors, and administrative procedures for construction contracts. Also, a uniform procedure for handling time and materials contracts should be set up.

CONFIDENTIAL

3. All documents which support a contract should be filed in one location, preferably the Contracts Section master files in Juneau, so that all information is available in one place. At any rate, a standardized system should be established where all supporting documents are filed in one location.

**CONFIDENTIAL**

APPENDIX A

Harbor Plumbing and Heating \$1,075,000

Selected because bids should have been obtained as contract is over \$100,000 as specified in AS 35.15.030 incentive bonus \$20,000 additional.

Coogan/Capital Construction Joint Venture \$670,000

Selected because bids should have been obtained as contract is over \$100,000 as specified in AS 35.15.030 incentive bonus \$15,000 additional.

August Corporation \$90,000

Not examined because contract is under \$100,000.

Rhine Stone and Plastering \$6,000

Not examined because contract is under \$100,000.

*Reported as 6,000 contract won for 14,000 cost*

Vern Akin and Associates \$60,000

Examined because it is a professional services contract originally over \$25,000 and subject to AS 36.98.

*was*

Linn Forrest Architects \$35,000

Originally not over \$25,000 and was not examined.

*was 18,000 now 35,000 cost*

Jerry D. Wood \$35,000

Originally exactly \$25,000 and has had an Ombudsmen examination and was not examined.

*was*

Larry Breeding \$10,200

Not examined as contract is under \$25,000.

Douglas Trucking \$10,000

Not examined because of total dollars.

*subject to supply reqs. cost*

Note: Dollar figures came from copy of memorandum from Don Dieckmeyer, Director of Southeastern Region Design and Construction to Mitchell Abood, Representative, Alaska State Legislature.

October 24, 1983

RE: Governor's Mansion  
Renovations  
Project No. E-79164

Mitchell Abood, Representative  
Alaska Legislative Council  
Pouch V  
Juneau, Alaska 99811

Dear Mr. Abood:

The following is a list of both Construction and Professional Services Contractors and contract amounts for the Governor's Mansion Renovation project:

1. Rhine Stone and Plastering - \$6,000.00. (Porrice Deck Resurfacing)
2. August Corporation - \$90,000.00. (Roof Repair, Attic Insulation, Phase I Work Preparation)
3. Harbor Plumbing & Heating - \$1,075,000.00. (Plumbing, Heating, Electrical, Sprinklers, Fire Alarms, Intrusion Detection, Phone System, etc.)
4. Coogan/Capitol Construction, J.V. - \$670,000.00. (Painting, Patching, Millwork, Tile Work, Carpeting, etc.)
5. ~~Vernon Alin and Associates~~ - \$60,000.00. (Mechanical and Electrical Design)
6. Linn Forrest Architects, A.I.A. - \$35,000.00. (Previous Contract \$10,097.99, Existing Contract \$18,000.00 for Renovation Design Work, \$6,000.00 for Amendment for Addition Design Services)
7. Jerry D. Wood - \$35,000.00. (Construction Management, Professional Service)
8. Larry Breeding - \$10,200.00. (Preliminary Sprinkler Design Work)

Other associated costs for the project are as follows:

1. Douglas Trucking - \$10,000.00. (Storage of Mansion Furnishings, estimate)

Mitchell Abood, Page 2  
Governor's Mansion

- 2. State Administration Cost - \$75,000.00. (Inspection, Design Manager, Advertising, etc.)
- 3. Incentive Bonus - \$35,000.00. (\$20,000.00 Bonus for Harbor Plumbing and Heating, \$15,000.00 Bonus for Coogan/Capitol Construction)

TOTAL \$2,101,200.00 *payment under*

TOTAL Available as per attached  
Project Development Authorization \$2,144,000.00

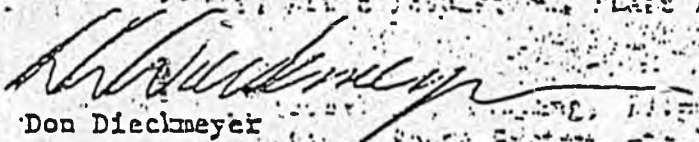
Balance for Unknown Costs \$ 42,800.00

Copies of all Contracts and Project Development Authorizations are included for your review.

This information is submitted pursuant to a request this date by Ms. E. Bales of your staff.

Please contact me if I can provide clarification and/or further information.

Sincerely,



Don Dieckmeyer  
Director  
S. E. Region Design & Construction  
DOT&P

DD:TM:ma

Attachment

# MEMORANDUM

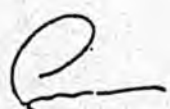
## State of Alaska Department of Transportation & Public Facilities

The File

DATE September 13, 1983

FILE NO. 220E

TELEPHONE NO. 364-4314

Tom Metlicka   
Design Manager  
Buildings Design & Construction  
DOT/PF

SUBJECT: Governor's Mansion  
Renovations  
Project No. 11-79164

It has been determined that the existing budget for Phase I of the Governor's Mansion Renovations cannot be met. The following describes the events involved in this situation and identifies the increased costs relative to the original budget.

The Phase I, mechanical and electrical, work was estimated and then designed by Vernon Akin and Associates. This is a well developed organization that has an excellent reputation for providing work that is accurate and of high quality. We have worked with Vernon on a number of problems concerning this project and as a result have developed a high personal confidence regarding his work. Vernon's estimates for this work was approximately \$600,000.00 and that value was used by the us as the budget amount for this portion of the renovation.

During the week of July 20, 1983, we requested an estimate from the Phase I contractor, Harbor Plumbing and Heating, for the cost of their work. This was required to confirm the original estimate and to force their attention toward coordination of their work. On July 29, 1983, they provided an estimate of \$592,132.00. This compared well with the \$600,000.00 budget and thus further developed our confidence in this phase of the renovation.

Beginning with the billing on August 13, 1983, the billings began to rise in value significantly. We noticed the increase but still felt confident. On August 27, 1983, we received a current billing total of nearly \$600,000.00 (the total budget). We requested a new estimate of the total cost and on September 1, 1983, Harbor provided an estimate of \$966,000.00. They indicated that \$200,000.00 of the \$366,000.00 difference was due to our incorrect interpretation of their July 29, 1983 estimate. They contend that their first estimate was \$592,132.00 plus the \$200,000.00 that they had billed the State to that date. Therefore, their July 29, 1983 estimate was actually \$792,132.00 total. This was not our understanding of the situation.

We discussed this new estimate with Vernon Akin. By comparing the latest Harbor estimate with Vernon's original estimate we found that there were two discrepancies regarding the electrical work. The original estimate for the general electrical work was \$75,000.00. Vernon stated that the normal ratio for mechanical to electrical costs for work of this nature is approximately 2 to 1. He had not reviewed his estimate for this ratio and now agrees that the value for this work should have been at least \$150,000.00. Also, the scope of the original electrical did not include the cost of the telephone, television and fire alarm systems. This work was added to the scope of the

project by us after Vernon's estimate and no addition was made to budget. We estimate the cost of this additional work to be \$85,000.00.

The following itemizes the elements involved in the increases costs and lists an estimate of their additional cost.

<u>ITEM</u>	<u>ADDITIONAL COST</u>
1. The original estimated cost of the electrical work was not correct.	\$ 75,000
2. The original electrical scope did not include the television, telephone and fire alarm systems.	\$ 85,000
3. The original estimate did not include the costs for extended work hours.	\$150,000
4. Standard contingency (10%)	<u>\$ 90,000</u>
TOTAL	\$400,000

These items accurately define the budget discrepancy. We have spent as much time as possible with the workman on this project and are convinced, by personal observation, that their productivity has met or exceeded industry standards.

TM:JH:ma

cc: Jonathan W. Scribner  
Charles S. Matlock  
W. I. DeHoff  
Jerry Wood

constructed or renovated by the state unless a certificate that the facility complies with adopted facility procurement has been issued. (§ 1 ch 216 SLA 1975)

Sec. 35.10.200. Definitions. In AS 35.10.160 — 35.10.200,

(1) "life cycle costs" means analytic techniques which provide data to describe the first cost of procurement of public facilities and the maintenance cost, operation cost and occupancy cost of the facilities;

(2) "policies" includes but is not limited to budget accounting and cost planning techniques, facility design techniques, and contractual techniques for the procurement of labor, materials and contractual services;

(3) Repealed by § 35 ch 168 SLA 1978. (§ 1 ch 216 SLA 1975; am § 35 ch 168 SLA 1978)

Effect of amendment. — The 1978 amendment deleted paragraph (3), which read "public facilities' does not include highways or vessels of the marine highway system."

### Chapter 15. Construction Procedures.

Section	Section
10. Construction by department	80. Local control of state public works projects
20. Request for public bids	90. Use of appropriated funds
30. Advertisement, bids, contracts, and informal bids	100. Responsibility of department
40. Procedures for the award of contracts	110. Title to site and completion of project
50. Award of contracts	120. Definitions
60. [Obsolete]	

Sec. 35.15.010. Construction by department. (a) Except as provided in AS 44.33.300, it shall be the general policy of the department to require the construction of all public works under bid contract. However, when the estimated cost of a construction project is less than \$100,000, or when it appears to be in the best interests of the state, the department may perform the work, notwithstanding any other provisions of law. A complete record shall be kept by the commissioner or his designee of all transactions entered into under this section including names of employees involved in the transactions.

(b) Construction or professional services in connection with the construction of a public work performed by the department under (a) of this section which have an estimated cost exceeding \$5,000 may not be performed by the department unless the commissioner determines, in writing, that the cost to the state will be less than that incurred as a result of a formally advertised or negotiated contract. The determination of the commissioner shall be supported by findings of fact which shall set out enough facts and circumstances to clearly justify the determination. The determinations and findings shall be maintained as a permanent record of the department.

(c) In this section, "professional services" means architectural, engineering, or land surveying services. (§ 1 art III title IV ch 152 SLA 1957; am § 5 ch 277 SLA 1976; am § 1 ch 143 SLA 1977; am § 4 ch 104 SLA 1978)

**Cross reference.** — For provisions requiring consistency with local government plans and ordinances before commencing construction of a public project, see AS 35.30.010 et seq.

**Effect of amendments.** — The 1976 amendment, in present subsection (a), added "Except as provided in AS 44.33.300" to the beginning of the first sentence.

The 1977 amendment, in present

subsection (a), substituted "\$100,000" for "\$20,000" in the second sentence and added the third sentence.

The 1978 amendment added subsections (b) and (c).

**Am. Jur. 2d and C.J.S. references.** — 64 and 65 Am. Jur. 2d, Public Works and Contracts, §§ 105, 119, 211, 229.

72 C.J.S. Supplement, Public Contracts, § 1 et seq.

**Sec. 35.15.020. Request for public bids.** The department may request bids and award contracts for construction work. The department may require the contractor to furnish equipment, labor, materials, and supplies for the project, or it may elect to furnish the materials and supplies. If the department elects to provide materials and supplies for a project, it shall make the election at the time it adopts the construction program. The department shall request bids for the total of the materials and supplies for a project according to the class, type, and nature of the materials and supplies, and may award a contract upon the basis it considers efficient and economical, whether upon the basis of delivery to the construction project directly or to a central storehouse or storehouses maintained by the department. Those materials and supplies so purchased by the department may be delivered to the project site without expense to the contractor, or it may sell them to the contractor at cost and make the materials and supplies a part of the construction cost. (§ 3 art III title IV ch 152 SLA 1957)

**ALR references.** — Right of public authorities to reject all bids for public work or contract, 31 ALR2d 469.

Revocation, prior to execution of formal

written contract, of vote or decision of public body awarding contract to bidder, 3 ALR3d 864.

**Sec. 35.15.030. Advertisement, bids, contracts, and informal bids.** When the estimated cost of any construction under this chapter exceeds \$100,000, the department shall, except as provided in AS 35.15.010 and in AS 44.33.300, proceed to advertise, request bids, and award the contract in the manner provided in §§ 40 and 50 of this chapter. When any proposed construction contract is for a sum less than \$100,000, it is discretionary with the department whether the contract is advertised and awarded in accordance with AS 35.15.040 and 35.15.050. In all events the department shall request informal bids from as many contractors as can be requested conveniently. A complete

record shall be kept by the commissioner or his designee of all transactions entered into under this section including names of employees involved in the transactions. (§ 4 art III title IV ch 152 SLA 1957; am § 31 ch 71 SLA 1972; am § 6 ch 277 SLA 1976; am § 2 ch 143 SLA 1977)

Effect of amendments. — The 1976 amendment inserted "and in AS 44.33.300" in the first sentence.

The 1977 amendment substituted "under this chapter exceeds \$100,000" for "exceeds \$20,000" in the first sentence, substituted "\$100,000" for "\$20,000" in the second sentence, and added the fourth sentence.

Legislative history report. — For report on ch. 71, SLA 1972 (HCSSB 363

am H), see 1972 House Journal, p. 899. Am. Jur. 2d, ALR and C.J.S. references. — 64 Am. Jur. 2d, Public Works and Contracts, §§ 30-59.

Determination of amount involved in contract within statutory provision requiring public contracts involving sums exceeding specified amount to be let to lowest bidder, 53 ALR2d 498.

72 C.J.S. Supplement, Public Contracts, §§ 7-14, 17.

Sec. 35.15.040. Procedures for the award of contracts. (a) If federal funds are used, the award of the contract shall comply with federal law and the rules and regulations promulgated under it and with state law to the extent it is consistent with federal law.

(b) In all other cases, the award of the contract shall comply with this title, and AS 37.05, and the rules and regulations promulgated under them and which are consistent with this title. (§ 5 art III title IV ch 152 SLA 1957)

ALR references. — Validity of governmental requirement of oath of allegiance or loyalty, 16 ALR2d 302.

Construction and operation of "equal

opportunities clause" requiring pledge against racial discrimination in hiring under construction contract, 44 ALR3d 1263.

Sec. 35.15.050. Award of contracts. The department shall award the contract to the lowest responsible bidder, or it may reject all bids. If no satisfactory bid is received, the department may readvertise the project. The department shall make the award in compliance with applicable federal law and the regulations promulgated under it, with this title, and in compliance with AS 37.05, and the rules and regulations promulgated under it, where they are not in conflict with this title and federal law. (§ 6 art III title IV ch 152 SLA 1957)

The purpose of this section and the Fiscal Procedures Act (AS 37.05) is not only to protect the state and the public purse from uneconomic contracts let because of failure to request competitive bids and because of possible favoritism, but also to insure that contractors are insured a certain amount of "fair play" in dealing with the state government and in competing with one another for state contracts. 1959 Op. Atty. Gen., No. 27.

The department has authority to require contractors to set up a system of prequalification of contractors as a prerequisite for bidding on state construction projects. 1959 Op. Atty. Gen., No. 27.

And under such system to require contractors to furnish periodic and financial statement. — 1959 Op. Atty. Gen., No. 27.

recording district. Upon vacating, title reverts to the persons, heirs, successors, or assigns in whom it was vested at the time of the taking. The department may transfer land considered no longer necessary for public works purposes to the Department of Natural Resources for disposal. The proceeds of disposal by the Department of Natural Resources shall be credited to the funds from which the purchase was originally made. (§ 4 art IV title IV ch 152 SLA 1957)

## Chapter 25. General Provisions.

### Section

10. Purpose and intent

20. Definitions

**Sec. 35.25.010. Purpose and intent.** The purpose of AS 35.05, 35.10, 35.15, and 35.20 is to establish a public works department capable of carrying out a public works planning and construction program which will provide public buildings necessary to efficient government, and boat harbors, jetties, dikes and breakwaters necessary to the economy of Alaska communities, all of which is to the advantage and benefit of the general welfare of the public. (§ 2 art I title I ch 152 SLA 1957; am § 32 ch 71 SLA 1972)

**Sec. 35:25.020. Definitions.** In this title, unless the context otherwise requires,

(1) "construction" or any derivative of the term "construction" means construction, reconstruction, alteration, improvement or major repair;

(2) "department" means the Department of Transportation and Public Facilities;

(3) "excess lands" means lands acquired for the state in excess of land required for a public work, when the remaining portion of a parcel or land acquired is left in a shape or condition as to be of little or no value to its owner, or to give rise to claims or litigation concerning severance or other damage;

(4) "maintenance" means the preservation of each type of facility as nearly as possible in its original condition as constructed, or as improved;

(5) "public building" means a building owned or controlled and held by the state for government or public use;

(6) "public works" means all fixed works constructed or maintained by the Department of Transportation and Public Facilities or any of its divisions, and includes but is not limited to work on a public building, boat harbor, jetty, dike, breakwater, or airport. (§ 3 art I title I ch 152 SLA 1957; am §§ 1, 2 ch 122 SLA 1960; am § 1 ch 96 SLA 1962; am Executive Order No. 39, § 11 (1977))

(1) review the register of professional services contractors maintained by the commissioner under AS 36.98.020; and

(2) provide a request for proposals for the proposed professional services contract to each prospective contractor who, after review of the register of professional services contractors under (1) of this subsection, the agency finds is qualified for consideration for the contract.

(c) A request for proposals must be extended to a sufficient number of prospective providers of the required services to assure that public interest in competition is adequately served. Proposals from at least six persons or firms with the required expertise shall be solicited for contracts equal to or greater than \$100,000. Proposals from at least three persons or firms with the required expertise shall be solicited for contracts of less than \$100,000 if the expertise required is available. If the expertise required is not available to enable an agency to solicit the number of proposals otherwise required under this subsection, the agency shall solicit proposals:

(1) from each person or firm listed on the professional services contractors register maintained under AS 36.98.020 who appears to possess the required expertise;

(2) from each person or firm responding to the public notice given under (a) of this section who appears to possess the required expertise.

(d) The provisions of this section do not apply if

(1) the contracting agency demonstrates that there is a single source of the expertise or knowledge required or that one person or firm can clearly perform the required tasks more satisfactorily because of the person's or firm's prior work; however, this exemption applies only if the head of the state agency has submitted a written request to the commissioner that details the reasons for the exemption and the commissioner or deputy commissioner has authorized in writing the state agency to enter contract negotiations with the single source;

(2) the commissioner makes a written determination that public necessity will not permit delay incident to the procedures otherwise required by this chapter; or

(3) the service is to be provided by another state agency, a federal agency, or a political subdivision of the state.

(e) A request for proposals must contain a description of the work to be performed under the contract and the terms under which the work is to be performed. A request for proposals must contain that information necessary for a prospective contractor to submit a response or contain references to any information that cannot reasonably be included with the request. The request for proposals must provide a description of the factors that will be considered by the state agency when it evaluates the proposals received.

(f) Nothing in this section limits the authority of an agency to use additional means that it may consider appropriate to notify prospective

(2) "professional services" means professional, technical, or consultant's services that are predominantly intellectual in character and that

(A) include analysis, evaluation, prediction, planning, or recommendation; and

(B) result in the production of a report or the completion of a task;

(3) "public necessity" means an urgent public need that could not have been anticipated or foreseen; the term also includes emergency situations when work is necessary to protect life or property;

(4) "request for proposals" means a written solicitation for contract proposals by prospective contractors that sets out the nature of the services to be performed or product to be secured with sufficient information for a qualified prospective contractor to prepare a contract proposal for consideration and evaluation by the state agency;

(5) "state agency" means a department, institution, board, commission, division, authority, or other administrative unit of the executive branch of state government, and the University of Alaska. (§ 5 ch 144 SLA 1982)

Sec. 37.05.220. Purchasing agent. The Department of Administration is the purchasing agent for the state. The department shall

- (1) purchase, rent, or otherwise provide for the furnishing of supplies, materials, equipment, or contractual services for all state agencies;
- (2) have power to authorize an agency to purchase directly certain specified supplies, materials, equipment, or contractual services under conditions and procedures prescribed in § 230 of this chapter;
- (3) prescribe the manner in which supplies, materials, and equipment shall be purchased, delivered, stored, and distributed;
- (4) prescribe the time, manner, authentication, and form of making requisitions for supplies, materials, equipment, and contractual services;
- (5) fix standards of quality and quantity and develop standard specifications after consultation with the several state agencies, and approve or determine final specifications;
- (6) have power to transfer to or between agencies or to sell or trade in supplies, materials, and equipment of agencies which are surplus, obsolete, or unused; and the department shall make proper adjustments in the accounts of the agencies concerned;
- (7) prescribe the manner of inspecting deliveries of supplies, materials, and equipment and of making tests of samples submitted with bids and samples of deliveries to determine compliance with specifications;
- (8) prescribe standard forms for bids and contracts for construction, purchases of supplies, and other purposes, which bids and contracts may contain provisions which the department considers necessary; but all contracts for construction shall require the filing of an acceptable performance bond and a penalty provision for failure to perform the contract according to its terms;
- (9) provide for other matters which may be necessary to carry out the provisions of this chapter and the rules and regulations adopted under it. (§ 1 art IV ch 82 SLA 1955; am §§ 6, 7 ch 186 SLA 1957; am § 1 ch 55 SLA 1960)

Am. Jur. and C.J.S. references. — 42  
 Am. Jur., Public Funds, § 1 et seq.  
 81 C.J.S. States §§ 168 to 176.

Sec. 37.05.230. Competitive bids. In the manner provided in this chapter and rules and regulations established under it

- (1) a contract for construction and repairs, or a purchase of and contract for supplies, materials, equipment, and contractual services must be based on competitive bids; an award shall be made to the lowest responsible bidder after advertising for bids, except that (A) Repealed by § 2 ch 92 SLA 1967; (B) a bid shall be awarded to an Alaska bidder if his bid is not more than five per cent higher than the lowest nonresident bidder's; and (C) competitive bids need not be required (.

for contractual services where no competition exists; (ii) for sales involving fair trade items; (iii) when, in the judgment of the purchasing agent, food, clothing, or medical supplies, or materials for use in laboratory and experimental studies may be purchased otherwise to the best advantage of the state; (iv) where rates are fixed by law or ordinance; (v) for items traded in on like items; or (vi) for professional services;

(2) if the amount of the contractual services, purchase, or sale is estimated to exceed \$2,500 sealed bids shall be solicited, when practicable, by publication in a newspaper calculated to reach prospective bidders and by posting notices in public places within the area where the work is to be performed or material furnished and in addition the department may also designate a trade journal for publication; the department shall also solicit bids by sending notices by mail to all active prospective bidders known to it and all bids shall be sealed when received, and shall be opened in public at the hour stated in the notice; the department may negotiate directly if it finds that it is in the best interests of the state;

(3) a contractual service, purchase or sale where the known requirements are estimated to be less than \$2,500 may be made either upon competitive bids in accordance with (2) of this section or in the open market, in the discretion of the department; but, so far as practicable, shall be based on at least three competitive bids and recorded as provided in § 240 of this chapter; small purchases of less than \$300 in the discretion of the department may be made on the open market, and may be by cash payment from petty cash accounts set aside for that purpose; the department shall determine the amount of the petty cash accounts needed by each state agency, and inspect the petty cash accounts at least once each year to determine that the total plus amounts of receipts for unreplenished disbursements is equal to the fixed sum of cash set aside; shortages in petty cash accounts are a personal liability of the responsible head of the agency to whom the account is set aside; the department shall make all necessary rules and regulations governing use and replenishment of petty cash funds;

(4) the provisions of this section relative to competitive bids do not apply to contracts for the operation of transportation systems for students to and from the schools within the state, as are authorized under AS 14.10.070; and these contracts may be awarded by bid or negotiation and, at the discretion of the Board of Education, may be awarded for periods of three years or less;

(5) an "Alaska bidder," for the purpose of bid awards under (1) (B) of this section, is a person who

(A) holds a current Alaska business license,

(B) submits a bid for goods or services under the name as appearing on his current Alaska business license,

(C) has maintained a place of business within the state for a period of six months immediately preceding the date of his bid.

(6) the competitive bid requirements of this section do not apply to air taxi services used by state employees when no formal contract is executed; the department affected shall pay the air taxi operator the tariff rates as published by him with the Air Transportation Commission for the type of aircraft required; the tariffs need not be uniform throughout the state and may reflect the diverse conditions of various areas of the state; the air taxi service used in each case shall be selected by the state employee who is to fly in the aircraft, or if more than one state employee is flying in the aircraft by the employee in charge; in all cases the air taxi operator shall have complied with AS 02.05.010 — 02.05.260 and other prequalifying regulations established by the department.

(7) the provisions of this section relative to an "Alaska bidder" do not apply to contracts estimated to exceed \$5,000, of either the Department of Transportation and Public Facilities, which are authorized under AS 35.15, or the Department of Highways, which are authorized under AS 19.10.

(8) the provisions of this section relative to competitive bids do not apply to the purchase of products or services manufactured or provided by a sheltered workshop. (§ 3 art IV ch 82 SLA 1955; am §§ 8 — 10, 23 ch 186 SLA 1957; am § 1 ch 77 SLA 1959; am § 1 ch 158 SLA 1962; am § 1 ch 82 SLA 1964; am §§ 1, 2 ch 92 SLA 1967; am § 1 ch 61 SLA 1970; am § 1 ch 92 SLA 1975; am §§ 1, 2 ch 194 SLA 1975)

**Cross reference.** — As to preference of producers or dealers in Alaska in making purchases or awarding contracts for supplies, see AS 36.20.010.

**Effect of amendments.** — The first 1975 amendment added paragraph (8).

The second 1975 amendment substituted "\$2,500" for "\$1,000" near the beginning of paragraphs (2) and (3) and substituted "\$300" for "\$100" near the middle of paragraph (3).

**Editor's note.** — AS 14.10.070, referred to in paragraph (4), was repealed by § 59, ch. 98, SLA 1966.

Pursuant to Executive Order No. 39 (1977), the reference to the Department of Transportation and Public Facilities has been substituted for a reference to the Department of Public Works in paragraph (7).

**Legislative committee reports.** — For report on 1962 amendment, see 1962 House Journal, pages 591, 592. For report on ch. 194, SLA 1975 (SB 279 am), see 1975 House Journal, p. 1541.

The purpose of this chapter was not only to protect the state and the public purse

from uneconomic contracts let because of failure to request competitive bids and because of possible favoritism, but was also to insure that contractors would be insured a certain amount of "fair play" in dealing with the state government and in competing with one another for state contracts. 1959 Op. Att'y Gen., No. 27.

**Preparation of regulations as prerequisite for bidding.** — For an opinion of the attorney general as to the preparation of regulations to be submitted to the secretary of state pertaining to the prequalification of contractors as a prerequisite for bidding on construction projects, see 1959 Op. Att'y Gen., No. 27.

**And filing thereof.** — For an opinion of the attorney general as to filing regulations pertaining to the prequalification of contractors as a prerequisite for bidding on construction projects, see 1959 Op. Att'y Gen., No. 27.

**Publication of regulations concerning bidding and letting of contracts.** — See same catchline in note to AS 37.05.020.

**Bids required for exclusive lease or franchise.** — The state cannot grant an

# MEMORANDUM

State of Alaska  
Department of Transportation & Public Facilities

Regional Design & Construction  
Directors

DATE September 23, 1982

FILE NO

TELEPHONE NO 465-3905

Jon Scribner, Acting  
Deputy Commissioner  
Design & Construction  
DOT/PF

SUBJECT Advertising Procedures  
for State Funded Projects  
under \$100,000

*9/23/82*

As discussed at the September 15, 1982 Director's Meeting, there is a need for an abbreviated advertising procedure in certain instances on smaller State funded projects. The need for an informal bid process was also discussed.

The procedures outlined below have been developed to address these needs and are effective immediately. They will be incorporated into P & P 70-7001 as soon as possible.

A. Reduced advertising requirements for State-funded projects under \$100,000.

1. Normal procedures will be adhered to except that in an emergency or if the public interest can be clearly shown in writing, the following will be used with prior approval of the Deputy Commissioner:

- a. Inform Claims & Bids and jointly set bid opening date.
- b. Advertise in local paper.
- c. Call potential contractors as appropriate.
- d. Bid opening by Deputy Commissioner, unless prior authorization from Deputy Commissioner.
- e. Claims & Bids to inform Region immediately of bid results.
- f. Region to assure funding availability and concur in ITA.
- g. Claims & Bids to immediately send ITA via phone, telegram and/or teletype and follow-up with formal letter.

*Point - notes that informal bids are allowed in emergency - but not a fact that is*  
*per [unclear] 9/24/82*

STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES <b>POLICY AND PROCEDURES</b>		P & P No. 70-7001	Page 1 OF 4
SUBJECT Final P. S. & E. & Advertising Procedures		Effective Date January 14, 1983	
		Supersedes P & P No. 70-7001	Dated May 14 1982
DIVISION Standards & Technical Services	SECTION Specifications	CHAPTER TITLE Policy	

**PURPOSE:** To establish a procedure for preparing final plans and specifications and advertising projects.

**POLICY:** It is the policy of the Department to prepare and advertise for bidding all construction plans and specifications in a uniform manner consistent with Federal and State Statutes and regulations.

**DISTRIBUTION:** All Manual holders and all Regional Directors and Section Supervisors in the Design and Construction unit. This Policy and Procedure applies only to the Design and Construction unit.

**PROCEDURES:**

**A. Requirements for final P.S. & E. approval.**

No project shall be approved for final P.S. & E. or receive authority to advertise until:

1. All rights-of-way, construction easements, material sources, railroad agreements and royalty agreements are acquired or executed;
2. all utility agreements and reimbursable service agreements are executed, except 100% state funded projects may be advertised prior to the execution of utility agreements if a firm estimate of the utility relocation costs is available;
3. all required Federal (Bureau of Land Management, Forest Service, Fish and Wildlife Service, Park Service) permits, approval and/or agreements are executed. (Corps of Engineers and Coast Guard permits should also be obtained prior to advertising, however, when their approval is imminent, a project may proceed provided these approvals are obtained prior to award);
4. all required State of Alaska (Department of Fish and Game, Department of Environmental Conservation, Department of Natural Resources, Division of Parks and/or Division of Forest, Land and Water Management, and Department of Public Safety, Division of Fire Prevention) permits, approvals and/or agreements are executed; and
5. written certification that all approvals and clearances have been obtained and all rights-of-way certified. (See Attachment A for suggested format.)

STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES <b>POLICY AND PROCEDURES</b>		P & P No. 70-7001	Page 2 OF 4
		Effective Date Jan. 14, 1983	
SUBJECT  Final P. S. & E. & Advertising Procedures		Supersedes P & P No. 70-7001	Dated May 14, 1982
		APPROVED <i>Tom Bled</i>	
CIVISION Standards & Technical Services	SECTION Specifications	CHAPTER TITLE Policy	

B. Final P. S. & E. Assemblies

Final P. S. & E. Assemblies shall consist of:

1. Final Plans, signed and sealed (Except design/build projects);
2. Contract document assembly;
3. Final estimate, complete with any required back-up (Final engineering estimates on Federal-aid highway projects shall be coded in accordance with instructions shown in FHWA Order 4500.2, Attachment B);
4. Documentation as to the disposition of any written comments or recommendations made by reviewers;
5. A statement as to the status or disposition of all required permits, clearances and agreements; and
6. A letter requesting advertising approval (See Attachment A).

C. Advertising

1. The minimum advertising period for projects shall be twenty-one (21) days except as noted in paragraph F and G. Major projects should be advertised for longer periods, commensurate with the size and complexity of the project.
2. Projects shall be advertised in three consecutive weekday issues in newspapers in Anchorage, Fairbanks and Juneau, local papers where available, the Tundra Times and the All Alaska Weekly. Large projects should also be advertised in the northwest regional construction trade papers.
3. Advertising shall comply with the format example in P & P 10-0013, May 23, 1979.
4. Prior to advertising, regions shall coordinate with the Chief of Claims and Bidding to jointly set the bid opening to prevent the overloading of any particular bid opening.

D. Addenda

1. If modifications are required to those bidding documents which must be submitted at bid opening (proposal, bid schedule and form 25A326), the modified bidding documents shall be mailed out as replacement documents.

STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES <b>POLICY AND PROCEDURES</b>		P & P No. 70-7001	Page 3 OF 4
		Effective Date 1/14/83	
SUBJECT  Final P. S. & E. & Advertising Procedures		Supersedes P & P No. 70-7001	Dated May 14, 1982
		APPROVED BY <i>[Signature]</i>	
DIVISION Standards & Technical Services	SECTION Specifications	CHAPTER TITLE Policy	
<p>2. Addenda and notices which require mailing shall be mailed a minimum of thirteen (13) days prior to the scheduled bid opening date.</p> <p>3. Telegraphic addenda shall be sent a minimum of forty-eight (48) hours prior to the scheduled hour of bid openings.</p> <p>4. Attachments to addenda shall be identified by addendum number and attachment number in the top right hand corner of each page.</p> <p>E. Informal Bids (Optional at the discretion of the Regional D &amp; C Director, for State-funded projects with an estimated cost of less than \$20,000).</p> <p>1. Region calls as many potential bidders as convenient including appropriate MBE firms, and invites them to submit a bid.</p> <p>2. Bids are opened by the Regional Director of D &amp; C or his designee.</p> <p>3. Region issues the bid tabs, letter of intent (copies sent to Claims &amp; Bidding).</p> <p>4. Region issues letter of award signed by the Regional Director of D &amp; C and conforms contract. The original is sent to Claims and Bidding who will forward it to Contracts Administration in the Support Service Division, along with a list of all employees involved in the transaction as required by AS 35.15.030.</p> <p>5. No bonding will be required.</p> <p>F. Written exceptions to the provisions of this procedure may be granted by the approving authority.</p> <p>1. For the purposes of this document "approving authority" is that authority delegated by P &amp; P 10-0017 for "Authority to Advertise."</p> <p>2. Exceptions to the requirements of Section A-1, A-2, A-3, A-4 and C-1 require the prior approval of the Federal Highway Administration for Federal-aid highway projects.</p> <p>3. If an emergency exists or if a public interest finding can clearly be shown in writing, the reduced advertising requirements listed in paragraph G may be followed with prior approval of the Deputy Commissioner for Design &amp; Construction. These reduced requirements apply only to State funded projects estimated to cost less than \$100,000.</p>			

STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES <b>POLICY AND PROCEDURES</b>		P & P No. 70-7001	Page 4 OF 4
		Effective Date 1/14/83	
SUBJECT Final P. S. & E. & Advertising Procedures		Superseded P & P No. 70-7001	Dated May 14, 1982
		APPROVED BY <i>L. B. L.</i>	
DIVISION Standards & Technical Services	SECTION Specifications	CHAPTER TITLE Policy	

G. Reduced advertising requirements for State-funded projects under \$100,000 (as allowed by Section F-3).

1. Region informs Claims & Bidding and jointly sets bid opening date. Advertising period to be commensurate with urgency of project.
2. Region advertises in local paper.
3. Region calls as many potential bidders as convenient including appropriate MBE firms, and invites them to submit a bid.
4. Bids opened by Deputy Commissioner of D & C, unless delegated to another official.
5. Claims and Bidding informs Region immediately of bid results.
6. Region assures funding availability and concurs in Intent to Award.
7. Claims and Bidding immediately sends Intent to Award via phone, telegram and/or telecopy and follows up with formal letter.
8. Contractor forwards completed forms directly to Claims & Bidding (via courier, if necessary). Forms available to the contractor from Regions.
9. Claims & Bidding assures documents are in order, immediately has Deputy Commissioner execute contract and advises Region and contractor by phone or other appropriate means.
10. Region conforms the contract and sends the original to Claims and Bidding, who will forward it to Contracts Administration in the Support Services Division. A list of all employees involved in the transaction must accompany the original, as required by AS 35.10.030.

STATE OF ALASKA DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES <b>POLICY AND PROCEDURES</b>		P & P No. 10-0013	Page 1 OF 2
		Effective Date May 23, 1979	
SUBJECT  LEGAL ADVERTISEMENTS - INVITATION TO BID		Supersedes P & P No. DFW 1003-15	Dated 7-20-72
		APPROVED BY <i>Robert H. Wood</i>	
DIVISION Commissioner	SECTION Commissioner's Office	CHAPTER TITLE Policy	

Purpose:

To prescribe a format for uniform publications of advertisements to bid.

Policy:

It shall be the policy of this department to use a standard signature format in requesting invitations to bid on projects.

Distribution:

To all Policy and Procedures Manual holders.

INTERNAL REVIEW OCT. 31 1983

Procedure:

Preparation of an Invitation to Bid shall be prepared on Form 02-901 and conform to the sample provided on page 2. In referring to the sample the items that are underlined will change from job to job, but the other items should be uniform throughout the department and provide for a standard signature for all divisions.



# ADVERTISING ORDER

## NOTICE TO PUBLISHER

INVOICE MUST BE IN TRIPPLICATE SHOWING ADVERTISING ORDER NO., CERTIFIED AFFIDAVIT OF PUBLICATION (PART 2 OF THIS FORM) WITH ATTACHED COPY OF ADVERTISEMENT MUST BE SUBMITTED WITH INVOICE.

U.S. DEPARTMENT

DEPT. NO. A.O. NO.

A0- 25 470164

VENDOR NO. DATE OF A.O.  
June 27, 1983

DATES ADVERTISEMENT REQUIRED: LEGAL CLASSIFIED A  
6/27, 28 and 29, or next three consecutive week days.

THE MATERIAL BETWEEN THE DOUBLE LINES MUST BE PRINTED IN ITS ENTIRETY ON THE DATES SHOWN.

BILLING ADDRESS: DOT/PF  
Accounts Payable  
P.O. Box 3-1000  
Juneau, Alaska 99802

JUNEAU EMPIRE  
235 Second Street  
Juneau, Alaska 99801

Department of Transportation  
SE Region, Technical Services  
P.O. Box 1467  
Juneau, Alaska 99802

ADVERTISEMENT

STATE OF ALASKA

SEE ATTACHMENT

Same sent to the following:

- Anchorage Daily News
- Daily Journal of Commerce (Portland)
- Daily Journal of Commerce (Seattle)
- Daily Sitka Sentinel
- Fairbanks Daily News-Miner
- Ketchikan Daily News

*25 D 7*

*proof of advertising on projects - note one week advert. time bills 7 consecutive*

CLPT.	DIV. & FFCG.	FUNCT. TION	SUB FUNCT. TION	OBJECT RECEIPT	WHY. FUNCT.	PROJECT LEDGER	PER CENT OR ITEM NO.
29	01	3	020	325	435	879104	

TO BE COMPLETED BY ORDERING DEPARTMENT

PAGE NO. OF 5

REQUISITIONED BY

DIVISIONAL APPROVAL  
DATE ENTERED

CERTIFY THAT THE UN-  
RED BALANCE IN THE  
APP. IATION CITED HEREON IS  
SUFFICIENT TO COVER THIS PUR-  
CHASE AND THAT THIS PURCHASE  
IS AUTHORIZED HERUNDER.

CERTIFYING OFFICER  
VOUCHER NUMBER

1005107

CONTRACTOR SELECTION

The State of Alaska, Department of Transportation and Public Facilities is soliciting "Expression of Interest Questionnaires" from interested General Contractors for architectural renovation work located in the Governor's Mansion in Juneau, Alaska.

Work will consist of fine cabinet work, custom tile work, hard wood floor reconstruction and refinishing, painting, papering and trim work, etc. The Governor's Mansion is listed on the State Historical Record and the Contractor will be required to work under strict restrictions.

Expression of Interest Questionnaires can be obtained from:

Tom Metlicka, Design Manager (Chairman)

State of Alaska

Department of Transportation and Public Facilities

Building Section

P. O. Box 1467

Juneau, Alaska 99802 or phone (907) 364-4314

AND WILL BE AVAILABLE June 28, 1983

Completed "Expression of Interest Questionnaires" must be returned to Tom Metlicka at the above address by 2:00 p.m., July 8, 1983, to be used by committee for rating.

It is anticipated that the top ranking contractor will be invited to submit a bid for a time and materials contract with the State of Alaska to perform the work.

The highest emphasis will be placed on the proposed contractors previous experience in renovation work and ability to work under very tight job completion restraints.

com

## Public Notice

### STATE OF ALASKA

The State of Alaska, Department of Transportation and Public Facilities, is soliciting offers for Mechanical/Plumbing Construction, located in Juneau, to provide maintenance and renovations to provide work to renovate the Governor's Museum plumbing, heating and electrical systems.

Interested Contractors will be required to fill out a Pre-Qualification Questionnaire prior to bidding. The Pre-Qualification Questionnaire's will be evaluated and rated by a committee with the top three (3) competing in actual bidding.

Pre-Qualification Questionnaires and Project Outline Specifications can be obtained from: Department of Transportation & Public Facilities, 1110 Airport, Building Services, P.O. Box 1467, Juneau, Alaska 99801. Alaska: Tom M. Riddell, Phone: 584-4311.

The deadline for Pre-Qualification Questionnaires to be returned to the above address will be 2:00 P.M. May 21, 1984.

This project is limited to firms located in Alaska & Borough of Juneau.

Estimate's estimate is within \$200,000.00.

Publication: May 1, 1, 1984

30042

Appendix D

ALTERATIONS. The following changes were made in this contract before it was signed by the parties hereto:

Time + Materials + Profit

- 1. Journeyman Carpenter \$35.20 m/h
- 2. Roofer 35.35 m/h
- 3. General Labor 34.47 m/h
- 4. Materials + 5%
- 5. Profit @ 15%
- 6. \$90,000 maximum
- 7. Payment by submission of Invoice
- 8. Project will commence immediately upon Purchase Order or Notice to Proceed.

In witness whereof, the parties hereto have executed this contract as of the date entered on the first page hereof.

STATE OF ALASKA ..... CONTRACTOR

BY Charles E. Matoski August Corporation  
(Name of Contractor)

Director, S.E. Region BY [Signature]  
(Official title) (Signature)  
Design & Construction  
Owner & President  
(Title)

INSTRUCTIONS

- 1. This form shall be used, as required by State regulations, for contracts for the construction, alteration, or repair of public buildings or works.
- 2. The full name and business address of the Contractor must be inserted in the space provided on the face of the form. The Contractor shall sign in the space provided above with his usual signature and typewrite or print name under all signatures to the contract and bonds.
- 3. An officer of a corporation, a member of a partnership, or an agent signing for the Contractor shall place his signature and title after the word "By" under the name of the Contractor. A contract executed by an attorney or agent on behalf of the Contractor shall be accompanied by two authenticated copies of his power of

# HARBOR PLUMBING & HEATING

P. O. BOX 2117 - 10 1/2 MILE GLACIER HWY. - JUNEAU, AK 99803 - (907) 789-7222

May 24, 1983

Alaska Dept. of Transportation & Public Facilities

RE: Governor's Mansion Remodel

Project # H-79164

Following are the proposed wages and charge out times that will be applicable to any work performed by the various trades involved in the proposed project.

Plumbers; Supt. \$58.50 per hr.

Journeyman \$50.00 hr

Foreman \$54.50 per hr

Apprentice-\$35.00 hr.

Sheetmetal : Foreman-\$58.54 hr.

Journeyman-\$53.21 hr

Electrician; Foreman-\$54.00 hr

Journeyman-\$50.00 hr

Apprentice-\$40.00 hr

Sprinkler: Foreman-\$60.00 hr.

Journeyman-\$58.25 hr.

Painter;-\$43.93 hr

Laborer;-\$39.64 hr.

Linoleum Installer;-\$41.98 hr.

Insulators:Foreman-\$68.64 hr.1

Journeyman-\$64.81 hr.

Control Fitter-\$56.91 hr.

Plasterer: Foreman-\$55.00 hr.

Journeyman-\$53.00 hr.

Hod Carrier-\$50.00 hr

Carpenter:Foreman-\$46.23 hr.

Journeyman-\$42.06 hr

Installer-\$41.98 hr.

Roofer;-\$41.57 hr.

Any and all wage increases incurred during the duration of the job will be added to the quoted prices. All overtime will be billed according to established contracts.

Harbor Plumbing & Heating will add 5% to all subcontractor bills as an allowable contractor mark up.

Effect of amendment. — The 1977 "Department of Public Works" in amendment substituted "Department of Transportation and Public Facilities" for paragraphs (2) and (6).

## Chapter 27. Art Works in Public Buildings and Facilities.

### Section

- 10. Purpose
- 20. Art requirements for public buildings and facilities
- 30. Definitions

Sec. 35.27.010. Purpose. The state recognizes its responsibility to foster culture and the arts and the necessity for the viable development of its artists and craftsmen. The legislature declares it to be a state policy that a portion of appropriations for capital expenditures be set aside for the acquisition of works of art to be used for state buildings and other public facilities. (1 ch 54 SLA 1975)

Legislative history report. — For (Finance)), see 1975 Senate Journal, p. report on ch. 54, SLA 1975 (CSHB 133 939.

Sec. 35.27.020. Art requirements for public buildings and facilities.

(a) A building or facility constructed after June 30, 1975, or remodeled or renovated after June 30, 1975, shall include works of art, including but not limited to sculptures, paintings, murals or objects relating to Native art.

(b) The department, before preparing plans and specifications for buildings and facilities, shall consult with the Alaska State Council on the Arts regarding the desirability of inclusion of works of art.

(c) At least one percent or, in the case of a rural school facility, at least one-half of one percent of the construction cost of a building or facility approved for construction by the legislature after September 1, 1977, will be reserved for the following purposes: the design, construction, mounting and administration of works of art in a school, office building, court building, vessel of the marine highway system, or other building or facility which is subject to substantial public use.

(d) A building or facility with an estimated construction cost of less than \$250,000 is exempt from the requirements of this chapter unless inclusion of works of art in the design and construction of the building or facility is specifically authorized by the department.

(e) The artist who executes these works of art shall be selected by the architect for the department with the approval of the department, after consultation with the Alaska State Council on the Arts and the principal user of the public buildings or facilities.

(f) The artist who executes these works of art in the public schools shall be selected by the superintendent of a school district in which a public school is to be built with the approval of the school board. Should the department find in the best interest of the state that the selection of the artist who executes these works of art by the superintendent may result in a cost overrun to the state or delay of construction, the department shall make the selection of the artist in consultation with the superintendent.

(g) The architect, superintendent, department, and the Alaska State Council on the Arts shall encourage the use of state cultural resources in these art works and the selection of Alaska resident artists for the commission of these art works. (§ 1 ch 54 SLA 1975; am §§ 1, 2 ch '96 SLA 1977; am §§ 1 — 4 ch 176 SLA 1980)

**Cross reference.** — For the responsibilities of the Alaska State Council on the Arts in the management of the Art in Public Places Fund, see AS 44.27.060.

**Effect of amendments.** — The 1977 amendment substituted "or, in the case of a rural school facility, at least one-half of one percent of the construction cost" for "of the overall construction cost" in subsection (c) and added subsections (f) and (g).

The - 1980 amendment rewrote

subsections (a) and (d), substituted "buildings" for "public works" in subsection (b), and in subsection (c), substituted "September 1, 1977" for "the enactment date of this chapter," "a school, office building, court building, vessel of the marine highway system, or other" for "the public," deleted "public" preceding "facility" near the end of the subsection, and added "which is subject to substantial public use" at the end of the subsection.

**Sec. 35.27.030. Definitions.** In this chapter

(1) "department" means the Department of Transportation and Public Facilities;

(2) "building" or "facility" means a permanent improvement constructed by the department; the term

(A) includes, but is not limited to,

(i) schools, office buildings, and court buildings;

(ii) other buildings which the commissioner determines are designed for substantial public use;

(iii) boats and vessels of the marine highway system;

(iv) transportation facilities which accommodate traveling passengers;

(B) excludes other transportation facilities

(3) "construction cost" is that cost expended for the actual construction of the facility, exclusive of the costs of land acquisition, site investigation, design services, administrative costs, equipment purchases and any other costs not specifically incurred within the construction contract or contracts awarded for the construction of the facility.

(4) "commissioner" means the commissioner of transportation and public facilities. (§ 1 ch 54 SLA 1975; am §§ 3, 4 ch 96 SLA 1977; am Executive Order No. 39, § 11 (1977); am §§ 5, 6 ch 176 SLA 1980)

## SECTION 13 - ARTWORK FOR PUBLIC BUILDINGS AND FACILITIES

NOTE: The following section is based on DOT/PF Policy and Procedure #28-8002 entitled "Procurement of Artwork for Public Buildings and Facilities". Copies of this Policy and Procedure are available upon request.

### 13.0 PURPOSE

13.0.1 To promulgate standard departmental procedures for the selection of Artists and Artwork for public buildings and facilities.

### 13.2 POLICY

13.2.1 To select Artists and Artwork for public buildings and facilities in an objective manner resulting in the acquisition of Artwork consistent with A.S. 35.27, and 44.27.

### 13.3 DISTRIBUTION

13.3.1 All holders of the Policy and Procedures Manual and the Alaska State Council on the Arts (ASCA).

### 13.4 DEFINITIONS

13.4.1 Artwork - All original forms of visual art objects created by an Artist which may include paintings, drawings, ceramics, fiberwork, sculpture, graphics (not signage), murals, photographs, metalwork, mixed media work, limited edition original prints (not reproductions) and Native crafts objects.

13.4.2 Artist - A practitioner in the visual arts, generally recognized by critics and peers. A project Architect or member of the Architect's firm will not be considered an eligible artist.

13.4.3 Agreement - A legal document that prescribes legal, regulatory and administrative provisions affecting the rights and obligations of the parties and the work or services (eg Artwork) to be provided.

13.4.4 Architect - The project designer engaged by DOT/PF.

13.4.5 Project Manager - DOT/PF representative and Artist's primary point of contact with DOT/PF.

13.4.6 Client Agency - The Department, Division, School District, Municipality, etc., that generated the project for which funds are designated for Artwork.

13.4.7 Construction Cost - The cost of building or facility construction approved by the State legislature, exclusive of the cost of land acquisition, site investigation, design services, administration, equipment and any other costs not specifically incurred within