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Ald. Michael Murphy  
Ald. Willie L. Hines, Jr.  
Ald. Robert J. Bauman  
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## Audit Shows Misrepresentation, Lack Of Manager Fueled Cost Increase On Canal Street Project

Despite consistent reassurances that rebuilding Canal Street between 6<sup>th</sup> and 25<sup>th</sup> Streets in the Menomonee Valley would cost \$20 million, city Department of Public Works officials knew the project would probably end up costing closer to \$40 million or more, but didn't tell that to members of the Common Council, according to an audit conducted by the city Comptroller's Office.

Requested in 2005 by Ald. Michael J. Murphy, chair of the Council's Finance and Personnel Committee, the audit details "glaring misrepresentations" of the project's costs by DPW officials, and billowing costs made possible by insufficient and ill-structured cost estimating and construction accounting procedures for major projects. The total bill for the project to reconstruct and improve the city's primary roadway through the Menomonee Valley has come to more than \$52 million -- a matter of public record that was reported in the *Milwaukee Journal Sentinel* in late 2005.

The audit – conducted over the course of more than 18 months by Comptroller W. Martin "Wally" Morics and Sage Consulting Group of Denver – was released today.

Ald. Murphy said the audit found no evidence of fraud or wasteful spending, and indicated that with minor exception, the costs of the Canal Street project were reasonable and the work added real value to the city.

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## **Canal Street Audit/ADD ONE**

However, the audit provides troubling evidence that DPW officials did not accurately detail the project's ballooning costs to Council members, for instance not disclosing internal estimates showing total costs at nearly \$40 million, or almost double the original cost estimate. "As Council members we make decisions based on the information we receive from city departments, and if that information is misrepresented to us, then we have a fatal flaw in the system," said Ald. Murphy, who said he supports full implementation of the audit's recommendations to prevent a reoccurrence of the Canal Street debacle, and insisted that many of those recommended changes be incorporated as part of the City Hall restoration project.

"So far those changes have helped ensure that the City Hall restoration project is on schedule and on budget," Ald. Murphy said.

Common Council President Willie L. Hines, Jr. said the audit report also details the negative ripple effects the burgeoning Canal Street project has had on other city public works projects. He said the Canal Street project acted as "a giant sponge" that pulled some \$25 million in DPW infrastructure funds away from at least nine other budgeted projects. Those projects – including bridge repairs, sewer work and paving projects – were delayed because of the exploding Canal Street costs.

"Clearly, the lack of accurate project oversight and cost management has cost the city dearly. Appropriate steps and actions must be taken to prevent this from ever happening again," said Ald. Hines.

"Individuals must also be held accountable for the lack of oversight and poor cost estimating and management," he said.

The report also faults the city for not having a primary project manager on the Canal Street project, said Ald. Robert J. Bauman, chair of the Council's Public Works Committee. "A project manager is critical because he could play a central role in more closely tracking costs, planning for contingencies that may arise, and acting as a liaison or primary contact for Council members who have questions about the project," he said.