

NASHVILLE B SUBSTRUCTURE REPAIRS PROJECT

THE PORT OF NEW ORLEANS

RESPONSE TO A REQUEST FROM THE JOINT
LEGISLATIVE COMMITTEE ON THE BUDGET

PERFORMANCE AUDIT SERVICES

Informational Brief
Issued April 16, 2025

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April 16, 2025

The Honorable J. Cameron Henry, Jr.,
President of the Senate
The Honorable Phillip R. Devillier,
Speaker of the House of Representatives

Dear Senator Henry and Representative Devillier:

This informational brief provides information related to the change order for the Port of New Orleans' (Port NOLA) Nashville B Substructure Repairs Project. During the March 20, 2025 Joint Legislative Committee on the Budget meeting, we were asked to provide information related to the change order for this project. This brief is intended to provide timely information related to an area of interest to the legislature or based on a legislative request. I hope this brief will benefit you in your legislative decision-making process.

We would like to express our appreciation to Port NOLA and its contractors for their assistance during this review.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA
Legislative Auditor

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PORTNOLA



Informational Brief

Nashville B Substructure Repairs Project

Port NOLA – Response to a Request from the Joint Legislative Committee on the Budget

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Audit Control# 40250010
Performance Audit Services · April 2025

Background

The Napoleon Avenue Container Crane Expansion Project is estimated to cost approximately \$120.0 million, with the goal of capturing more container trade by retrofitting the existing wharf to accommodate larger container vessels at the Port of New Orleans (Port NOLA), extending crane rails,¹ purchasing four cranes, and deepening channels.² The Louisiana Legislature appropriated \$28.1 million capital outlay funding and \$15.0 million Port Priority Program funding for the project. The remaining costs were covered by Port NOLA's self-generated funds. Exhibit 1 provides a picture of the Expansion Project.

The Nashville B substructure repairs were part of the Napoleon Avenue Container Crane Expansion Project and consisted of repairing steel piles and substructure-related

Scope of Work Nashville B Substructure Repairs Construction Contract

1. Excavation around the piles within the scope where the mudline is above the repair elevation.
2. Mechanical removal of rust, paint, marine growth, and debris from the piles.
3. Installation of High Density Polyethylene (HDPE) sleeves around selected piles.
4. Applying new coating to sheet pile wall.

Source: Port NOLA contract for construction.



¹ Port cranes move on rails.

² Container terminals have come to dominate the port terminal landscape because of the large variety of goods that can be carried in containers. They are capital intensive and require a large footprint due to container storage requirements. Port NOLA is currently Louisiana's only international container port.

work to help prevent deterioration beneath a portion of the Nashville Wharf B on the Mississippi River, as shown in Exhibit 2.



These steel piles support Nashville Wharf B, which holds cranes, rail tracks, and other equipment to help with the offloading and loading of shipping containers at Port NOLA. To complete this work, Port NOLA signed multiple contracts relevant to this substructure repairs project, as shown in Exhibit 3. This project has a total cost of approximately \$6.7 million as of April 8, 2025, which includes \$1.2 million from a change order request.

Exhibit 3 Port NOLA Nashville B Substructure Repairs Costs As of April 8, 2025		
Contracted Services	Description of Services	Contract Amount
Project Design	To identify piles not yet tested for current remaining steel thickness with ultrasonic testing, engineering design for the repairs to deteriorated pipe piles and sheet pile. Construction document preparation, which includes specifications, drawings, cost estimates, bid phase support, and construction support.	\$160,249.51
Construction	To complete all work under this agreement on or before the dates as therein set forth. The work consists of furnishing all labor, material, and equipment for repair of steel pipe piles, steel sheet piles, excavation, and backfill as per the drawings and specifications provided in the bid document.	6,351,247.80*
Construction Management	To perform construction management and resident inspection per base contract as directed by Port NOLA.	145,845.20
Total		\$6,657,342.51
*Includes change order amount of \$1,156,931.22. Source: Prepared by legislative auditor's staff using information provided by Port NOLA.		

During the March 20, 2025 Joint Legislative Committee on the Budget meeting, we were asked to provide information related to the change order for Port NOLA's Nashville B Substructure Repairs Project. This change order was \$1.2 million, which is 22.3% of the \$5.2 million construction contract. To conduct this work, we reviewed documentation relevant to the project, such as capital outlay requests, contracts, bidding documents, construction inspections, billing, and communication. We also met with representatives from Port NOLA, contracted project designer, construction contractor, and contracted construction management services.

Informational briefs are intended to provide more timely information than standards-based performance audits. While these informational briefs do not follow all *Government Auditing Standards*, we conduct quality assurance activities to ensure the information presented is accurate. We provided a draft of the report to Port NOLA and incorporated its feedback throughout this informational brief.

What We Found

Question 1: Why did the construction contract need a change order?

While the scope of work was accurate in the construction contract, the cost was inaccurate because the estimated units of fiberglass wrap for the piles included in the contract were insufficient to complete the work. These piles support the Nashville B wharf structure. The bid documents that Port NOLA (the Port) used to establish the scope of work for the Nashville B Substructure Repairs project were prepared by the Port's contracted Project Designer. While the scope of work was included in the project design plans, the quantities estimated in the Unit Price Bid Form,³ which is a part of the bid documents, did not match the actual quantities needed to complete the scope of work. As a result, the awarded contract amount was not sufficient to pay for the scope of work as shown in the project design plans, which resulted in the change order.

Exhibit 4 Port NOLA Construction Contract and Change Order Nashville B Substructure Repairs As of March 2025	
Description	Amount
Construction Contract	\$5,194,316.58
Change Order	1,156,931.22
Total	\$6,351,247.80
Source: Prepared by legislative auditor's staff using information provided by Port NOLA.	

The project design plans prepared by the Port's contracted Project Designer did not include an accurate estimation of the length of the piles to be wrapped, which underestimated the cost of work. The Project Designer created the construction documentation, including project design plans, specifications, cost estimates, and bid documents. Exhibit 5 shows that the estimates for the linear feet of wrap were substantially less than the actual linear feet of wrap required to cover the piles, and Appendix A shows all items on the change order.

Exhibit 5 Port NOLA Construction Contract and Change Order Estimated Quantities Compared to Actual Quantities of Pile Wrapping/Linear Foot (LF)						
Pile type	Estimated LF	Estimated Average LF/Pile	Actual LF	Actual Average LF/Pile	Cost per LF*	Total Cost of Excess Wrap**
14-Inch Pile Type 1&2	1,305.00	5.5	2,431.80	10.3	\$1,216.00	\$1,370,188.80
16-Inch Pile Type 1&2	2,220.00	15.2	2,347.26	16.1	\$700.00	\$89,082.00
*Established in the contract between Port NOLA and the Construction contractor.						

³ The project design plans do not have quantities for materials listed. A Unit Price Bid Form is a table created by the Project Designer to estimate the quantities of materials needed to complete the work in the project design plans.

****Change order consisted of nine changes, two of which are included in this Exhibit. The remaining seven changes consisted of credits for items not used, quantity overruns for excavation and backfill, and a new repair method for an unforeseen condition below the mudline.**
Source: Prepared by legislative auditor's staff using information provided by Port NOLA.

The Port's Construction contractor for the project used these estimated quantities from the Unit Price Bid Form in the bid documents prepared by the Project Designer. Exhibit 6 shows a picture of the fiberglass wrap installed on the steel piles.



The change order was not the result of extra work not included in the contract, but inaccurate estimated quantities in the Unit Price Bid Form created by the Project Designer. According to the Construction Management contractor, the Construction contractor, and the Port, the work that resulted in the change order was reflected in the project design plans and was included in the contract, but the issue was that the quantities listed in the Unit Price Bid Form did not match the project design plans. In addition, the construction contract states that if there is a conflict between project design plans and the Unit Price Bid Form, the contractor has to follow the project design plans. As a result, the construction contract bid price was not sufficient to cover the work required by the project design plans. According to the Project Designer, the Construction Management contractor, the Construction contractor, and the Port, the Construction contractor performed all of the work in accordance with the project design plans.

Question 2: Who failed to identify the quantity error that resulted in the change order?

Multiple entities were responsible for why the change order was ultimately needed. Overall, there were miscalculations in the cost estimates of the material needed to meet the deliverables of the contract and miscommunications on all levels regarding the quantity mistake. The Project Designer inaccurately estimated the quantity of wrap needed to complete the project. Both the Port and the Construction Management contractor did not verify the contract quantities, missing an opportunity to catch quantity errors between the project design plans and the Unit Price Bid Form. Even though the Construction Contractor identified the shortage very early into construction, they failed to notify the Port or the Construction Management contractor of the discrepancy, in writing, and did not submit a change order before ordering the additional material and performing the work needed to meet the deliverables of the contract.⁴ During the construction phase, the Contract Management company failed to identify the quantity discrepancies because they were verifying the work performed pile by pile and did not keep a cumulative tab of materials used by the Construction contractor to check against contract quantities. Exhibit 7 provides a list of parties involved in the project and a summary of their relevant responsibilities regarding the overage in contract price.

Exhibit 7 Summary of Responsibilities Relevant to Change Order Port NOLA - Nashville B Substructure Repairs	
Responsibilities	
Port NOLA	
<ul style="list-style-type: none"> • Holds contracts with Project Designer, Construction Contractor, and Construction Management Services for port projects, including the Nashville B Wharf project. • Submit any change order that causes an excess in the aggregate of \$100,000 per month to the Joint Legislative Committee on the Budget (JLCB) and the Commissioner of Administration or his designee for approval. • Manage the project, including designing, bidding, and construction. <p>How did Port NOLA Contribute to Change Order? Port NOLA was ultimately responsible for oversight of all contracts, including ensuring the Construction Management contractor was sufficiently overseeing the project.</p>	
Project Designer Contract with Port NOLA	
<ul style="list-style-type: none"> • Prepare construction document, which includes specifications, design plans, cost estimates, bid phase support, and construction support. • Revise the design plans to incorporate the latest ultrasonic testing data, provide specific repair design for each pile, update the repair specifications for the chosen repair types, update the scope of work document, incorporate bracing repairs for the fire pump intake structure, and divide the scope and repair estimates into priority levels based on immediacy of need and available construction budget. • From the time of bid award through project closeout, the Project Designer shall provide documentation supporting any needed change order. 	

⁴ Per Revised Statute (R.S.) 39:126, one or more change orders that cause an excess in the aggregate of \$100,000 per month shall require the approval of the Joint Legislative Committee on the Budget and the Commissioner of Administration.

Exhibit 7 Summary of Responsibilities Relevant to Change Order Port NOLA - Nashville B Substructure Repairs	
Responsibilities	
<p>How did Project Designer Contribute to Change Order? The project designer's quantity estimates for LF wrap deviated from actual quantities by 5.7% for 16" piles and by 86.3% for 14" piles. While difference in quantities of materials used during construction is typical, it is the level of discrepancy that needs to be evaluated.</p>	
Construction Management Contract with Port NOLA	
<ul style="list-style-type: none"> Review design phase plans and specifications. Look for sequencing issues, interoperability between different systems and components, bid item clarity, and overall adequacy and completeness for construction. Serve as primary contact for project documentation from contractors, design engineers, testing agencies, and Board personnel, including change orders. Coordinate work as necessary between multiple contractors, tenants, designers, port staff, and others to ensure all parties are informed of relevant project events and progress, that no operational conflicts occur, that change orders are/aren't necessary, resources are allocated efficiently, and the project is facilitated reasonably or as requested by the board. Provide daily on-site inspector(s) for contractor oversight to ensure contractor's activities are performed in compliance with the contract and applicable industry standards. Review contractor's monthly payment invoices for contract compliance, comparing reported quantities to daily reports or field verification, and recommend approval or disapproval before forwarding to others for review. Closely track all labor, materials, and equipment being utilized for the specific work being performed and ensure all work is being performed at a reasonable production rate and quality. 	
<p>How did Construction Management Contractor Contribute to Change Order? The Construction Management contractor should have tracked all material being utilized by the construction contractor against quantities listed in the Unit Price Bid Form and should have aggregated the total installation quantities. The Construction Management contractor did provide this information but only after the Port requested such documentation for the project closeout.</p>	
Construction Contractor Contract with Port NOLA	
<ul style="list-style-type: none"> Meet contract deliverables and furnish any and all work and materials incidental to the items listed in the contract and as may be indicated on the project design plans or in these specifications as necessary to complete the project in full compliance with the contract documents. Accept the worksite as found at commencement of "on-site" work, and verify the scope of all work and all dimensions and details in the field and report any discrepancies noted to the Port's representative. Lay out all work, check overall dimensions against intermediate dimensions, check and verify existing measurements, and refer discrepancies, if any, to the Port's representative for direction. If Contractor, in the course of the work, finds any condition different from that designated in the specifications or on the plans, either in regard to work previously existing or being performed by others, or finds any discrepancy between plans and physical conditions of the locality, or errors or omissions on plans, or in the layout as given by points and instructions, it shall be his duty to immediately inform the Port's representative and confirm in writing, and the Port's representative will promptly correct or verify same. After observing any such discrepancy, Contractor shall not proceed with any part of the work which involves the discrepancy, and he shall neither start nor resume work thereon until the condition has been corrected or until authorized to proceed by the Port's representative. Any work by the Contractor without such correction or authorization, shall be at its own risk and expense. 	

Exhibit 7	
Summary of Responsibilities Relevant to Change Order	
Port NOLA - Nashville B Substructure Repairs	
Responsibilities	
How did Construction Contractor Contribute to Change Order? According to its contract, the contractor should have immediately informed the Port of any deviations from the specifications or the plans, in writing. Instead, the Construction contractor ordered the additional materials in September 2024, completed the work, and invoiced the Port for the additional cost in December.	
Source: Prepared by legislative auditor's staff using information provided by Port NOLA and the Office of Facility Planning and Control.	

Question 3: Did the Construction contractor communicate in writing, as required by the contract, the need for additional materials and seek approval prior to the work being completed?

No, the Construction contractor did not notify the Port or the Construction Management contractor, in writing, as required by state law⁵ and the contract, when it identified the quantity mistake in the contract six weeks after receiving the notice to proceed before ordering the additional materials and completing the work. The Construction contractor received the notice to proceed on July 22, 2024, and ordered the additional pile wrapping on September 4, 2024, after identifying the error. The Construction contractor invoiced the Port monthly for installed fiberglass wrap as verified by the Construction Management contractor through December 2024. According to the Port, it did not authorize the additional cost of the wrapping. According to the Construction contractor, it believed the construction contract was a unit price contract, which would mean that it could install the materials needed to finish the work at the stated unit price. It thought this negated the need for a change order since the contractor was following the scope of work shown in the project design plans. However, the contract was actually a lump-sum contract totaling \$5.2 million, which should not have been exceeded without the Port's approval.

Question 4: Would the change order amount require an additional capital outlay request outside of what has been already approved?

No, the Port is not requesting any new funds from capital outlay. The Nashville B Substructure Repairs project is a part of a larger project called the Napoleon Avenue Container Crane Expansion Project, which was appropriated a total of \$28,025,000⁶ in Cash Line of Credit, as shown in Exhibit 8. The Port is requesting to use the remaining capital outlay funds already allocated to the project.

⁵ R.S. 38:2212

⁶ This total is net of \$75,000 in the Office of Facility Planning and Control's administrative fees.

Exhibit 8 Capital Outlay Cash Line of Credit Port NOLA - Napoleon Avenue Container Crane Expansion Project As of March 2025	
Description	Amount
Capital Outlay Cash Line of Credit Budget	\$28,100,000.00
FP&C Administrative Fees	(75,000.00)
Phase 1 - Wharf repair	(19,925,000.00)
Phase 2 - Fire Pump Relocation	(1,542,210.00)
Phase 3 - Nashville B Substructure Repairs	(5,194,316.58)
Remaining Capital Outlay Cash Line of Credit Capacity	\$1,363,473.42
<i>Change Order Request</i>	<i>\$1,156,931.22</i>
Source: Prepared by legislative auditor's staff using information provided by the Office of Facility Planning and Control.	

Question 5: What should the legislature consider when deciding to approve the overage amount for the change order?

Because the construction contract is between Port NOLA and the Construction contractor, the state is not under legal obligation to pay for the change order. However, the state may wish to consider the following when deciding whether to authorize the payment of the overage amount:

- the change order was not a result of extra work performed by the Construction contractor, but inaccurate estimated quantities in the Unit Price Bid Form needed for the linear feet of pile wraps in comparison to the project design plans;
- all responsible parties appeared to have some role in the need for the change order;
- additional capital outlay funds will not have to be appropriated;
- this additional amount would have been included in the contract amount if not for the error in the Unit Price Bid Form;
- the legal precedent that any decision by JLCB may set;
- if the state does not pay the change order, it may have some legal exposure because the work has been completed.

Because of these facts, the legislature may approve/disapprove the change order in the full amount, direct the Port to negotiate a reduced amount for the change order, or require the Port to fiscally mitigate the mistake among all responsible parties.

APPENDIX A: Nashville B Substructure Repairs - Change Order

Item No.	Item	Unit	Unit Price	Original		Revised		Difference	
				Quantity	Amount (\$)	Quantity	Amount (\$)	Quantity	Amount (\$)
1	Mobilization and Demobilization	LS	\$519,000.00	1	\$519,000.00	1	\$519,000.00	0	\$0
2	Stand-By Mobilization and Demobilization	HR	770.00	40	30,800.00	0	0	(40)	(30,800.00)
3	Supplemental Mobilization and Demobilization	LS	109,500.00	1	109,500.00	0	0	(1)	(109,500.00)
4	Excavation and Backfill at Existing Piles (0'-2')	EA	1,591.80	71	113,017.80	90	143,262.00	19	30,244.20
5	Excavation and Backfill at Existing Piles (2'-4')	EA	2,143.43	1	2,143.43	0	0	(1)	(2,143.43)
6	Excavation and Backfill at Existing Piles (4'-6')	EA	3,975.35	1	3,975.35	0	0	(1)	(3,975.35)
7	16" Diameter Steel Pile Repairs- Type 1 and Type 2	LF	700.00	2,220	1,554,000.00	2,347.26	1,643,082.00	127.26	89,082.00
8	14" Diameter Steel Pile Repairs- Type 1 and Type 2	LF	1,216.00	1,305	1,586,880.00	2,431.80	2,957,068.80	1,126.80	1,370,188.80
9	Sheet Pile Repairs- Type 5	SF	300.00	4,250	1,275,000.00	3,602	1,080,600.00	(648)	(194,400.00)
New 10	Concreted Pile*	EA	915.00	0	0	9	8,235.00	9	8,235.00
Total					\$5,194,316.58		\$6,351,247.80		\$1,156,931.22
*Line item 10 is hereby added due to several piles having concrete rip wrap adhered to the base of the pile. This work has been approved by Port NOLA. Source: Prepared by legislative auditor's staff using information provided by Port NOLA.									