



The City of Fort Lauderdale, Florida
Status Report
Fort Lauderdale Aquatic Center
(FLAC) Renovation Project

Prepared By:
Carr, Riggs & Ingram



November 23, 2021

Mr. John Herbst
City Auditor/Community Redevelopment Agency Auditor
Community Redevelopment Agency, City of Fort Lauderdale
100 North Andrews Avenue
Ft. Lauderdale, FL 33301-1016

Dear Mr. Herbst:

Pursuant to our three year original agreement dated August 23, 2017 and as extended on August 18, 2020, we were engaged to provide various contract compliance consulting services for the City of Fort Lauderdale Community Redevelopment Agency. Upon your request, we are providing the services performed and results thereof through July 2021 and project status through September/October 2021.

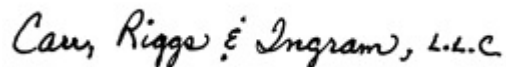
Our report is organized in the following sections:

- **Results Summary, Scope of Services and Procedures** – This section outlines the results summary, scope of services and the related procedures being performed or to be performed.
- **Interim Results / Status** – This section provides the detailed results and/or current status of the more significant items of FLAC since our previous interim report issued in August 2020 and our Final Report issued for the Las Olas Corridor Improvement Projects (LO) in January 2021.
- **Next Steps and Estimated Timetable** – This section provides next steps relative to the FLAC project and estimated timetable, including key milestones.
- **Exhibit A – Cost Recovery / Credits Recap** – Represents a summary of the specific CRI identified cost recovery provided to management with our monthly pay application observations and recommendations and the resulting credits obtained by management back to the City.

The procedures performed did not constitute an audit in accordance with generally accepted auditing standards. Accordingly, we express no opinion on any of the items assessed. Our procedures were performed in conformity with the *Statements on Standards for Consulting Services* of the American Institute of Certified Public Accountants. The results and recommendations are based on our analysis of the processes, documents, records, and information provided to us by management. Had other procedures been performed, other matters may have come to our attention that may have affected the results and recommendations reported herein.

This report is intended solely for the use of the City and should not be used for any other purpose without prior permission from CRI. We have no obligation, but reserve the right, to update this report for information that comes to our attention after the date of this report.

Respectfully submitted,



CARR, RIGGS & INGRAM

Results Summary, Scope of Services and Procedures

Results Summary

Recovery Amount Identified by CRI through PA 37*	Amount Credited to the City through PA 38	Amount to be Credited to the City (in-process)	Total Amount Credited/to be Credited to the City	Difference**
\$355,821	\$260,341	\$40,824	\$301,165	\$54,656

*This amount does not include other various items identified by CRI that were subsequently resolved without the need for credits – i.e. resulting in cost avoidance after issue was identified, obtaining proper support, explanation, or approval by City PM.

**Represents: 1) pending response from HP related to truck/car maintenance charges - \$45,553; 2) variance between City PM's and CRI's calculation of mark-up rates for payment & performance bonds, builders risk, and general liability insurance - \$9,103.

Note: The fees paid by the City to us related to these services performed was approximately \$177,000. **This represents about a 2.0 ratio of cost savings/recovery identified to fees paid.** The PA review services performed included: 37 monthly PA reviews (about 200 to 250 pages of supporting documentation for each PA), 13 GMP change orders (30 to 100+ pages of support to review per CO), stale invoice analysis (40 invoices), various interim status reports, monthly (or bi-weekly) status calls and site visits as needed.

This savings to date relates to the FLAC project and is prior to any comprehensive cost verification procedures to be performed at completion of the project. Details of each cost recovery / savings item is noted below. See below and Exhibit A. The potential recovery for the LO project was included in the January 2021 Final LO Report.

Scope of Services and Procedures

CRI was engaged to conduct construction contract compliance services for the construction of the parking garage, Las Olas Boulevard corridor improvements and the Aquatic Center renovation. The Construction Manager for the LO project was Skanska and the Design-Builder for the FLAC project was Hensel Phelps (HP). Our services include:

Engagement / Project Planning

We held onsite entrance conferences with the City Auditor and an Assistant City Auditor of the City Auditor's Office (CAO) and the Project Manager (PM) for the Beach Community Redevelopment Agency (CRA) to establish overall project administration logistics and to gain a better understanding of the three projects and key activities and processes especially related to the monthly pay application submission and approval process.

Monthly Pay Application Reviews

The objective of the payment application review is to determine that the amount invoiced is a reasonable representation of work completed or stored to date and the charges billed on the payment application are in accordance with the terms and conditions of the contract. Our payment application (PA) checklist consists of 25 steps, which include the following: vouching compensation and expenses (general conditions/requirements) to proper support, verifying subcontractor pay applications were properly included/signed, and validating approval for contingency usage, owner direct purchases, and change orders (CO). We performed site visits to review the status/progress of the project on an as needed basis.

Contract review and Cost Proposal (GMP) Review

We performed contract reviews and GMP proposal reviews early in the project cycle to provide for greater clarity and specificity in the contract and GMP proposal and to help facilitate cost avoidance/recovery. We proposed contract language improvements focusing on the key economic terms such as specificity of allowable vs. disallowable costs, change order mark-up and approval process, labor and burden rates, fee, etc.

Construction contract compliance cost verifications (closeout)

The objectives of the construction contract compliance close-out cost verification procedures are to ensure costs were incurred and billed in accordance with the terms and conditions of the contract. The construction contract compliance cost verification goes beyond the monthly pay application reviews to the project records (including the job cost detail report).

Interim Results / Status

Project Status – through September/October 2021

Project	Pay Applications (PA) Submitted	Completed & Stored to Date	Original GMP	Amended GMP	% Complete
FLAC	39 (Oct 2018 – Sept 2021)	\$29,315,885	\$26,995,368	\$34,845,200	84%

Description		Approval Date	Amount
ORIGINAL CONTRACT AMOUNT / GMP		8/21/2018	\$ 26,995,368
C01	30% Design Fee for 27M Tower	2/6/2020	185,218
C02	Dept. of Health and Building Code Change	2/6/2020	230,620
C03	100% Design Fee for 27M Tower and Deck	3/10/2020	501,493
C04	Deep Foundations for 27M Tower and Deck	3/10/2020	413,883
C05	North Observation Deck	6/29/2020	2,769,201
C06	27-Meter Dive Tower Construction	6/29/2020	5,101,060
C07	Owner Contingency Budget Transfer	8/20/2020	-
C08	Owner Direct Purchase of 27-M Precast	10/20/2020	(2,215,233)
C09	FPL Delays, Unforeseen Conditions, and Owner Upgrades	12/3/2020	1,191,727
C010	Owner Direct Purchase of Pool Deck Material	2/2/2021	(179,800)
C011	Owner Direct Purchase Additional 27-M Precast	3/16/2021	(148,337)
C012	Owner Contingency Budget Transfer	7/15/2021	-
Total net changes			\$ 7,849,832
Amended Contract Amount / GMP as of 9/30/2021			\$ 34,845,200
C013	Omega Timing System Change, Unforeseen Conditions, Revised Scoreboard Signage, and Time Extension.	10/28/2021	114,347
Amended Contract Amount / GMP as of 10/31/2021			\$ 34,959,547
Increase in schedule - calendar days*			254
Estimated increase in months			8.5
Estimated remaining payment applications			10
Revised Substantial Completion Date*			15-Mar-22
Revised Final Completion Date*			30-Apr-22
Additive Change Orders			10,393,202
Deductive Change Orders (Owner Direct Purchases)			(2,543,370)
Net changes			7,849,832

*Per Change Order 13 (approved on October 28, 2021)

We performed monthly pay application reviews and provided our feedback to the City Project PM and CAO each month. Additionally, we held status calls with the City PM and CAO often every other week or whenever requested through July 31, 2021. This was the ending date of our extension to review the monthly pay applications.

Interim Results / Status - continued

Monthly Payment Application Reviews – Results / Status

With each PA monthly review, we provided the City Project Manager (PM) with real-time specific observations and our recommended actions for charges that were not properly supported by HP or potentially disallowable based on the economic terms and conditions of the contract documents. Examples include:

- Duplicate payroll & craft labor charges
- Stale invoices/charges; duplications
- Legal Costs
- Training & Team Meetings
- Temporary Office - excess
- Inaccurate change order markup
- Missing third-party support (e.g. vendor invoice, receipt) various charges
- IT charges exceeding maximum allowable
- Disallowable auto allowances
- Unsigned Subcontractor PA's
- Intern Lodging costs

Results /Management Actions: Below is a summary of the results of our procedures through the July 2021 PA for those items we identified as disallowable per the contract, duplicate charges and/or not properly supported:

Recovery Amount Identified by CRI through PA 37	Amount Credited to the City through PA 38	Amount to be Credited to the City (in-process)*	Total Amount Credited/to be Credited to the City*	Difference**
\$355,821	\$260,341	\$40,824	\$301,165	\$54,656

*The total amount credited/to be credited represents the recovery amount identified by CRI and agreed to by the City PM. City management has obtained the credits or is in the process of taking action to obtain these credits from HP as indicated above.

**Difference: Represents the following: 1) pending response from HP related to truck/car maintenance charges - \$45,553; 2) variance between the City PM's and CRI's calculation of mark-up rates for payment & performance bonds, builders risk, and general liability insurance - \$9,103.

Management was provided with the CRI identified recovery amount with our specific observations and recommendations for response/resolution each month via our detailed 37 monthly pay application reviews as summarized in Exhibit A. See results and status therein.

Next Steps and Estimated Timetable / Milestones

Below is our estimated timetable for the remaining pay applications to be processed and the performance of our cost verification closeout procedures for FLAC:

Project	Pay Applications Remaining as of 9/30/21*	Estimated Final Completion Date**	Closeout Cost Verification Timing***
FLAC	8 to 10	April 30, 2022	June 15, 2022 – August 15, 2022

*Upon closing out the project there may be a PA for the final change order and then final retainage.

**Source: Change Order 13 – approved on 10/28/21.

***The estimated time to complete our procedures and issue our final report is approximately 6 to 8 weeks from the date HP provides their final job cost detail and the requested supporting documentation to execute our procedures. This estimated time table is contingent upon HP's responsiveness to our document requests and follow-up inquiries in the testing and vetting process.

EXHIBIT A – COST RECOVERY/CREDITS RECAP

Item	Description/Type of Duplicate/Disallowable Charges	Recovery Amount Identified by CRI through PA 37	Amount Credited through PA 38 to the City	Amount to be Credited (Debited) to the City	Total Amount Credited (Debited) /to be Credited (Debited) to the City	Difference
1	Legal Fees - disallowable charge (related to subcontractor)	\$ 97,500	\$ 97,500		\$ 97,500	\$ -
2	Change Orders 1 - 9 - overbilling of DB Fee - 6% vs. 5% Fee	98,071	96,563	1,508	98,071	-
3	Payroll / craft labor duplicate/overbillings (multiple incidents)	34,468	29,576	4,892	34,468	-
4	Stale Invoice review - duplicate billings - (multiple invoices)	31,418	83	31,335	31,418	-
5	IT charges billed over \$1.34/hour cap*	11,110	11,110		11,110	-
6	Temp office - disallowable/overbilling	9,603	9,603	-	9,603	-
7	Training & Team Meetings	11,522	11,522		11,522	-
8	Intern lodging - 4 months - disallowable charge	3,897		3,897	3,897	-
9	Sub bond - subcontractor - not reimbursable	1,633		1,633	1,633	-
10	Defensive Driving course	1,418	1,418	-	1,418	-
11	Custom face masks - disallowable	1,231	1,231	-	1,231	-
12	Various other disallowable / duplicate billings (6 items)	1,913	1,735	178	1,913	-
13	CO 1 - 9: GC mark-up calculation variance	6,484	-	(2,619)	(2,619)	9,103
14	Truck/car maintenance - exceed reasonable allowances	45,553	-	-	-	45,553
		\$ 355,821	\$ 260,341	\$ 40,824	\$ 301,165	\$ 54,656
Note: Blank amount in the difference column indicates that City PM agrees with the recovery amount identified by CRI and the total amount credited / to be credited.						
*Notation: Item 5 - After we identified this issue, beginning with the August 2020 PA (PA23), HP began correcting the IT Fee discrepancy on the general condition billing and the City no longer had to request credits back; however, this resulted in additional savings (cost avoidance) of \$19,982 for total savings to date of \$31,092.						
Observations/Management Responses:						
13	<p>CRI Observation: CRI differs in the calculation of the GC markups (i.e. GL, BR, and P&P). HP and the City PM stacked the Fee and GC fees on top of each other instead of individually calculated based on the COW - this resulted in overage in the GC mark-up charged/billed. GC mark-ups should not be charged on COW plus the DB Fee and the respective mark-ups should not be stacked (i.e. GL=Fee x GL rate; BR= Fee + GL x BR rate; P&P=Fee + GL + BR x P&P rate). Contract is silent on whether mark-ups can be stacked or not; however, our experience in the industry is that these mark-ups are not to be stacked.</p> <p>City Management Response: P&P Bond and BR are both calculated from the contract value. On the P&P certificate provided to the City, the initial P&P cost was based off the initial contract price of \$26,995,368. This was the value of the overall contract awarded to Hensel Phelps. The GL rate was described in earlier responses and is a corporate wrap rate that is based on total monthly billings. These indirect costs are calculated on the adjusted contract value and not just on the direct cost of work. Approval of the change order does not mean that Hensel Phelps is charging for these items. Approval of the change is an approval of a budget increase for the indirect costs needed to support the work. Hensel Phelps is still required to provide backup for any costs billed against those budgets, and any savings in these indirect budgets at the completion of the project would go to the City.</p>					
14	<p>CRI Observation: Truck/car allowances approved by City management, but all maintenance costs should not be allowable as separate reimbursable cost of work.</p> <p>City Management Response: HP to provide justification/support - pending as of report date.</p>					