



Memorandum

Memo No: 17/18-04

Date: March 23, 2018

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA
City Auditor

Re: Compliance Audit of the Design Phase of the Aquatic Complex Developer's Agreement with Recreational Design & Construction, Inc.

As part of our audit workplan, we have completed a compliance audit of the design phase of the Aquatic Complex Developer's Agreement (#P10648) with Recreational Design & Construction, Inc. (RDC) to determine if both parties acted in compliance with the general terms and the guaranteed maximum price (GMP) parameters of the agreement.

We conducted our audit in accordance with government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about the suitability of the design and operating effectiveness of the internal controls implemented by management to provide assurance that the City's operational goals and objectives will be achieved. An audit includes examining, on a test basis, evidence about the City's internal controls and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our conclusion.

Our evaluation and recommendations also rely on the internal control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO framework elements represent commonly accepted mechanisms to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes. The five components of the COSO internal control framework are: control environment, risk assessment, control activities, information and communication, and monitoring.

CONCLUSION

This compliance audit of the City's contract with RDC concluded that the amounts billed to the City by RDC generally complied with the Developer's Agreement and that the City has adequately designed internal controls, which for the most part are functioning as intended.

A few immaterial deviations were noted for certain items, including charges in general conditions for a bookkeeper/accountant in the design phase, paying for insurance prior to construction, a slight increase in labor charges, and mileage reports not being adequately reviewed. Subsequently, all invoices and non-time related invoices were correctly and timely submitted.

We found several opportunities for improvement that would assist the department in strengthening internal controls, enhancing efficiency, effectiveness, and improving compliance. We communicated our observations and recommendations to staff during our review to enable them to more closely manage oversight of future projects.

STATEMENT OF OBJECTIVES

The CAO established the following objectives for the compliance audit of the City's contract with RDC:

- Determine if payments made to RDC agree to amounts billed to the City, are timely, adequately supported, and do not contain overpayment and/or overcharges.
- Determine if changes to the GMP and/or change orders are reasonable, accurate, and supported.

Our consideration of the City's internal controls was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be considered deficiencies, significant deficiencies or material weaknesses.

BACKGROUND

On September 18, 2012, the City of Fort Lauderdale entered into a Developer's Agreement with RDC for design, construction, and renovation of the Aquatic Complex. The agreement established a GMP of \$32,437,434, with \$24,864,950 from the Beach Community Redevelopment Agency and \$7,572,484 from the Parking Services Fund.

At the April 7, 2015, Regular Commission Meeting, RDC presented the City with a request to increase the GMP by \$3.6 million due to delays by the City and an increase in construction costs, particularly, the cost of concrete. Essentially, RDC's request was notice to the City that the original GMP was not adequate and to expect an increase when all final documents are delivered.

When RDC first approached the City in 2014 to increase the GMP, the Commission and City Manager concluded that an independent review of RDC's request was warranted (the contract states that the City can contract with an independent firm to assess the final plans and cost) and retained Atkins North America, Inc. (a design, engineering and project management consulting firm) to provide validation of RDC's request. Atkins' concluded that RDC's request for an increase was valid for concrete, but not for labor cost increases. Atkins set the GMP at \$34,595,141, while RDC requested \$36,031,550; a difference of \$1,436,409.

The final GMP was presented to the City Commission on November 17, 2015, at which time the City Commission decided to cancel the contract with RDC and pursue estimates for renovation and rehabilitation of the Aquatic Complex.

SCOPE & METHODOLOGY

During the course of the audit, CAO staff interviewed the City's Director of Public Works, the Public Works Senior Project Manager and RDC management and staff. CAO staff also reviewed the contract and 24 pay requests from RDC. CAO staff also reviewed the City's payment process to vendors and interviewed the Supervisor of Accounts Payable. In addition, CAO staff reviewed applicable Florida Statutes, City's Code of Ordinance, third party audits and investigative reports, City Commission agendas, meeting results, and videos.

We would like to thank the staff of the Public Works Department and Community Redevelopment Agency for their cooperation and assistance during this audit and are pleased to note that management generally concurred with our recommendations.

cc: Lee R. Feldman, City Manager
Stanley Hawthorne, Assistant City Manager
Christopher Lagerbloom, Assistant City Manager
Alain E. Boileau, Interim City Attorney
Jeff Modarelli, City Clerk
Paul Berg, Public Works Director



Memorandum

Memorandum No: 18-08

Date: March 30, 2018

To: John Herbst, CPA, CGFO, CGMA, City Auditor

From: Lee R. Feldman, ICMA-CM, City Manager 

Re: Statement of Acknowledgement: Compliance Audit of the Design Phase of the Aquatic Complex Developer's Agreement with Recreational Design & Construction, Inc.

This statement of acknowledgement is in response to the City Auditor's Office completed compliance audit of the design phase of the Aquatic Complex Developer's Agreement (#P10648) with Recreational Design & Construction, Inc. (RDC).

We acknowledge that the compliance audit of the City's contract with RDC concluded that the amounts billed to the City by RDC generally complied with the Developer's Agreement and that the City has adequately designed its internal controls.

We acknowledge our responsibility for immaterial deviations which were noted in the Compliance Audit Report as well as opportunities for improvement that will assist in strengthening internal controls, enhancing efficiency and effectiveness, and improving compliance.

We further acknowledge that the City Auditor's Office staff communicated their observations to administrative staff during their review for enhanced oversight of future projects.

City Management concurs with the City Auditor's conclusion and recommendations for improvement resulting from the compliance audit of the design phase of the Aquatic Complex Developer's Agreement with Recreational Design & Construction, Inc.

C: Mayor & Commissioners
Stanley D. Hawthorne, Assistant City Manager
Christopher J. Lagerbloom, Assistant City Manager
Alain Boileau, Acting City Attorney
Jeffrey A. Modarelli, City Clerk
Paul Berg, Public Works Director

