



The City of Fort Lauderdale, Florida
Interim Status Report
Parking Garage, Las Olas Boulevard Corridor Improvements and
Aquatic Center Renovation Projects

Prepared By:
Carr, Riggs & Ingram
June 2019



June 25, 2019

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 agreement dated August 23, 2017, 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 as of date of this interim report.

Our report is organized in the following sections:

- **Scope of Services and Procedures** – This section outlines the scope of services and the related procedures being performed or to be performed for each project.
- **Interim Results / Status** – This section provides the results and/or current status of the more significant items as of the date of this interim report since our previous interim report issued in March 2019.
- **Next Steps and Estimated Timetable** – This section provides next steps relative to the Las Olas and Aquatics Center projects and estimated timetable, including key milestones.

The findings and conclusions are based on our analysis of the processes, documents, records, and information provided to us by management. If our scope had been expanded, including performance of additional procedures and / or sample sizes in the period under review, it may have resulted in findings of questionable or inappropriate transactions. We reserve the right to supplement our findings in the event of any of these circumstances.

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.

Respectfully submitted,


CARR, RIGGS & INGRAM LLC



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. Our services include:

Engagement / Project Planning

We held an onsite entrance conference on 9/26/2017 with the City Auditor and an Assistant City Auditor of the City Auditor's Office (CAO) and the Project Manager 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. Additionally, for both the Las Olas Project and Aquatics Center Project we held an onsite facilitated session with the CRA Project Manager, the Assistant City Auditor, and representatives of Skanska (the "Construction Manager" or "CM") to review contract requirements and to establish proper reporting / submission protocols, controls, etc., related to: payment applications, change orders, project schedule, and budget.

Monthly Pay Application Reviews / Onsite Visits

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 that the charges billed on the payment application are in accordance with the terms and conditions of the contract. Our review procedures checklist consists of 25 steps, which include the following: proper support for the CM's compensation and expenses (general conditions/requirements), signed subcontractor pay applications, proper support, review and approval for contingency usage, owner direct purchases, and change orders. We perform site visits to review the status/progress of the respective projects on a quarterly or as needed basis.

Contract review and Cost Proposal (GMP) Review

We perform 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 and cost recovery. We propose 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/fringe rates, overhead and profit fee, etc.

Construction contract compliance cost verifications (milestone, closeout)

CRI will conduct milestone cost verification procedures for the Las Olas project and close-out cost verification procedures at the conclusion of each project. The objectives of the construction contract compliance milestone / 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 CM's project records (job cost detail report) and underlying source documentation including vendor invoices, subcontracts, proof of payments, and lien releases. Additionally, as part of the cost verification, we obtain and review the CM's reconciliation of the final pay application to job cost detail to help ensure that what the CM billed does not exceed the CM's actual cost plus the agreed upon fee. Finally, we review contract compliance for the CM's project closeout/completion procedures including certificates of substantial completion, final completion, final releases, final inspection, punch-lists, back charges, etc.

EDSA Request for Additional Services

On June 3, 2019, the City Commission approved the CRA Board's request to increase our contract expenditures in order to engage us to perform a review of EDSA's funding request for additional services.



Interim Results / Status

Monthly Pay Application Reviews

We are in the process of performing monthly pay application reviews for the parking garage and Las Olas Boulevard corridor improvement projects and the Aquatic Center:

Project	Pay Applications Reviewed to Date	Completed & Stored to Date	Original GMP	Amended GMP	% Complete
Las Olas*	24 (Ap 2017 - Ap 2019)	\$30,026,158	\$49,379,324	\$38,896,810*	77%
Aquatic Center	7 (Oct 2018 – Ap 2019)	\$1,737,447	\$26,995,368	No change	6%

*Amount reflects two amendments to the original GMP: 1) an increase of \$1,517,486 (Change Order No. 2 \$1,517,486) previously approved by the City Commission; 2) A reduction in the GMP for estimated materials purchased directly by the City (Owner Direct Purchases) in the amount of \$12M – to be adjusted to actual at project completion. A temporary certificate of occupancy has been issued for the parking garage phase.

With each review, we provide the CRA project manager with feedback of our specific observations and our recommended actions based on our review for charges that may not be properly supported or disallowable based on the economic terms and conditions of the construction contract. Examples of observations noted and communicated to the CRA project manager included the following:

- Excess PTO charged by former project executive
- PTO charged by CM employee by calendar year in compliance with CM PTO policy
- Unauthorized overtime charges billed by CM for its hourly laborers
- Late charges incurred by the CM billed to the Owner
- Stale invoices; possible duplication (there were various vendor invoices submitted 90 days to over 1 year old)
- Subcontractor payment applications were missing lien releases
- Adjustments to the Schedule of values included in the pay application without proper approval provided
- Billing CM time incurred 6 to 12 mths prior
- Missing third-party (e.g. vendor invoice, receipt) for various charges submitted
- Lack of supporting documentation for allocation methodology (e.g. Technology)
- Unsigned Subcontractor payment application

Results / Management Actions: The CRA PM has addressed many of these items and others are in process. Additionally, the final disposition of these items will also be addressed as part of CRI's comprehensive cost verifications performed at the milestone and project completion.

Labor Burden Analysis by CRI - Benchmarking

CRI performed an analysis of the burden rate billed compared to the actual cost incurred by the CM. In particular, we noted that the CM charged federal and state unemployment taxes that far exceeded the statutory amount that the CM paid to the federal and state government respectively – total estimated amount for unemployment taxes at project completion - \$70K (CRI Memo – Labor Burden Analysis, June 25, 2018).

Contract Review / Contract Development

We worked with the CRA project manager, the City Auditor, and the City's procurement department in providing our observations / recommendations related to the development and negotiation of the Aquatic Center project by management. We provided proposed contract language improvements to the Design/Build standard draft contract related to the Aquatic Center project focusing on the key economic terms such as:

- Specificity of allowable and disallowable costs of work
- Well defined change order approval process and allowable mark-ups
- Labor burden – specifically defined with not-to-exceed amount
- Self-performed work – quality and pricing
- Clean-up – subcontractors normally responsible



Contract Negotiation / Price Proposal (GMP) Development – Aquatic Center

Additionally, we provided feedback regarding the revisions proposed by Hensel Phelps (“HP”) to the contract to assist management in their negotiations with HP (*CRI Memo Draft – regarding HP’s comments on the Draft Standard Contract*). Finally, we provided our feedback to the revised GMP proposed by HP and identified various cost saving/avoidance items. For example, the original negotiated fee (overhead and profit) to be paid to HP was 6%. The contract and GMP was restructured so that half of this fee (3%) would be paid from the contingency fund. However, the GMP also provided for HP to receive 50% of the total combined unused contingency fund remaining at the end of the project. Based on our experience with numerous construction projects in the public sector industry, we recommended that all remaining contingency funds should be returned to City – especially since all unused funds are public funds. Thus, we recommended that the total fee be capped at the originally negotiated fee of 6% such that no more than the 3% included in the contingency fund be paid to HP. Our understanding is that management took our recommendations into consideration in its negotiation of the final GMP with HP (*CRI’s Recommendations related to HP’s Price Proposal Form – Revised 08.02.18*, dated June 29, 2018).

Change Order No. 2 – Las Olas Garage & Corridor Improvements

We communicated throughout our pay application reviews as far back as early 2018 that the CM did not identify the nature of changes included in the “Approved Changes” column. During November 2018, CRI was informed about a large proposed change order (Change Order 2) to increase the GMP by \$1.5M for what were identified as increases to the original scope of work, extension of the schedule and various unforeseen conditions. These items, in some cases, were identified up to a year previously. CRI performed a detailed analysis of Change Order 2 at the request of the City resulting in estimated overbillings of approximately \$45K primarily related to excess CM fee markup not deemed allowable pursuant to the CM construction contract (*Las Olas Project – Change Order 2 Analysis by CRI, November 29, 2018*). The CM has agreed to credit back the City the excess CM fee markup, some of our other findings and is researching others. Additionally, CRI, the CRA PM, and the City Auditor agreed that the “Approved Changes” column in the monthly pay applications will be addressed as part of CRI’s comprehensive cost verification at the milestone and close-out for the Las Olas project noted below.

Site Visits

We have performed site visits on a quarterly and/or as needed basis. Most recently we performed site visits on November 28, 2018 and May 5, 2019.

EDSA Request for Additional Services

We performed a preliminary review of EDSA’s revised request and related support dated April, 1, 2019 and based on that review prepared a list of additional document requests. On June 17, 2019, we held a kick-off meeting with EDSA representatives and representatives of the CRA and City Auditor’s office to discuss their request and related support and to outline our review process and the additional documentation we will need to complete our review on behalf of the City.



Next Steps and Estimated Timetable / Milestones

Las Olas Improvement & Aquatic Center Projects

We will continue to perform our monthly payment application reviews and provide the CRA project manager with our observations and recommended actions for him to address. Additionally, here is our estimated timetable for our payment application reviews, milestone and closeout procedures for both projects based on the current, respective project schedules provided:

Project	Pay Applications Remaining	Milestone Cost Verification Timing	Completion Date	Closeout Cost Verification Timing
Las Olas*	7	September 2019*	November 2019	January 2020
Aquatic Center	18	NA	October 2020	December 2020

*The parking garage (Phase 1) was substantially complete in March 2019; however, the job cost financial close is estimated to be August or September 2019. Depending on the timing of the financial close of phase 1, we will conduct milestone cost verification procedures thereafter or wait and perform a full, final closeout cost verification in January of 2020 upon final completion of the Las Olas project as a whole.

EDSA Request for Additional Services

We are in the process of obtaining the additional support requested in order to complete our assessment of EDSA's request and provide our observations/recommendations to City management for their consideration. The estimated timeline to complete this assessment and related deliverable is contingent on the time it takes to obtain all the requested information and to address any follow-up matters we may have as a result of our assessment. The assessment itself should take about three weeks to complete subject to these factors.

Communication / Site Visits

We continue to communicate with the City Auditor's office and the CRA project manager as to the status of each project and address any concerns or questions as they arise on a weekly or biweekly basis in addition to the regular monthly payment application reviews and feedback. Finally, we will continue to perform site visits upon request based on the progress and completion of different phases of the respective projects.