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Office of the Inspector General
Miami-Dade County

Memorandum

To: Mr. Steve Shiver, County Manager

Ms. Marsha Jackman, Director
Department of Business Development

From: Christopher Mazzella, Inspector General

Date: March 17, 2003

Re: Audit Final Report on the Resurfacing and Drainage Contracts within the Quality
Neighborhood Improvement Program (QNIP) (Report 2 of 4)

Attached please find a copy of the Final Audit Report that was conducted by the Office of the Inspector General (OIG) of the Public Works Department's (PWD) resurfacing and drainage contracts within the Quality Neighborhood Improvement Program (QNIP).

This report is the second in a series of four (4) audit reports on the QNIP program. This second report presents a summary of conditions identified during our review of the Department of Business Development's (DBD) oversight activities of QNIP projects. Specifically, we reviewed DBD's monitoring of the contractor's compliance with the contract's workforce requirement. The first and remaining two reports address issues within PWD's purview, including project planning and project monitoring, contingency allowances, contract payments and questionable costs.

cc: *Commissioner Jimmy Morales, Chair, Budget and Finance Committee*
Commissioner Natacha Seijas, Chair, Govt. Operations and Environment
Committee
Mr. Bill Johnson, Assistant County Manager
Mr. Pete Hernandez, Assistant County Manager
Mr. Aristides Rivera, Director, Public Works Department
Ms. Cathy Jackson, Director, Audit and Management Services
Mr. Eric McAndrew, Chief Legislative Analyst, Board of County Commissioners
Clerk of the Court (copy filed)

I. INTRODUCTION

The Office of the Inspector General (OIG) randomly selected for audit nine (9) Quality Neighborhood Initiative Bond Program / Quality Neighborhood Improvement Program (QNIBP/QNIP) ¹ resurfacing / drainage contracts that have had payments made under them. Five (5) different contractors, with four (4) of the five (5) contractors holding two (2) contracts each, hold these nine (9) contracts. The Miami-Dade County Public Works Department (PWD) prepared and approved these contracts pursuant to the Expedite Ordinance No. 00-104. These contracts were awarded and subsequently ratified by the Board of County Commissioners (BCC) during the period of January 2000 thru May 2001.

This report is the second in a series of four (4) audit reports on the QNIP program. This second report presents a summary of conditions identified during our review of the Department of Business Development's (DBD) oversight activities of QNIP projects. Specifically, we reviewed DBD's monitoring of the contractor's compliance with the contract's workforce requirement.

The remaining two reports will address project planning and project monitoring by PWD, contingency allowances, contract payments and questionable costs.

Overall, we found DBD's oversight to be lacking in consistency and efficiency. There also appeared to be some confusion as to which QNIP contracts required monitoring.

GOVERNING AUTHORITY

In accordance with Section 2-1076 of the Code of Miami-Dade County, the OIG has the authority to review past, present, and proposed County and Public Health Trust programs, accounts, records, contracts and transactions. This authority includes conducting contract audits regardless of whether the contract contains an OIG random audit fee.

BACKGROUND

In an effort to develop and maintain Miami-Dade County's infrastructure, the Board of County Commissioners (BCC) in Fiscal Year 1998/1999 approved the Quality Neighborhoods Improvement Program (QNIP). QNIP consists of a series of capital improvement projects funded by general obligation and other bond proceeds.

¹ The nine (9) contracts identified in our audit report were funded in a series of two general obligation / bond issues, "Quality Neighborhood Initiative Bond Program" (QNIBP) and "Quality Neighborhood Improvement Program" (QNIP). For clarity purposes, "QNIP" is used hereafter to describe programs.

QNIP is a neighborhood restoration program that sets aside \$70 million for drainage improvements, \$28 million for park improvements, \$26 million for sidewalk improvement and repairs, \$11 million for resurfacing streets, and \$7.5 million for safe routes to schools. The intent of this program is to revitalize deteriorating neighborhoods and improve the safety of county residents, motorists, pedestrians, and school children within the unincorporated areas of Miami-Dade County.

Pursuant to Resolution No. R-259-99², at least 10% of the contractor's workforce directly engaged in the construction of a QNIP project must be residents of the unincorporated municipal service area (UMSA) portion of the work zone(s) for which the contract was bid. This requirement applies to sidewalk construction / repair and drainage contracts regardless of whether the contract contains a CSBE participation goal. The prime contractor is allowed to meet the goal with the combined workforces of the prime and subcontractors. QNIP contracts set aside for CSBE firms are not subject to this requirement, since it may impose undue hardship on small, emerging construction businesses that are trying to break into the open market. Pavement resurfacing and park improvement contracts are also excluded from the workforce requirement, as the more specialized nature of the work may make compliance too difficult to achieve and delay the contracting process. The Department of Business Development (DBD) is responsible for monitoring compliance with the 10% workforce requirement.

There are three (3) QNIP work zones for the Greater Miami-Dade County area, which are as follows: 1) Northeast Zone; 2) Northwest Zone; and 3) South Zone. QNIP contracts require that 10% of the employees hired to perform work on the QNIP project must reside within the UMSA portions within the work zone of the particular contract.

Upon official notification of the award of a QNIP contract, the successful bidder is required to provide a list within ten (10) business days of all the employees hired to work on the contract. The list shall name the employees residing in the UMSA portions documenting that the 10% workforce goal will be met (eligible area employees). Further, the list is to include the following employee information: 1) name; 2) address; 3) telephone number; 4) social security number; 5) and trade classification. Public Works should not issue the Notice to Proceed and/or any work orders until the contractor has submitted its list of employees meeting the 10% resident workforce requirement.

² The Resolution 259-99 adopts the QNIBP designation of work zones and policy for utilizing UMSA residents of designated work zones as set forth in a February 18, 1999 report entitled "Status Report on the Quality Neighborhoods Initiative Bond Program (QNIBP) - Utilization of Area Residents by Contractors for QNIBP Construction Projects." It is the status report itself that lays out the recommended workforce requirements. R259-99 adopted the report and recommendations.

Pursuant to the contract terms, the successful bidder must provide proof of residence address for all listed employees. Proof of residence shall include at least two of the following documents: a certified copy of a driver's license, a voter's registration card or a recent utility bill. The 10% workforce goal can be met with a combination of the contractor's workers and that of the subcontractor.

DBD monitors this requirement by visiting a project location and interviewing the workers present at the site. DBD estimates that the average crew size found in most projects is between three (3) to five (5) workers. Therefore, for the contractor to meet the 10% workforce goal, DBD only needs to verify that *at least one* of the three (3) to five (5) workers working at the project site resides within the respective UMSA. DBD may impose penalties for non-compliance, including withholding of payments, work stoppage, contract suspension, cancellation or termination or a requirement that the non-complying contractor make up twice the utilization deficit on another existing or future QNIBP / QNIP construction contract.

II. SUMMARY OF AUDIT WORK PERFORMED

The OIG reviewed records and interviewed DBD personnel (supervisors and staff members) to determine whether there was effective monitoring of all QNIP projects subject to the 10% workforce requirement. DBD is generally making site visits in order to monitor compliance with the 10% workforce requirement; however, DBD management should consider the following recommendations in order to ensure more effective monitoring of the 10% workforce requirement:

1. Identify which QNIP contracts are subject to the 10% work zone requirement and ensure that all QNIP contracts advertised and awarded accurately reflect this requirement.
2. Modify "Project Activity Logs" into a more complete and accurate format.

III. SCOPE, OBJECTIVES AND METHODOLOGY

To evaluate DBD's monitoring responsibilities, we requested a complete list of all resurfacing and drainage construction projects currently open for monitoring as of May 31, 2002. We randomly selected nine (9) QNIP contracts that have had payments made under them. These nine (9) contracts are held by five (5) different contractors, with four (4) of the five (5) contractors holding two (2) contracts each.

IV. FINDINGS AND RECOMMENDATIONS

Finding No. 1: Identify which QNIP contracts require monitoring and ensure that contract documents accurately reflect the 10% workforce requirement.

A written agreement establishes the requirements for contractual agreements and accuracy is a vital component in order to monitor compliance with the contract terms.

Seven (7) of the nine (9) contracts selected specified the 10% workforce requirement in the contract documents. The other two (2) contracts did not contain this provision as they were resurfacing contracts not subject to the workforce requirement.

Of the seven (7) contracts containing the requirement, four (4) of them were in actuality exempt because they too were also contracts for pavement resurfacing. Although four (4) of these contracts are exempt, DBD monitored all seven (7) contracts at one time or another for compliance with the 10% workforce requirement. DBD's monitoring of the four (4) exempt contracts ceased during the construction phase. DBD consistently monitored the remaining three (3) QNIP contracts. The monitoring inconsistency gives the appearance of mismanagement and can place undue hardship on all parties. Accordingly, it is imperative that contract documents are accurately stated.

Recommendation:

The OIG recommends that DBD catalog all QNIP contracts subject to the 10% workforce requirement and ensure that all contracts advertised and subsequently awarded reflect this requirement.

Finding No. 2: Modify "Project Activity Logs" to a more usable format.

Public Works generally issues between 10-12 work orders under each QNIP contract. Each work order represents an open fixed unit priced contract for a particular site. The unit prices are established in the main contract between the County and contractor.

DBD maintains a "Project Activity Log" for each project, which is updated as new work orders are issued. DBD's Contract Specialists monitor compliance with the 10% workforce requirement through field visits and interviews of the workers on site. These visits and interviews are documented in the "Project Activity Log."

Our review of the project logs maintained for the seven (7) contracts revealed that the work order number is not noted during the site visit thereby making it a more difficult time consuming task to determine whether there was adequate monitoring of the 10% work force requirement for all work orders in progress.

Recommendation:

In order for management to evaluate adequate monitoring of the 10% workforce requirement on all work orders in progress, the project activity logs should be modified in a more usable format. These modifications should include a schedule summarizing all open work orders.

A copy of this report was provided to the Department of Business Development (DBD) in draft form. DBD's response is attached (Appendix 1), which in essence agrees with the OIG's findings and recommendations. The OIG appreciates the cooperation and courtesies extended by DBD who were involved in our review of this second portion of the QNIP audit.