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**Office of the Inspector General
Miami-Dade County**

Memorandum

To: George Burgess, County Manager

Aristides Rivera, P.E., Director
Public Works Department

Received by Date

Received by Date

From: Christopher Mazzella, Inspector General

Date: June 24, 2003

Re: Final Audit Report on the Resurfacing and Drainage Contracts within the Quality
Neighborhood Improvement Program (QNIP). Report 4 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 fourth and final report in a series of four (4) audit reports on the QNIP program. This fourth report addresses improper and questionable costs identified during the course of the OIG's audit. The other three OIG audit reports, dated March 17, 2003 (Reports 1 and 2) and April 23, 2003 (Report 3) respectively, examined a variety of QNIP issues including contract provisions, contract payment applications and payment processes, the Department of Business Development's (DBD) oversight activities and the contract management process. These reports, which were previously distributed, are also posted on the OIG website: www.miamidadeig.org.

This fourth report was initially circulated for comment in draft form on April 25, 2003. A response was received by PWD on June 3, 2003. During this time, it was discovered that PWD had two pending proposed change orders for QNIP Project Nos. 630011Q and 630012Q. These were deferred to the Board of County Commissioners Agenda of June 3, 2003. These two contracts are among the nine QNIP contracts selected for audit by the OIG, and the additional pay items requested in the change orders are covered in the scope of the OIG's fourth audit report. As such, the OIG issued an addendum to the draft report and advised PWD that the department had another 10 days to provide a response, if desired. PWD has elected not to provide a supplemental response.

Attached and incorporated to this Final Audit Report, please find PWD's response and the OIG addendum regarding the two proposed change orders. The OIG has provided some additional audit analysis after review of the PWD response. This additional analysis is found on pages 4-6 of the report, at the beginning of Section IV "Findings and Recommendations", and at the conclusion of each of the three specific audit findings and recommendations, pages 8, 14 and 19, respectively.

The OIG would like to extend its thanks and gratitude to all County personnel who have been involved in our audit of the Quality Neighborhood Improvement Program (QNIP). We appreciate their cooperation and courtesies. We realize that the time spent with the OIG's audit staff, is time taken away from their work at hand. We hope that the usefulness of the audit findings and recommendations will assist to improve upon the good work done by PWD and to overall strengthen the QNIP program.

cc: Commissioner Dr. Barbara Carey-Shuler, Chair, Board of County Commissioners
Commissioner Jimmy Morales, Chair, Budget and Finance Committee
Commissioner Natacha Seijas, Chair, Govt. Ops. and Environment Committee
Commissioner Rebeca Sosa, Chair, Procurement Subcommittee
Bill Johnson, Assistant County Manager
Pete Hernandez, P.E., Assistant County Manager
Roger Hernstadt, Capital Improvements Construction Coordinator
Marsha Jackman, Director, Department of Business Development
Cathy Jackson, Director, Audit and Management Services
Eric McAndrew, Chief Legislative Analyst, Board of County Commissioners
Clerk of the Board (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 fourth and final in a series of four (4) audit reports on the QNIP program. Specifically, this fourth report addresses improper costs associated with the QNIP projects. The other three OIG audit reports dated March 17, 2003 (Reports 1 and 2 of 4) and April 23, 2003 (Report 3 of 4), respectively, examined a variety of QNIP issues, including contract provisions, contract payment applications and payment processes, the Department of Business Development's (DBD) oversight activities and the contract management process. These reports, which were previously distributed, are also posted on the OIG website: www.miamidadeig.org.

As detailed in this report, PWD's management of the funds allocated to the QNIP program appear to be inefficient and unauthorized in several areas. Our findings relate to unauthorized usage of QNIP contracts, questioned costs, disproportionate costs and improper unit costs assigned to "Lump Sum" work orders.

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 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 (the County) 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 by two series of general obligation / bond issues, "Quality Neighborhood Initiative Bond Program" (QNIBP) and "Quality Neighborhood Improvement Program" (QNIP). For clarity purposes, "QNIP" is used to describe both 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 Miami-Dade County residents, motorists, pedestrians, and school children.

Specifically, QNIP projects include drainage improvements, roadway paving, and sidewalk projects (repairing existing sidewalks and adding new sidewalks) within the unincorporated areas of the County.

II. SUMMARY OF AUDIT WORK PERFORMED

During our review of QNIP contract costs, we identified **three (3)** issues that require management's attention:

1. Unauthorized work activities performed using QNIP contracts;
2. Questioned costs due to undocumented work and disproportionate work order costs; and
3. Improper unit prices paid under "Lump Sum" work orders.

SUMMARY RECOMMENDATIONS:

Based on our review, we have concluded that:

1. Public Works should limit the use of QNIP contracts to QNIP related projects. All other construction projects / activities should be competitively bid out.
2. Public Works should withhold future payments from the contracts identified in this audit until all questioned costs are recovered.
3. Public Works should seek to recover all improper payments made under non-competitively priced "lump – sum" work orders that are comprised, in part, of individual work items priced above comparable competitively priced QNIP work items.

III. SCOPE, OBJECTIVES AND METHODOLOGY

Our audit objectives were to:

1. Determine if the costs reported for QNIP projects were reasonable and allowable in accordance with the terms and conditions of the contract, as well as all applicable Florida statutes, county ordinances and administrative orders; and
2. Determine whether the prices charged to the County were reasonable for non-bid items and adequately supported.

OIG auditors examined the bid documents for each of the nine (9) contracts summarized below. We also reviewed payment requisitions, work order payments, inspection reports and project diaries for selected work orders.

PROJECT NO .	CONTRACTOR	CONTRACT TITLE	CONTRACT AMOUNT	NUMBER of WORK ORDERS ISSUED
630011Q	General Asphalt Co. Inc.	Resurfacing Contract No. 2	\$1,760,000.00	17
630012Q	General Asphalt Co. Inc.	Resurfacing Contract No. 3	\$1,760,000.00	13
630013Q	H & R Paving, Inc.	Resurfacing Contract No. 4	\$1,760,000.00	11
630014Q	H & R Paving, Inc.	Resurfacing Contract No. 5	\$1,760,000.00	9
630015Q	APAC of Florida	Resurfacing Contract No. 6	\$1,750,000.00	12
630016Q	APAC of Florida	Resurfacing Contract No. 7	\$1,750,000.00	8
630116Q	M . Vila & Associates	Drainage Contract No. 1	\$2,000,000.00	22
630117Q	Rock Power Corporation	Drainage Contract No. 1	\$1,000,000.00	9
630118Q	M . Vila & Associates	Open Drainage Contracts	\$2,200,000.00	18
			\$15,740,000.00	

PWD Proposed Change Orders

Included with this report as ATTACHMENTS 2 and 3 are OIG analyses of two pending PWD change orders for QNIP Project Nos. 630011Q and 630012Q. These two contracts were among those audited by the OIG and certain of the additional pay items covered by the change orders are discussed in this audit report.

IV. FINDINGS AND RECOMMENDATIONS

PWD provided a written response to the Draft Audit Report on June 3, 2003. The response is attached, in its entirety, to this Final Audit Report. In its response, PWD prefaced its comments on the audit findings and recommendations with a section wherein it described its “special project” procedures. The OIG’s comments on this section follow immediately. Brief summaries of other PWD responses with OIG comments are shown later in the report following the specific findings and recommendations.

OIG Comments on PWD’s “Special Project” Procedures

PWD management statements, which are offered to support its current “special project” procedures, are in and of themselves stating the very reasons why such procedures cannot be condoned. Often, these statements go right to the heart of the management issues underlying the problems reported by the OIG auditors. For example, PWD management, in justifying its “special projects” procedure, states:

“Given the lengthy and costly formal bid process, the department has elected in many cases to use available open contracts, even though these contracts may not be ideally suited for these urgent requests, that is, new pay items are required.”

PWD management, in effect, points to established county procedures as the reason for its shortcuts around having to complete competitive procurements. The OIG, however, believes that such procurements would obtain open contracts that would be “ideally suited” for the desired scope of services that require new competitively priced pay items. PWD consistently uses non-contract, non-competitively priced pay items or lump sum payments to pay for work outside the contractually stipulated work scope.

PWD management also explains its actions by citing a “typical justification” for a QNIP contract change order by stating:

“Given the nature of any open contract. . . field conditions and specific characteristics are unknown at the time the contract is developed. . . . Specifically, this open contract was also used to perform emergency roadway reconstruction, including extensive drainage facilities which fell beyond its original scope of work.”

The OIG does not question PWD's intent for and use of unit-price contracts for QNIP work. In fact, unit-price contracts would be the recommended contract type for such work. However, such contracts are recommended when there is uniformity between the work scope and the contract's work items. A unit-price contract, however, is not a cost-effective or recommended contract when used to pay for projects that require non-contract work items to complete.

PWD management acknowledges their misapplication of QNIP contracts by stating, "since some pay items are lacking and the nature of the work is such that the original contract bid items typically do not apply." Following this statement, PWD management says that:

*"The down side to using this approach is that whenever the existing pay items are somewhat unsuitable (low), **the contractors tend to propose high prices for the new pay items to make up the difference.**" (emphasis added)*

The OIG reads this statement to say that the contractor "low-balled" its bid prices on the contract work items to obtain the contract award and now seeks to recover its true costs, via change orders, by charging higher prices on the new pay items. PWD management appears to be recognizing that its prior QNIP contract competitive bid and contract award processes may have been flawed in their applications.

The OIG expressed, in the draft version of this report, its concern about a potential adverse impact to future contract awards. The OIG stated that a future competitive process "may be corrupted because current QNIP contract holders, with knowledge of the current practices, could be induced to low bid the contract." In its response to the draft report, PWD management appears to be saying that this impact may, in fact, have already been realized in past contract awards. PWD management states that its QNIP contract award and implementation procedures and practices have been practiced for over six (6) years.

The OIG accepts that PWD can use available QNIP contract capacity to complete other projects regardless of the funding source. The OIG, however, believes that this practice should be restricted to projects with similar scopes of work and by using the contract's competitively priced work items. The OIG does take issue with PWD using QNIP contract capacity to complete projects with materially different work scopes and priced without using the contract's original work items and unit prices. PWD must take significant liberties with two key contract provisions—the scope of work and payment terms/conditions—to accomplish such projects. These provisions characterize the essential nature of the original contract as a limited-scope, unit price contract. Notwithstanding their design and intent, however, PWD uses these contracts for projects that bear little resemblance to that type originally contemplated.

PWD management, in its response, states “the scope and type of work for the special projects differ significantly from the original contracts.” The OIG could not have expressed better the central reason why PWD’s practices have been wrong and should be changed. Also, in its response, PWD management states that a “qualified construction cost estimator or a person with construction expertise” could make “valid and productive” criticism of its practices. The OIG believes, however, that any reasonable, prudent individual could understand that a contract awarded to complete certain defined projects using defined work items is not the best contract to complete “projects [that] differ significantly” from those contemplated under the original contract. The OIG believes that PWD’s practices should have compelled it to issue contracts consistent with the scope of work to be performed and containing competitively priced pay items consistent with that scope.

Finding No. 1: Unauthorized activities performed using QNIP contracts.

The nine (9) Resurfacing and/or Drainage contracts identified in our audit were advertised and awarded under the Quality Neighborhoods Initiative Program. For resurfacing contracts, the work consists of resurfacing streets and intersections, including milling and limited widening and roadway reconstruction, if required. For drainage contracts, the work consists of the installation of exfiltration drains, catch basins and other miscellaneous drainage items.

Public Works, however, used QNIP contracts to perform a significant amount of non-QNIP funded work orders. Various sources such as Road Impact Fee, Local Option Gas Tax and Secondary Road Districts, funded these work orders. PWD management informed the OIG auditor that the type of resurfacing or drainage work performed under the non-QNIP work orders are usually outside the scope of work specified in the QNIP contracts (i.e. not simple overlaying of asphalt).

The table ² below summarizes the amounts paid to date for QNIP and non-QNIP funded work orders by the County for all nine (9) contracts selected for audit.

² This table was amended to provide more clarification regarding all nine (9) projects; Attachment 1 provides an expanded version of this table.

ALL PROJECTS					
CONTRACT TYPE	FUNDING SOURCES				TOTAL
	QNIP AMOUNT		NON-QNIP AMOUNT		
RESURFACING	3,712,331.06	43%	4,978,647.57	57%	8,690,978.63
DRAINAGE	3,404,696.29	88%	444,820.66	12%	3,849,516.95
TOTAL	\$ 7,117,027.35		\$ 5,423,468.23		\$ 12,540,495.58
	57%		43%		

Public Works uses two methods for establishing the non-QNIP work orders: (1) as a work order under the original QNIP contract or (2) via a change order to the original contract. **These non-QNIP work orders are assigned to the current QNIP contract holder thereby circumventing the competitive bidding requirements** codified in Administrative Order No 3-2³, Section III – “Authority To Award Contracts”, Section IVA – “Purchases of \$100,000 or More” and Section IVB – “Purchases of \$5,000 but Less Than \$100,000”. Without competitive selection of contractors, PWD is not able to determine whether the best price was obtained.

The OIG is troubled that QNIP contractors are being **assigned** work orders which: (1) were not in the scope of the QNIP contract and (2) were not **awarded** using the competitive procurement process. By repeated practices, PWD believes that the QNIP contract capacity extends to non-QNIP funded work orders.

It is the County’s intention to promote fair and open competition for all segments of the community. PWD’s current practice allows the QNIP contractors to bypass competitive selection methods for the award of county construction contracts. Moreover, it is not unreasonable to expect that future contract awards / procurement processes may be corrupted because current QNIP contract holders, with knowledge of the current practices, could be induced to low bid the contract. The QNIP contractors by previous practice, know that they would be receiving frequent and substantial non-QNIP work orders that they could price without competition.

Recommendation:

PWD’s current practice constitutes more than just flawed procedures. It raises serious questions about the fairness and integrity of the procurement process. PWD’s method of awarding non-QNIP work results in a pattern of procurement that inhibits desirable competition at a cost both to taxpayers, who footed the bill, and to contractors who may have been denied the opportunity to compete for County business. In order to avoid the appearance of, and potential for, wrongdoing, all non-QNIP work should be awarded pursuant to the competitive procurement process detailed in Administrative Order No. 3-38, the new Master Procurement AO.

³ A.O. 3-2 was recently repealed and replaced by A.O. 3-38 the Master Procurement Administrative Order on May 16, 2003. However, for the period under audit, A.O. 3-2 governed.

PWD Response to Finding No. 1 (See page 3 of PWD Response)

PWD management justifies its using QNIP contracts for non-QNIP projects. PWD explains that this decision is consistent with the Department's historical practices and has been done with the approval of other departments such as CICC, the County Attorney's Office, Budget Office, etc. PWD opines that "contracts should be developed primarily for projects of a particular type and secondarily for a particular funding source." PWD states that the procedures are competitive and provide contractors, including CSBE contractors, with the opportunity to complete additional work. PWD disagrees with the OIG's contention that QNIP contractors know that they would receive non-QNIP work. PWD asserts that new pay items are competitively priced.

OIG Comments to PWD's Response to Finding No. 1

The OIG does not take issue with the funding sources regarding QNIP or non-QNIP work. The OIG agrees that funding sources should not dictate contracting or operating procedures; the scope of work, not the funding sources, dictates the contracting and operating procedures. However, notwithstanding its own words, "In our [PWD] opinion, and from an engineering point of view contracts should be developed primarily for projects of a particular type" PWD has not developed a work-specific contract for handling the non-QNIP special projects.

The OIG's position is that the scopes of work for these "special projects" were different and, therefore, deserved special contracts regardless of the funding sources. Also, it is the OIG's contention that PWD would have provided more opportunities to more contractors if these "special projects" were awarded under non-QNIP contracts. At a minimum, and in lieu of awarding multiple single project contracts, PWD could have issued a series of open contracts, similar to the QNIP contracts, to handle such "special projects." More contract awards means more contractors, including CSBE contractors, have the opportunity to obtain County business.

Finding No. 2: Questioned costs due to undocumented work and disproportionate costs.

A properly prepared invoice and/or requisition is required for all contract payments. To ensure that contractors are delivering services for which they are paid, all payment items should include adequate supporting documentation clearly stating the scope of work performed.

The OIG found that contract payments totaling approximately \$293,289 were inadequately documented or contained no supporting documentation. Without specifying the scope of work performed, the OIG questions PWD's ability to link payments to the scope of work stated on the "Summary of Charges." Furthermore, PWD may have paid for services not received. For example, the "Summary of Charges" for one payment requisition contained \$3,500 of unsupported

“Miscellaneous Drainage” expenses.

In another example, OIG auditors found that PWD paid approximately \$6,000 for unsatisfactory work on one payment requisition, despite the fact that the inspector noted the unsatisfactory work in the project diary, which is used to support all payment requisitions.

The following questioned costs are included in both QNIP and non-QNIP work order payments made from January 2000 thru October 2002, as summarized in the table below.

RESURFACING PROJECT NO . 630011Q							
ITEM DESCRIPTION	WORK ORDER NO .	REQ . NO .	UNIT	UNIT PRICE	QUANTITY	AMOUNT	EXCEPTION NOTED
N ight D iffere ntial for Paving	***3	5	N ight	\$ 2,000.00	7	\$ 14,000.00	<p>➤ There w as inadequate supporting docum entation to support this paym ent item (i.e.nam es of em ployees w orking, the num ber of em ployees etc.).</p> <p>➤ The inspector noted in his project diary that the asphalt w as in properly / unevenly paved on the night of 2/15/01, 2/16/01 & 2/19/01 in several locations and stated that the work had to be corrected asap; how ever, the contractor's paym ent included all three (3) nights.</p>
LOCATION : SW 40 ST-56 ST / SW 67 AVE-77 AVE							FINAL WORK ORDER COST : \$293,672.34
M obilization, M aintenance O f T raffic, cleaning & grubbing including 10" drainage	*10	16	L.S.	\$ 15,000.00	1	\$ 15,000.00	➤ There is no docum entation show ing that these activities w ere perform ed.
LOCATION : SW 20 ST between SW 139 CT & SW 140 CT							FINAL WORK ORDER COST : \$34,361.83
PROJECT QUESTIONED COSTS						\$29,000.00	

*QNIP funded work order

***Work order funded by QNIP and non-QNIP sources

RESURFACING PROJECT NO . 630012Q							
ITEM DESCRIPTION	W O N O .	REQ NO .	UNIT	UNIT PRICE	QUANTITY	AMOUNT	EXCEPTION NOTED
Clearing & grubbing	**1	1	L.S.	25,000.00	1	25,000.00	>There was inadequate supporting documentation for this payment item . >Work order estimate and survey reflect 20 trees to be removed. The OIG questions the validity of this payment item .
Tree Removal			Each	175.00	95	16,625.00	
						\$ 41,625.00	
LOCATION : SW 168 ST from SW 169 AVE-177 AVE							FINAL WORK ORDER COST \$150,077.85
Clearing & grubbing	**6	5	L.S.	16,000.00	60%	9,600.00	>There was inadequate documentation to support this payment item . The documentation reviewed states that 60% of the work was completed over two (2) days (30% each day) , however, the type of work performed is not clearly identified.
		6			40%	6,400.00	
Maintenance of Traffic		11	L.S.	6,000.00	50%	3,000.00	>There was no documentation showing that this activity was performed.
Type "S" concrete asphaltic concrete (1½ " thick)		11	ton	60.00	274	16,411.20	>Item is similar to bid item # 331-3 (1") which is 31.00 per ton except for ½ " difference; item is listed on weekly & daily report as bid item #331-3 however, this was changed on project's summary of charges; delivery receipt states that item is S-3 mix which is item #331-3.
Miscellaneous drainage expenses		11	L.S.	3,500.00	1	3,500.00	>There was no documentation showing that this activity was performed.
						\$ 38,911.20	
LOCATION : Alleyway East of State Road No. 5 from SW 141 ST to SW 144 ST							FINAL WORK ORDER COST \$95,713.09
PROJECT QUESTIONED COSTS						\$ 80,536.20	

**non-QNIP funded work order

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RESURFACING PROJECT NO . 630015Q							
Item	W O N O .	REQ . NO .	UNIT	UNIT PRICE	QUANTITY	TOTAL	Exception Noted
Mobilization, clearing & grubbing	**1-R	1	L.S.	49,673.00	50%	24,836.50	>The QNIP weekly report and the project diary does not clearly identify when the work was performed.
		2			50%	24,836.50	>The QNIP weekly report and the project diary does not clearly identify when the work was performed; also, the weekly report contained a notation that "no work was made" and that this payment was being made per the instructions of the County's project manager.
						\$ 49,673.00	
LOCATION AM ELIA EARHART PARK							FINAL WORK ORDER COST \$163,226.78
Mobilization, clearing & grubbing	**3	5	L.S.	32,185.00	40%	12,874.00	>There was inadequate supporting documentation to support this payment. The QNIP weekly report and the project diary does not clearly identify when the work was performed.
LOCATION Continental Park (Walk-way) 10100 SW 82 AVE							FINAL WORK ORDER COST \$121,428.06
Maintenance of Traffic, clearing & grubbing and mobilization	*7R	9	L.S.	25,000.00	1	\$ 25,000.00	>There was inadequate supporting documentation to support this payment.
LOCATION SW 13 ST & SW 45 AVE-47 AVE							FINAL WORK ORDER COST \$55,127.97
Night differential for milling	**8	8	each	1,000.00	3	3,000.00	>There was inadequate supporting documentation to support this payment item (i.e. names of employees working, the number of employees etc.).
Night differential for paving	**8	8	each	1,000.00	2	2,000.00	>There was inadequate supporting documentation to support this payment item (i.e. names of employees working, the number of employees etc.).
						\$ 5,000.00	
LOCATION Coral Way 67 AVE TO 72 AVE							FINAL WORK ORDER COST \$100,880.86
PROJECT QUESTIONED COSTS						\$ 92,547.00	

*QNIP funded work order

**non-QNIP funded work order

DRAINAGE PROJECT NO . 630116Q							
ITEM DESCRIPTION	Req NO .	W O NO .	UNIT	UNIT PRICE	QUANTITY	TOTAL	Exception Noted
Asphalt pavement	Various	*Various	Ton	65.00	299.04	\$ 19,437.60	<ul style="list-style-type: none"> ➤The OIG questions why this item was not included in the bid documents. ➤The OIG questions why the price of this item is so high due to the fact that the price the County pays for this same item is significantly lower for asphalt on resurfacing contracts.

*All work orders were QNIP funded.

DRAINAGE PROJECT NO . 630117Q							
ITEM DESCRIPTION	Req NO .	W O NO .	UNIT	UNIT PRICE	QUANTITY	TOTAL	Exception Noted
Asphalt pavement	Various	*Various	Ton	65.00	1,104.12	\$ 71,768.06	<ul style="list-style-type: none"> ➤The OIG questions why this item was not included in the bid documents. ➤The OIG questions why the price of this item is so high due to the fact that the price the County pays for this same item is significantly lower for asphalt on resurfacing contracts.

*Work orders included QNIP and non-QNIP funding.

The overall lack of accountability, justification, and proper supporting documentation for contract payments raises serious concerns to the OIG. These contract payments did not contain sufficient information to allow for third-party verification. Furthermore, these practices may allow opportunities for abuse at the taxpayers' expense.

OIG auditors also found that PWD pays disproportionately higher prices for certain items in relation to the work orders as a whole. PWD would have paid some of these costs in any event as the work is needed, however, the OIG questions the amount of these items relative to the overall work order costs. Some of these items include, but are not limited to: (1) Maintenance of Traffic (2) Mobilization and (3) Clearing & Grubbing.

The Florida Department of Transportation's (FDOT) State Estimates Office provides the following description for these items⁴:

- Mobilization – consists of work and operations necessary to begin work on a project. Includes moving in equipment and personnel, establishing temporary offices, safety

⁴ Florida Department of Transportation's Basis of Estimates Handbook, January 2003 Edition as of November 15, 2002

equipment and sanitary facilities. May include surveying, bond and insurance expenses. In some cases, may consist of security services and/or expenses associated with night work.

- Maintenance of Traffic – includes all items required to safely maintain traffic throughout a transportation work zone with minimal inconvenience to the public and fit into one of the following categories:
 1. Cannot reasonably be quantified;
 2. Cannot be addressed under current pay items; and
 3. Are incidental to the operations necessary to safely maintain traffic throughout a work zone.
- Clearing and Grubbing – consists of complete removal and disposal of all vegetation, debris, drainage structures, flexible pavement, building or any other obstructions in all areas where excavation is to be done, or where embankments or structures will be constructed.

In comparison to the standardized definitions cited above, PWD made the following lump sum payments for similar items among several work order issued under the QNIP contracts.

- **Resurfacing Project No. 630011Q, Work Order No. 10:** \$15,000 or 44% of the final work order cost of \$34,362 for maintenance of traffic, mobilization and clearing and grubbing of SW 20 Street between SW 139 CT & SW 140 CT. This appears to be unreasonable for such a small area of work. The OIG further questions why the different activities were not itemized in order to provide a more accurate assignment of the related costs.
- **Resurfacing Project No. 630012Q, Work Order No. 1:** \$25,000 or 16% of the final work order cost of \$150,078 for clearing and grubbing of SW 168 Street from SW 169 Ave. – 177 Ave.
- **Resurfacing Project No. 630012Q, Work Order No. 6:** \$16,000 or 17% of the final work order cost of \$95,713 for clearing and grubbing of the Alleyway East of State Road 5 from SW 141 Street to 144 Street.
- **Resurfacing Project No. 630015Q, Work Order No. 1R:** \$49,673 or 30% of the final work order cost \$163,227 for clearing and grubbing of Amelia Earhart Park (West Side Entrance).
- **Resurfacing Project No. 630015Q, Work Order No. 3:** \$32,185 or 27% of the final work

order cost of \$121,428.06 for clearing and grubbing of Continental Park (Walkway) SW 102 Street & SW 82 Ave. – 83 Ave.

- **Resurfacing Project No. 630015Q, Work Order No. 7R:** \$25,000 or 45% of the final work order cost of \$55,128 for maintenance of traffic and clearing and grubbing of SW 13 Street & SW 45 AVE-47 Ave.

Coupled with the fact that all of the above mentioned charges are also “Questioned Costs” due to the lack of adequate or nonexistent supporting documentation, the OIG questions the reasonableness of the above charges in relation to the work order costs as a whole. Furthermore, all of these items and their costs were paid from the work order contingency allowance and later presented as change orders to the original contract because although they were frequently used, they were not included in the original bid documentation.

Recommendation:

It is incumbent upon management to ensure that all contractor requisition payments are properly supported and the scope of work clearly defined. The OIG recommends that Public Works withhold future payments from the contracts until all questioned costs are resolved.

PWD Response to Finding No. 2 (See pages 4- 6 of PWD Response)

PWD management explains how lump sum work orders operate. Also, PWD explains why it is not necessary to document the completion of the certain individual pay items comprising a work order. PWD goes into great detail to explain certain work order details mentioned by the OIG in its draft audit report and to justify PWD’s payment of the items. PWD “strongly” disagrees with the OIG recommendation that it withhold future payments under these contracts.

OIG Comments to PWD’s Response to Finding No. 2

PWD states that:

“For unit-priced work orders, proof that either mobilization, clearing and grubbing or maintenance of traffic (MOT) was completed is self evident by seeing the finished product in the field and need not be documented, as such, in office records—although in most cases it is documented in the inspector reports.”

OIG auditors did review office records and inspector reports and did not see documentation supporting the performance of such activities. The OIG questions PWD’s ability to link payments to the completion of the scope of work in the absence of supporting documentation that clearly supports that the scope of work was performed. It is important for PWD to verify not only that a road has been resurfaced but, also, PWD should verify that the work efforts described as necessary

to complete the work product were, indeed, performed. Therefore, we reaffirm our recommendation.

Furthermore, PWD agrees that the costs paid for these items appear to be high in relation to the overall work order amounts and that they should be paid in accordance with work order terms. This may be true. However, the OIG believes that the prices for such items, in the absence of contract prices, should be supported by documentation showing that PWD completed price analyses determining that the prices were fair and reasonable.

Clarification of specific findings are detailed below:

Resurfacing Project No. 630011Q, Work Order No. 3

- **Night differential.** The OIG is not taking issue with the need to use the “Night Differential” pay item, however, supporting documentation is required. Once again, there was inadequate documentation to support this pay item; such documentation should have included names of employees working, number of employees working, etc. PWD should be mindful of the fact that all documentation supporting payment items and amounts should contain sufficient information to allow for third-party review.
- **Asphalt deficiencies.** It is not unreasonable to expect “imperfections” to occur during the pavement processes, however, the inspector’s notes are included with the supporting documentation for payment and, therefore, the contractor’s payment should have excluded the amounts associated with the areas requiring corrective action.

Resurfacing Project No. 630012Q, Work Order No. 1

- **Tree removal.** The OIG is aware of the variances that occur between estimated and actual (true) quantities and amounts, however, it is counter productive to perform a survey after the work order is approved. The 20 trees noted were listed in the inspector’s project diary.

Resurfacing Project No. 630012Q, Work Order No. 6

- **Type “S” Asphalt.** PWD is responsible for ensuring that the proper description is listed on the “Summary of Charges.” The item number listed relates to a specific item with a specific price.
- **Miscellaneous drainage expenses.** The “Negotiation Acceptance Memorandum” is prepared before the commencement of work and is not a substitute for proper supporting documentation.

Drainage Project Nos. 630116Q and 630117Q, various work orders, asphalt pavement.

- *PWD's response is unacceptable because the County pays significantly lower for this item on resurfacing contracts.*

Finding No. 3: Improper unit prices paid for "Lump Sum" work orders issued under QNIP contracts.

The unit prices in each of the nine (9) contracts were competitively negotiated and should, therefore, be utilized and paid on all work orders, which contain the identified type of work. Our review disclosed approximately \$136,207 of unauthorized charges on certain "lump sum" work orders related to improper unit prices. These work orders included QNIP and non-QNIP work orders.

June 24, 2003

RESURFACING PROJECT NO. 630011Q, WORK ORDER NO. 14 - NW 127 ST & 22 AVE @ WESTVIEW ELEM. SCHOOL										
QUOTATION #1 Dated 6/19/02				AUTHORIZED AMOUNT PER QNIP CONTRACT		AMOUNT PAID BY PWD		PRICE VARIANCE	UNAUTHORIZED COSTS	
QNIP ITEM NO.	DESCRIPTION	UNIT	Quantities	PRICE \$	Amount	PRICE \$	Amount	%	\$	%
160-4	Type "B" Stabilization (includes excavation)	SY	503	\$ 1.00	\$503.00	\$ 12.50	\$6,287.50	1250%	(5,784.50)	1150%
200-1-2	Limerock Base (8" thick)	SY	503	\$ 4.00	\$2,012.00	\$ 15.00	\$7,545.00	375%	(5,533.00)	275%
	Non-Questioned Items				\$41,318.00		\$41,566.00			
GRAND TOTAL						\$43,833.00		\$ 55,398.50	(11,565.50)	26%

RESURFACING PROJECT NO. 630011Q, WORK ORDER NO. 15 - ROAD CONSTRUCTION NW 21 AVE BETWEEN NW 92 ST TO NW 93 TERR										
QUOTATION #1 Dated 7/2/02				AUTHORIZED AMOUNT PER QNIP CONTRACT		AMOUNT PAID BY PWD		PRICE VARIANCE	UNAUTHORIZED AMOUNT	
QNIP ITEM NO.	DESCRIPTION	UNIT	Quantities	PRICE \$	Amount	PRICE \$	Amount	%	\$	%
160-4	Type "B" Stabilization (12")	SY	1,400	\$ 1.00	\$1,400.00	\$ 5.21	\$7,300.00	521%	(5,900.00)	421%
200-1-2	Limerock Base (8" thick, primed)	SY	1,400	\$ 4.00	\$5,600.00	\$ 10.53	\$14,747.60	263%	(9,147.60)	163%
331-3	Asphaltic Concrete Surface (1")	TON	80	\$ 30.00	\$2,400.00	\$ 75.00	\$6,000.00	250%	(3,600.00)	150%
575-1	Sod	SY	1,400	\$ 1.00	\$1,400.00	\$ 3.00	\$4,200.00	300%	(2,800.00)	200%
	Non-Questioned Costs				\$19,606.00		\$19,606.00			
GRAND TOTAL						\$30,406.00		\$51,853.60	(21,447.60)	71%

June 24, 2003

RESURFACING PROJECT NO. 630012Q, WORK ORDER NO. 12 - NW 30 AVE BETWEEN 94 TO 98 ST										
	QUOTATION #1 Dated 5/13/02			AUTHORIZED AMOUNT PER QNIP CONTRACT		AMOUNT PAID BY PWD		PRICE VARIANCE	UNAUTHORIZED AMOUNT	
QNIP ITEM NO.	DESCRIPTION	UNIT	Quantities	PRICE \$	Amount	PRICE \$	Amount	%	\$	%
160-4	Type "B" stabilization 12"	SY	4,950	\$ 1.00	\$ 4,950.00	\$ 4.30	\$ 21,285.00	430%	(16,335.00)	330%
200-1-2	Limerock base 8" (primed)	SY	4,950	\$ 4.00	\$ 19,800.00	\$ 7.00	\$ 34,650.00	175%	(14,850.00)	75%
575-1	Sodding	SY	4,000	\$ 1.00	\$ 4,000.00	\$ 3.00	\$ 12,000.00	300%	(8,000.00)	200%
331-3	Type S Asphalt	TON	260	\$ 31.00	\$ 8,060.00	\$ 45.00	\$ 11,700.00	145%	(3,640.00)	45%
327-70	Milling 1" Avg	SY	1,000	\$ 1.00	\$ 1,000.00	\$ 3.00	\$ 3,000.00	300%	(2,000.00)	200%
	Non-Questioned Costs				\$ 44,640.00		\$ 44,640.00			
GRAND TOTAL						\$82,450.00	\$ 127,275.00		(44,825.00)	54%

RESURFACING PROJECT NO. 630015Q, WORK ORDER NO. 4 - NE 211, NE 8 AVE & NE 10 AVE										
	QUOTATION #1 Dated 8/16/01 & QUOTATION #2 DATED 5/2/02			AUTHORIZED AMOUNT PER QNIP CONTRACT		AMOUNT PAID BY PWD		PRICE VARIANCE	UNAUTHORIZED AMOUNT	
QNIP ITEM NO.	DESCRIPTION	UNIT	Quantities	PRICE \$	Amount	PRICE \$	Amount	%	\$	%
110-4	Removal of Asphalt Pavement	SY	440.10	0.70	308.07	\$ 17.00	\$7,481.70	2429%	(7,173.63)	2329%
331-3-1	Type S Asphalt	TN	435.90	39.65	17,283.44	\$ 80.00	\$34,872.00	202%	(17,588.57)	102%
331-3-2	FC-3	TN	692.70	39.40	27,292.38	\$ 80.00	\$55,416.00	203%	(28,123.62)	103%
12	Concrete Sidewalk 4"	SY	27.80	2.25	62.55	\$ 70.00	\$1,946.00	3111%	(1,883.45)	3011%
4	Sign Single Post	EA	40.00	210.00	8,400.00	\$300.00	\$12,000.00	143%	(3,600.00)	43%
	Non-Questioned Costs				\$192,795.30		\$192,795.30			
GRAND TOTAL						\$246,141.74	\$304,511.00		(58,369.27)	24%

This practice lacks prudent contracting procedures and wastes tax dollars. It appears that economy has been sacrificed for expediency.⁵

Recommendation:

The OIG recommends that the County seek reimbursements for the overpayments as the contractors were not authorized to receive the unit prices paid on the lump sum work orders. This condition further supports the OIG position that these types of work order should be competitively awarded. PWD should withhold all future payments until all improper payments are reimbursed.

PWD Response to Finding No. 3 (See page 7 of PWD Response)

PWD refers back to its discussion about “special projects” procedures and, also, talks again about how lump sum work orders operate. PWD takes “strong exception” to the OIG recommendation that it should withhold payments to QNIP contractors until the OIG questioned items are resolved.

OIG Comments to PWD’s Response to Finding No. 3

PWD management states, “There are no unit prices included in lump sum work orders.” This may be true because the total price for a lump sum is, indeed, a lump sum. However, QNIP contract defined work items, in part, comprise the total scope of work for these lump sum work orders. When the lump sum cost proposal contains existing defined work items, which were previously negotiated and contained in the contract awarded, and those items are shown as elements of a lump sum work order, then the contract amounts should be reflected in the proposed work order from the contractor regardless of the type of work order. New work item prices, in fact, the entire lump sum work order amount, should be well documented by records showing how PWD cost estimators determined that the work order price was fair and reasonable. The OIG reaffirms its recommendation.

It is important to note that although PWD states that the non-QNIP work was priced competitively, OIG auditors could find documentation supporting that the contractors selected for these “special projects” were competitively negotiated in only one (1) instance out of six (6).

Although not encouraged, should PWD continue to include competitively priced work items in its lump sum work orders, PWD should develop compensating procedures prescribing how to

⁵ The OIG recognizes that in some situations (emergency and / or unforeseen), the QNIP contractor being on or near a particular work site and may be assigned additional non-QNIP work (e.g. paving street X which is QNIP funded vs. street Y which is non-QNIP funded). In those instances, it might be more economical to use the on-site QNIP contractor to do the additional work and have it paid via another funding source but using the QNIP contractor’s established bid price.

document that lump sum priced work order prices are fair and reasonable. The department must then document its compliance with those procedures documented. The OIG feels that it is "good business practice" to provide strict accountability for taxpayer's dollars; it is PWD's responsibility to document how the prices paid under these lump sum cost proposals were fair and reasonable.

MANAGEMENT RESPONSES

Management was given an opportunity to respond during the audit process to the above findings. Where provided, such comments helped explain these conditions and, in most cases, showed management's willingness and intent to correct identified deficiencies. Occasionally, management challenged specific audit findings. However, those comments failed to invalidate either the audit findings or the global issues identified in this report. On April 23, 2003, PDW was presented with our Draft Audit Report and was given the opportunity to formally provide a written response to OIG findings and recommendations. Where PWD has implemented any remedial action or any measures since our meetings during the audit process, it should have been noted in the response. PWD's written response to our Draft Audit Report was received by the OIG on June 3, 2003 and is attached, in its entirety, to our Final Audit Report. OIG comments on PWD's written response are contained within the body of the report.

ATTACHMENTS

1. Detailed cost information by project, funding source and work order classification for all nine (9) contracts selected for audit.
2. OIG analysis of proposed Change Order No. 4 to Project No. 630011Q.
3. OIG analysis of proposed Change Order No. 4 to Project No. 630012Q.

APPENDIX

1. Draft notification letter to PWD, dated April 25, 2003.

Response received from PWD.

2. Addendum to Draft Audit Report and cover memo, dated June 6, 2003. Per PWD, the department will have no further response to the subject addendum.

(See Attachments 2 and 3 for the incorporation of the addendum to the final report).

ATTACHMENT 1 – Detailed cost information by project, funding source and work order classification

Drainage Contract No. 630116Q						
Work Order Type	QNIP Amounts		Non-QNIP Amounts		Totals	
	\$	%	\$	%	\$	%
Unit Price	\$1,165,475	100%	\$93,401	100%	\$1,258,876	100%
Lump Sum	\$0	0%	\$0	0%	\$0	0%
Total	\$1,165,475	100%	\$93,401	100%	\$1,258,876	100%
	93%		7%			

Drainage Contract No. 630117Q						
Work Order Type	QNIP Amounts		Non-QNIP Amounts		Totals	
	\$	%	\$	%	\$	%
Unit Price	\$700,341	100%	\$277,445	100%	\$977,786	100%
Lump Sum	\$0	0%	\$0	0%	\$0	0%
Total	\$700,341	100%	\$277,445	100%	\$977,786	100%
	72%		28%			

Drainage Contract No. 630118Q						
Work Order Type	QNIP Amounts		Non-QNIP Amounts		Totals	
	\$	%	\$	%	\$	%
Unit Price	\$1,538,881	100%	\$73,975	100%	\$1,612,856	100%
Lump Sum	\$0	0%	\$0	0%	\$0	0%
Total	\$1,538,881	100%	\$73,975	100%	\$1,612,856	100%
	95%		5%			

Resurfacing Contract No. 630014Q						
Work Order Type	QNIP Amounts		Non-QNIP Amounts		Totals	
	\$	%	\$	%	\$	%
Unit Price	\$983,931	100%	\$409,738	100%	\$1,393,669	100%
Lump Sum	\$0	0%	\$0	0%	\$0	0%
Total	\$983,931	100%	\$409,738	100%	\$1,393,669	100%
	71%		29%			

Resurfacing Contract No. 630015Q						
Work Order Type	QNIP Amounts		Non-QNIP Amounts		Totals	
	\$	%	\$	%	\$	%
Unit Price	\$290,279	100%	\$1,093,001	78%	\$1,383,280	82%
Lump Sum	\$0	0%	\$304,511	22%	\$304,511	18%
Total	\$290,279	100%	\$1,397,512	100%	\$1,687,791	100%
	17%		83%			

Resurfacing Contract No. 630016Q						
Work Order Type	QNIP Amounts		Non-QNIP Amounts		Totals	
	\$	%	\$	%	\$	%
Unit Price	\$0	0%	\$978,310	100%	\$978,310	100%
Lump Sum	\$0	0%	\$0	0%	\$0	0%
Total	\$0	0%	\$978,310	100%	\$978,310	100%
	0%		100%			

Resurfacing Contract No. 630011Q						
Work Order Type	QNIP Amounts		Non-QNIP Amounts		Totals	
	\$	%	\$	%	\$	%
Unit Price	\$802,682	93%	\$609,560	81%	\$1,412,242	88%
Lump Sum	\$59,632	7%	\$141,333	19%	\$200,965	12%
Total	\$862,314	100%	\$750,893	100%	\$1,613,207	100%
	53%		47%			

Resurfacing Contract No. 630012Q						
Work Order Type	QNIP Amounts		Non-QNIP Amounts		Totals	
	\$	%	\$	%	\$	%
Unit Price	\$551,860	81%	\$898,692	100%	\$1,450,552	92%
Lump Sum	\$127,275	19%	\$0	0%	\$127,275	8%
Total	\$679,135	100%	\$898,692	100%	\$1,577,827	100%
	43%		57%			

Resurfacing Contract No. 630013Q						
Work Order Type	QNIP Amounts		Non-QNIP Amounts		Totals	
	\$	%	\$	%	\$	%
Unit Price	\$896,672	100%	\$543,504	100%	\$1,440,176	100%
Lump Sum	\$0	0%	\$0	0%	\$0	0%
Total	\$896,672	100%	\$543,504	100%	\$1,440,176	100%
	62%		38%			

Project No.: 630011Q
Project Title: QNIP Resurfacing Contract No. 2
Contractor: General Asphalt, Inc.

ATTACHMENT 2

The OIG is in receipt of proposed Change Order No. 4 submitted by the Public Works Department (PWD) to the Board of County Commissioners (BCC). The OIG's QNIP Draft Audit Report No. 4 discusses these items in details.

The OIG's audit identified three (3) issues that require management's attention:

Finding No. 1: Unauthorized work activities performed using QNIP contracts.

Finding No. 2: Questioned costs due to undocumented work and disproportionate costs.

Finding No. 3: Improper unit prices paid for "Lump Sum" work orders issued under QNIP contracts.

Based upon the OIG's review of this change order, at least one (1) of the three (3) findings identified during the QNIP audit relate to all of the change order items submitted in this proposed change order. These items are as follows:

- **Item No. 800-5, Construction of Parking Lane at Westview Elementary School, Work Order No. 14.** Finding No. 1 and Finding No. 3 address this item. The lump sum price was \$55,398.50. The OIG questioned \$11,565.50 or 21% of the total work order cost.
- **Item No. 800-6, Roadway Construction at NW 21st avenue from NW 92nd street to NW 93rd terrace, Work Order No. 15.** Finding No. 3 addresses this item. The lump sum price was \$51,853.60. The OIG questioned \$21,447.60 or 41% of the total work order cost.
- **Item No. 800-7, Roadway Improvement to McEarlane Road between South Bayshore Drive and Grand avenue, Work Order No. 16.** Finding No. 1 addresses this item.
- **Item No. 8007A, Construction of Extended Right Turn lane at Miami Lakeway North and NW 67th avenue, Work Order No. 17.** Finding No. 1 addresses this item.
- **Items No. 700-40A, 700-40B and 700-40C, Sign Installed Post (various sizes), Work Order No. 7.** Finding No. 1 addresses this item.
- **Item No. 3WS, Permanent Patch for Water & Sewer Dept., Work Order No. 12.** Finding No. 1 addresses this item.

Project No.: 630012Q
Project Title: QNIP Resurfacing Contract No. 3
Contractor: General Asphalt, Inc.

ATTACHMENT 3

The OIG is in receipt of proposed Change Order No. 4 submitted by the Public Works Department (PWD) to the Board of County Commissioners (BCC). The OIG's QNIP Draft Audit Report No. 4 discusses these items in details.

The OIG's audit identified three (3) issues that require management's attention:

Finding No. 1: Unauthorized work activities performed using QNIP contracts.

Finding No. 2: Questioned costs due to undocumented work and disproportionate costs.

Finding No. 3: Improper unit prices paid for "Lump Sum" work orders issued under QNIP contracts.

Based upon the OIG's review of this change order, at least one (1) of the three (3) findings identified during the QNIP audit relate to all of the change order items submitted in this proposed change order. These items are as follows:

- **Item No. 4WS1, Night Differential for Paving, Work Order No. 7R.** Finding No. 1 addresses this item.
- **Item No. 4WS3, Night Differential for Asphalt Patching, Work Order No. 7R.** Finding No. 1 addresses this item.
- **Item No. 800-4, Roadway Construction at NW 30th avenue between NW 94th street and NW 98th street, Work Order No. 12.** Finding No. 3 addresses this item. The lump sum price was \$127,275. The OIG questioned \$44,825 or 35% of the total work order cost.
- **Items No. 711-32-61 and 711-31-61, Skip Traffic Stripe, (6" Yellow/White, Thermoplastic 10' x 30'), Work Order No. 16.** Finding No. 1 address these items.
- **Item No. 1WS, Saw Cut Remove Temporary Cold Asphalt Patch, Work Order No. 2 and No. 7R.** Finding No. 1 addresses this item.
- **Item No. 4WS-2, Night Differential for Milling, Work Order No. 11.** Finding No. 1 addresses this item.
- **Item No. 3WS, Permanent Patch for Water & Sewer Dept., Work Order No. 11.** Finding No. 1 addresses this item.