

Management Review
of the
Parks and Recreation Management and
Administration over the Swim Central Grant for
Riverland Park Aquatic Center and Challenge
Grants for George English and Bayview Parks

Report of Audit 06/07-XX-07

May 22, 2007



Office of Management and Budget

Internal Audit

MEMORANDUM NO. 07-37

DATE: May 22, 2007

TO: Parks and Recreation Director/Phil Thornburg
Public Works Director/Albert Carbon
Director of Finance/Betty Burrell

SUBJECT: *Review of Parks and Recreation Management and Administration over the SWIM Central Grant for Riverland Park Aquatic Center and Challenge Grants for George English and Bayview Parks*

Enclosed is the “subject” Final Report of Audit.

Allyson C. Love
Director, Office of Management and Budget

Attachment - Final Report of Audit No. 06/07-XX-07

c: City Commission
City Manager/George Gretsas
Assistant City Manager/Kathleen Gunn
Assistant City Manager/Stephen Scott
Assistant City Manager/David Hebert

ACL/mr

REPORT OF AUDIT NO. 06/07-XX-07

DATE: April 12, 2007

TO: Parks and Recreation Director/Phil Thornburg
Public Works Director/Albert Carbon
Director of Finance/Betty Burrell

FROM: Assistant Internal Audit Director/Renee C. Foley/5851
Financial Management Analyst/Valerie Florestal

SUBJECT: Review of Parks and Recreation Management and Administration over the SWIM Central Grant for Riverland Park Aquatic Center and Challenge Grants for George English and Bayview Parks

BACKGROUND

The City of Fort Lauderdale (City) Parks and Recreation Department (PKR) receives various grants from Broward County (County). PKR is responsible for the overall administration and management for the City's compliance with the requirements of the terms and conditions in the grant agreements. The City's Public Works Department (PW), Engineering and Project Management Division is responsible for the overall management of the public construction projects.

SCOPE

As part of the grant agreements between the City and County, the City's Internal Audit Division is required to determine whether the revenues and amounts received from the County were expended in accordance with the agreements and to determine compliance with the various requirements. To this end, we provided the County with Special Reports together with Financial Statements for each grant. As part of the grant reviews, our overall objective was to evaluate the effectiveness and adequacy of the City's internal control systems and procedures used for each of the projects. We also performed a limited review to determine compliance with the terms and conditions of the construction contracts/agreement.¹ We discussed policy and procedures, documented processes, performed physical examinations, reviewed documentation/transactions and performed analytical procedures for the period of January 2002 through February 2007. Judgmental sampling methods were used in reviewing transactions and documentation. The review was completed in accordance with generally accepted government auditing standards.

¹ Test to determine insurance compliance was performed for Review of Challenge Grant for George English Park only.

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OVERALL EVALUATION

PKR, PW Engineering and Project Management Division, and Finance management procedures used to administer, track/monitor, and review the various grants/projects need improvement. We noted certain conditions that warrant management's attention to enhance the overall internal control environment, assist in future audit reviews, and securing of grants for future City projects. An overall assessment for each grant project is listed below.

TAB A

Review of SWIM Central Grant Program for Riverland Park Aquatic Center

Immediate improvement in management's oversight of the grant agreement and construction contract is needed by the City to validate compliance of the terms and conditions. PKR did not progressively bill the County at the 25%, 50%, and 75% project completion stages. Payments were issued to the Contractor without all required approvals. Management oversight was inadequate in providing Small Disadvantaged Business Enterprise (SDBE) reports to the County on a quarterly basis as required. Retainage of 10%, as authorized in the Design/Build Agreement between the City and the Contractor, was not withheld on all fees and costs. The City did not ensure the final "as-built" drawings were obtained for the project, although final payment for the grant had been issued to the Contractor. Furthermore, the recording in the Official Records of Broward County pursuant to Section 28.222, Florida Statutes, had not occurred. Quarterly Project Status Reports (PSRs) required by the County were submitted incomplete.

TAB B

Review of Challenge Grant for George English Park

Immediate improvement in management's oversight of the grant agreement and construction contract is needed by the City to validate compliance of the terms and conditions. PKR did not progressively bill the County at the 25%, 50%, and 75% project completion stages. Payments were issued to the Contractor without all required approvals. Internal controls were not in place to verify/obtain adequate Contractor insurance coverage in accordance with the construction contract. The

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Financial Statement was not sufficiently reviewed by the Treasury Division since it contained an overstatement of expenditures and classification errors. Quarterly PSRs required by the County were submitted incomplete.

TAB C

Review of Bayview Park Improvements Challenge Grant

Immediate improvement in management's oversight of the grant agreement and construction contract is needed by the City to validate compliance of the terms and conditions. PKR did not progressively bill the County at the 25%, 50%, and 75% of project completion stages. Payments were issued to the Contractor without all required approvals. Management oversight of the Contractor was inadequate resulting in the City's noncompliance with the County's SDBE reporting requirements. The Financial Statement was not sufficiently reviewed by the Treasury Division since it contained overstatements of both revenues and expenditures and classification errors. Quarterly PSRs required by the County were submitted incomplete.

EVALUATION OF MANAGEMENT COMMENTS

Management comments provided and actions taken and/or planned are considered responsive to the recommendations.

Review of SWIM Central Grant Program for Riverland Park Aquatic Center

BACKGROUND

The 2000 Broward County Safe Parks and Land Preservation Bond Program allocated \$19,800,000 for the SWIM Central Grant Program to benefit municipal parks and recreation systems within the geographic boundaries of Broward County and eligible nonprofit organizations that operate instructional swimming facilities within the geographic boundaries of Broward County. A primary objective of the Swim Central Grant Program is drowning prevention through the provision of learn to swim classes to elementary school aged children. This funding enables the City to provide a variety of aquatic programs for a currently underserved area of Fort Lauderdale. On January 8, 2002, the City entered into an Agreement with Broward County Swim Central Grant Program for \$1,500,000 in assistance for the construction of an Aquatics Center at Riverland Park. A Design/Build Agreement was awarded to Seawood Builders, Inc./Catalafumo Construction (Contractor) on September 9, 2003, for the development of the park and construction of the aquatics facility.

FINDING 1

PKR did not progressively invoice the County at the 25%, 50%, and 75% project completion stages as allowed in the Grant Agreement.

Article 4.3.1 Method of Billing and Payment of the Grant Agreement states, “Contractor² may submit an invoice(s) for payment on this Project after the Project has been completed in each of the four (4) segments as follows: Twenty-five Percent (25%) of the total County payment set forth in Section 4.1 above after completion of Twenty Five Percent (25%), Fifty Percent (50%), Seventy-Five Percent (75%) and One Hundred Percent (100%) of the Project’s development, minus the retainage amount described in Section 4.4 below. The amounts withheld, including retainage, shall not be subject to payment of interest by County.”

The City did not progressively bill the County at the various stages of completion permitted by the Grant Agreement. Although contract work pertaining to the grant

² The City is named as the Contractor in the Grant Agreement.

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had reached 25% completion in September 2004, the City did not invoice the County until January 2006 at 75% completion. On December 15, 2005, Internal Audit recommended the PKR Director immediately invoice the County for \$1,125,000 at 75% completion. However, the County denied this partial reimbursement request because the project was complete when the invoice was received.³ Thus, the County expected to be invoiced for the full \$1,500,000 (100%).

The GA did not have a system in place to progressively bill the County when each stage of completion was reached.

By not billing progressively, the City did not maximize its investment earnings potential totaling approximately \$21,093.

RECOMMENDATION 1

The PKR Director should instruct the Special Facilities Recreation Superintendent to require the GA to track and monitor the project's completion status to invoice progressively in the future at stages of completion permitted in the Grant Agreement in order to fully maximize the City's investment/earnings potential.

MANAGEMENT COMMENT

Management concurred with the finding and the recommendation and stated: "In future, when agreement allows, we will bill at allowable intervals." This item is closed.

FINDING 2

Engineering and Project Management Division's internal controls were inadequate to detect whether required approvals were obtained prior to issuance of payments to the Contractor.

³ The City had the ability to invoice (75% completion) and get paid within 30 calendar days after receipt of said invoice. Since the City had not been paid, the opportunity cost of a 5-month delay on \$1,012,500 (\$1,125,000 less 10% retainage of \$112,500) calculated at 5% is approximately \$21,093.

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According to Public Works/Engineering and Project Management Division's Project Payment Processing Procedures the following positions are required to sign/approve the Contractor's Progress Draw/Periodic Estimate for Partial Payment/Estimate for Payment.

- *Contractor*
- *Project Inspector*
- *Inspector Supervisor*
- *Project Engineer*
- *Construction Manager/Supervising Engineer*
- *City Engineer*

Our review of support documentation for 12 of 22 (55%) partial payments to the Contractor totaling \$2,064,594 for the period October 2003 through October 2005 revealed missing/illegible authorizations although payments were issued to the Contractor (**Schedule**).

The Engineering and Project Management Division did not adequately monitor Contractor progress draws to validate all required reviews/signatures had been obtained prior to issuance of payment. Furthermore, the Rejection and Return of Periodic Payment Estimate Request form was not always utilized to return to the Contractor progress draws for correction.

Properly documented verifications/authorizations reduce the risk of paying the Contractor for substandard/incomplete work that could result in liability issues and the need for corrective action; thus, creating additional cost to the City.

RECOMMENDATION 2

The City Engineer should require the Construction Manager to conduct a final review of the Contractor's progress draws to ascertain all required verifications for accuracy have been performed, authorizations are evidenced and legible prior to issuance of payments to the Contractor.

MANAGEMENT COMMENT

Management concurred with the finding and in principle with the recommendation and stated: "The Construction Manager does complete a final review of each progress payment draw. The City Engineer and Construction Manager approved each progress payment. During the progression of this project, the City Inspection Supervisor position was being recruited and the Engineering

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Inspector was changed, thus requiring the Construction Manager to take on a “hands on” approach to this project. Further, Public Works has implemented a procedure to ensure all signature blocks are complete and legible.” **This item is closed.**

FINDING 3

The City did not obtain from the Contractor/submit to the County SDBE reports on a quarterly basis as required.

Article 9.3.1 of the Grant Agreement states, “Contractor, and any construction contract it enters into for the Project, shall comply with the County’s Small Business Disadvantaged Business Enterprise (SDBE) Affirmative Action Program, set forth in Article XIV, Section 20-275, Broward County Code of Ordinances, requiring goals in all procurement activity at One Hundred and Fifty-Thousand Dollars (\$150,000) or above for construction services; Seventy-Five Thousand Dollars (\$75,000) or above in total contract value for architectural/engineering and related services; and Fifty Thousand Dollars (\$50,000) or above in total contract value for all other goods and services. This Project is for \$500,000 for construction, and renovation of recreational facility services.”

Article 9.3.5 of the Grant Agreement states, “Contractor understands that it is the responsibility of the Contract Administrator and the Broward County Division of Equal Employment & Small Business Opportunity to monitor compliance with the SDBE requirements. In that regard, Contractor agrees to furnish quarterly reports to both parties on the progress of SDBE participation commencing with the end of the first quarter of this Agreement.”

Our review of quarterly SDBE reports for the period of September 2003 through September 2006 revealed 11 of 12 (92%) were not obtained on a quarterly basis. However, a consultant⁴ was procured at the end of the project and obtained a Schedule of M/WBE⁵ Participation from the Contractor dated September 13, 2006.

Administration and management oversight by the GA was ineffective to assure timely compliance with the SDBE reporting requirements to the County.

Noncompliance with SDBE requirements of the Grant Agreement could hinder minority participation on government contracts and jeopardize securing future grant funding.

⁴ Dickey Consulting Services, Inc. (DCS).

⁵ Minority/Women Business Enterprise (M/WBE).

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**RECOMMENDATIONS AND
MANAGEMENT COMMENTS**

The *PKR Director* should instruct the *Special Facilities Recreation Superintendent* to require the *GA* to:

Recommendation 3. *Enforce the SDBE reporting requirements from the commencement of the project in order to comply with timely submission to the County. In the event of SDBE noncompliance by the Contractor, immediate notification to the Construction Manager is required together with vigorous follow-up till resolution in order to ensure timely compliance.*

Management Comment. *Management concurred with the finding and the recommendation and stated: “Immediate notification of Construction Manager and/or Project Manager will take place if the SDBE forms are not received with the monthly contractor’s pay request.” This item is closed.*

The *City Engineer* should require the *Construction Manager* to:

Recommendation 4. *Update the Rejection and Return of Periodic Payment Estimate Request form to include a section for SDBE compliance and assign a number and revision date to the form.*

Management Comment. *Management concurred with the finding and recommendation and stated: “Rejection and Return of Periodic Payment Estimate Request forms will be updated, reviewed and implemented to include SDBE compliance, by July 1, 2007.” Estimated completion date July 1, 2007.*

Recommendation 5. *Verify SDBE compliance has been met by the Contractor prior to issuance of any payments. Contractor should be notified in writing via the updated Rejection and Return of Periodic Payment Estimate Request form in the event of SDBE noncompliance, be given a due date/deadline to submit delinquent SDBE report(s), and follow-up performed till resolution occurs. Upon resolution, reports must be expeditiously forwarded to the GA.*

Management Comment. *Management concurred with the finding and recommendation and stated: “See Form revision in Recommendation 4.” Estimated completion date July 1, 2007.*

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FINDING 4

The City issued payments to the Contractor without withholding the required 10% retainage.

Section 6 – Retainage in the Design/Build Agreement with the Contractor, Seawood Builders, Inc., states, “City shall withhold retainage from payments to Firm until completion of services under the Project in a manner satisfactory to the City as evidenced by approval of the City. The Retainage shall be in the amounts provided as follows: A. For services performed as described on the Project, and unless otherwise provided therein, ten percent (10%) of the total amount of fees and costs from each invoice submitted by Firm for the services described will be withheld as retainage; and B. Upon the completion of the services described to the City’s satisfaction or upon the City’s approval, City shall remit to Firm the ten percent (10%) retainage previously withheld, provided Firm has complied with the provisions of Section 5 herein.”

Our review revealed on 14 of 22 (64%) progress draws the City did not withhold 10% retainage totaling approximately \$55,265.

The Engineering and Project Management Division did not withhold retainage in accordance with Section 6 of the Design/Build Agreement.

Withholding the full 10% retainage of contract costs provides leverage to the City to guarantee the successful completion of the project by the Contractor; and the City’s use of funds will maximize investment returns.

RECOMMENDATION 6

The City Engineer should require the Construction Manager to return the Contractor’s progress draw for correction if retainage has not been withheld in accordance with the contract agreement via a “Rejection and Return of Periodic Payment Estimate Request” form.

MANAGEMENT COMMENT

Management concurred with the finding and recommendation and stated: “During the design portion of the project, less retainage was withheld for design services. This has been corrected and will be implemented on all future design-build projects.” This item is closed.

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FINDING 5

The City did not obtain the final “as-built” drawings for the project, although final payment for the grant had been issued to the Contractor. Furthermore, the recording in the Official Records of Broward County pursuant to Section 28.222, Florida Statutes, had not occurred.

According to the Grant Agreement, Exhibit A, Section III, paragraph C states, “Upon Project completion, Contractor shall also submit a site plan (as-built), list of construction facilities and improvements, and color photographs reflecting the work accomplished.”

According to the Grant Agreement, Article 2 Scope of Services, Section 2.3 states, “Contractor agrees that the Project, when completed, shall be utilized for public instructional swimming uses. The dedication shall extend for a minimum of twenty-five (25) years and shall be recorded in the Official Records for Broward County, Florida, pursuant to Section 28.222, Florida Statutes....”

Our review revealed there was no evidence to show that the site plan (as-built) for the entire project had been submitted to the County. Thus, the recording in the Official Records pursuant to Section 28.222, Florida Statutes, had not occurred.

The GA submitted only as-built sheet numbers C-3, C-4, C-5, and C-6 for Paving, Grading, Drainage and Water and Sewer to the County. The Engineering and Project Management Division did not validate as-built drawings were in the City’s possession prior to making final payment to the Contractor for the grant portion of the project.

Establishment of a system to manage the closeout process to verify receipt of final as-builts and other required documentation as a condition of final payment will assure the City receives all required closeout documentation.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *City Engineer* should require the *Construction Manager* to:

Recommendation 7. Enforce policy/procedure to require copies of final as-builts (record drawings) for this and all future projects, together with any other close-out documentation not in the City’s possession, be submitted by the Contractor prior to final payment/release of retainage and immediately forward a set to the GA for timely submission to the County.

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Recommendation 8. *Enforce the closeout procedure requirement to obtain all required documentation; date and signature of person accepting receipt of item(s) should be recorded on the closeout form.*

Management Comment. *Management concurred with the finding and recommendations 7 and 8 and stated: “Public Works continues to withhold \$291,622.96 (5% of the contract amount), in funds, due to the Contractor. The Contractor has yet to submit approved As-built drawing and other closeout documents. Public Works does enforce this policy as noted in comment.” This item is open.*

FINDING 6

Quarterly Project Status Reports (PSRs) were submitted to the County incomplete/lacking required criteria.

According to Exhibit “A”, Section III, Paragraph A. of the Grant Agreement – Required Documentation for Services Rendered states, “Contractor shall submit to the Contract Administrator signed quarterly Project status reports on a calendar basis summarizing work accomplished, problems encountered, percentage of completion, and other appropriate information. Photographs shall be submitted when appropriate to reflect work accomplished.”

Our review of quarterly PSRs for the project from January 2002 through September 2006 revealed the following exceptions (**Sample 1**).

Qtrly Reports	Quantity of Exceptions		
	PSR Not Signed by GA	% of Completion Section Left Blank	Problems Encountered Section Left Blank
19	19	12	8

The PKR GA did not sign and fill out quarterly PSR forms completely prior to submission to the County.

PSRs that are signed/complete communicate to the Grantor assurance that the project is on schedule, any problems encountered, and corrective action taken.

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RECOMMENDATION 9

The Special Facilities Recreation Superintendent should require the GA to update the Quarterly PSR form to incorporate a signature line for the GA. Furthermore, the GA should not sign off on the PSR until all information required has been recorded prior to submission to the County.

MANAGEMENT COMMENT

Management concurred with the finding and the recommendation and stated: “GA will recommend to the County that their form be changed to incorporate a signature line. GA will not sign off on forms until the assigned Project Inspector has completely filled out the PSR as the GA gets that information from the Inspector.” Estimated completion date June 1, 2007.

Review of Challenge Grant for George English Park

BACKGROUND

The 2000 Broward County Safe Parks and Land Preservation Bond Program allocated \$20,000,000 for the Challenge Grant program to benefit municipal parks and recreation systems within the geographic boundaries of Broward County. The City on May 10, 2005, entered into an agreement with Broward County for \$442,763 in assistance for the construction of a new community center at George English Park, which is located at 1101 North Bayview Drive. The City agreed to provide matching funds of \$110,690.85. An Engineering and Architectural Service Contract was executed between the City and MBR Construction on July 19, 2005 for construction of this project. The new center will contain various functions for the park staff and patrons, including a tennis office and a small sales area for tennis supplies and gear. The structure will also house a large recreation room with a serving kitchen and accessible public toilet rooms, which will be available to the boaters who use the park and dock ramps. The center was designed to be compatible with the existing Coral Ridge neighborhood and has a Spanish tile roof and the lower portions of the exterior walls are clad with keystone veneer, a material native to the region.

FINDING 7

PKR did not progressively invoice the County at the 25%, 50%, and 75% project completion stages as allowed in the Grant Agreement.

Article 4.3.1 Method of Billing and Payment of the Grant Agreement states, "Contractor may submit an invoice(s) for payment on this Project after the Project has been completed in each of the four (4) segments as follows: Twenty-five Percent (25%) of the total County payment set forth in Section 4.1 above after completion of Twenty Five Percent (25%), Fifty Percent (50%), Seventy-Five Percent (75%) and One Hundred Percent (100%) of the Project's development, minus the retainage amount described in Section 4.4 below. The amounts withheld, including retainage, shall not be subject to payment of interest by County."

Our review of invoices revealed although contract work pertaining to the grant had reached 25% completion in January 2006, the City did not invoice the County until August 2006 at the project's completion (100%) opposed to progressively billing at 25%, 50%, and 75%.

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The GA did not have a system in place to progressively bill the County when each stage of completion was reached.

By not billing progressively, the City did not maximize its investment earnings potential.

RECOMMENDATION 10

The PKR Director should instruct the Special Facilities Recreation Superintendent to require the GA to track and monitor the project's completion status to invoice progressively in the future at stages of completion permitted in the Grant Agreement in order to fully maximize the City's investment/earnings potential.

MANAGEMENT COMMENT

Management concurred with the finding and recommendation and stated: "In future, when agreement allows, we will bill at allowable intervals." This item is closed.

FINDING 8

Engineering and Project Management Division's internal controls were inadequate to detect whether required approvals were obtained prior to issuance of payments to the Contractor.

According to Public Works/Engineering and Project Management Division Project Payment Processing Procedures, the following positions are required to sign/approve the Contractor's Progress Draw/Periodic Estimate for Partial Payment/Estimate for Payment.

- *Contractor*
- *Project Inspector*
- *Inspector Supervisor*
- *Project Engineer*
- *Construction Manager/Supervising Engineer*
- *City Engineer*

Our review of support documentation for 10 of 10 (100%) partial payments to the Contractor totaling \$763,781 for the period September 30, 2005 through July 21,

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2006, revealed missing/illegible authorizations although payments were issued to the Contractor (**Schedule**).

The Engineering and Project Management Division did not adequately monitor Contractor progress draws to validate all required reviews/signatures had been obtained prior to issuance of payment. Furthermore, the Rejection and Return of Periodic Payment Estimate Request form was not always utilized to return to the Contractor progress draws for correction.

Properly documented verifications/authorizations reduce the risk of paying the Contractor for substandard/incomplete work that could result in liability issues and the need for corrective action; thus, creating additional cost to the City.

RECOMMENDATION 11

The City Engineer should require the Construction Manager to conduct a final review of the Contractor's progress draws to ascertain all required verifications for accuracy have been performed, authorizations are evidenced and legible prior to issuance of payment to the Contractor.

MANAGEMENT COMMENT

Management concurred with the finding and in principle with the recommendation and stated: "The Construction Manager does complete a final review of each progress payment draw. The City Engineer and Construction Manager approved each progress payment. During the progression of this project, the City Inspection Supervisor position was being recruited and the Engineering Inspector was changed, which required the Construction Manager to take on a more "hands on" approach to this project. Further, Public Works has implemented a procedure to ensure all signature blocks are complete and legible." **This item is closed.**

FINDING 9

Internal controls were not adequate to ensure all Certificates of Insurance were obtained from the Contractor and reviewed for sufficient coverage concerning specified limits and listing the City as additional insured.

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Our review of the Certificates of Insurance revealed the following conditions.

Insurance Requirements per Engineering and Architectural Services Contract, Section (IR 1-2)	Condition Found
Provide Owner’s, Contractor’s Protective Liability Insurance for the benefit of the City with combined single limits of \$ 1,000,000 per occurrence.	Project location not listed.
Provide Workers Compensation and Employer’s Liability insurance for the benefit of the Contractor’s work force (no limit stated).	Certificates do not name the City as additional insured.
Automobile Liability – covering all owned, hired and non-owned automobile equipment- Limits: Bodily Injury \$100,000 per person \$300,000 each occurrence Property Damage \$50,000 each occurrence	Missing Certificate for 2006. No expiration dates on policies. Certificates list the City as additional insured for General Liability coverage only.
Builder Risk – If a structure is to be erected, the Contractor must also provide Builder’s Risk Insurance for the full insurable value of the premises being constructed, and the policy should be endorsed to the effect that the interests of the City are included as a loss payee and the carrier waives all rights of subrogation against City.	No Certificate provided.
Certificates shall contain the following: A) Name of insurance carrier(s) B) Effective and expiration dates of policies C) 30 days written notice by carrier of any cancellation or material change in any policy D) Duplicate Policy or Certificates of Insurance stating that the interests of the City are included as an <u>additional named insured, and specifying the project/ location.</u>	Workers Compensation does not reflect D. Automobile Liability does not reflect B. For D only, the General Liability is covered. Liability Insurance does not reflect D.

No effective tracking and monitoring system was in place to ensure all Certificates of Insurance were obtained from the Contractor and reviewed for compliance with the terms and conditions of the contract.

Enforcement of insurance requirements will limit the City’s liability exposure and provide assurance that the City’s assets are protected.

RECOMMENDATION 12

The Public Works Director should require the Engineering and Project Management Division staff to utilize the services of the City’s newly contracted insurance management consultant, Creative Insurance Concepts

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www.creativeic.com/clients (CIC). *CIC monitors and manages insurance certificates for contractual agreements using technological enhancements and innovative approaches to minimize coverage gaps, cancellations, and/or non-compliance due to coverage limits, incorrect endorsements, and expired certificates.*

MANAGEMENT COMMENT

Management concurred with the finding and recommendation and stated: “Public Works concurs with the recommendation to include the City’s newly contracted insurance management consultant. Public Works will monitor these reviews and determine if they are causing delays in project start and progress. Public Works Engineering has approximately 50 current projects under construction. There are 6 Engineering Inspectors, with a regular vacancy level of 3. Complete review of all contractor insurance requirements would require an additional position at the Administrative Assistant I level.” **This item is open.**

FINDING 10

The Financial Statement provided by Treasury contained an overstatement of expenditures totaling \$21,639 and classification of revenues was incorrect.

Our review of the Financial Statement provided by Treasury revealed an unutilized encumbered balance of \$21,639 was included in total expenditures for the project and total revenues were classified erroneously as Intergovernmental.

A thorough review of the Financial Statement to the revenues and expenditures in FAMIS⁶ was not performed by the Treasury Division prior to providing to OMB that would have revealed a portion of the revenues were non-Intergovernmental and total expenditures included an encumbered balance.

Without performance of a systematic review of revenues and expenditures for a project to the City’s accounting system, the financial condition of the project will not be accurately reflected and budgetary control of its committed appropriations not maintained.

⁶ Financial Accounting Management Information System.

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RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *City Engineer* should require the *Construction Manager* to:

Recommendation 13. *Evaluate the project line items on the schedule of values and the completion to date totals, the status of the purchase order, and compare to contract needs. Determine whether a change order reduction from the Contractor is necessary or if the encumbered balance available can be utilized for additional work items.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Perform a verification of the schedule of values for line item utilization to encumbered balances in FAMIS. In the event that the encumbered balance will not be utilized, a change order reduction will be processed of the amount thereof.” **This item is closed.**

The *Director of Finance* should require the *City Treasurer* to:

Recommendation 14. *Instruct the Accountant II to classify revenues as intergovernmental and non-intergovernmental and not include encumbered balances in total expenditures upon review of Financial Statements in the future.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “A memo dated 5/14/07 was sent from the City Treasurer to the Treasury accountants specifically referencing these audit recommendations and advising them to comply with same.” **This item is closed.**

FINDING 11

Quarterly Project Status Reports (PSRs) were submitted to the County incomplete/lacking required criteria.

According to Exhibit “A”, Section III, Paragraph A. of the Grant Agreement – Required Documentation for Services Rendered states, “Contractor shall submit to the Contract Administrator signed quarterly Project status reports on a calendar basis summarizing work accomplished, problems encountered, percentage of completion, and other appropriate information. Photographs shall be submitted when appropriate to reflect work accomplished.”

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Our review of quarterly PSRs for the project from July 2005 through June 2006 revealed the following exceptions.

Qtrly Reports	Quantity of Exceptions		
	PSR Not Signed by GA	% of Completion Section Left Blank	Problems Encountered Section Left Blank
4	4	2	3

The PKR GA did not sign and fill out quarterly PSR forms completely prior to submission to the County.

PSRs that are signed/complete communicate to the Grantor assurance that the project is on schedule, any problems encountered, and corrective action taken.

RECOMMENDATION 15

The Special Facilities Recreation Superintendent should require the GA to update the Quarterly PSR form to incorporate a signature line for the GA. Furthermore, the GA should not sign off on the PSR until all information required has been recorded prior to submission to the County.

MANAGEMENT COMMENT

Management concurred with the finding and recommendation and stated: “GA will recommend to the County that their form be changed to incorporate a signature line. GA will not sign off on forms until the assigned Project Inspector has completely filled out the PSR as the GA gets that information from the Inspector.” Estimated completion date June 1, 2007.

Review of Bayview Park Improvements Challenge Grant

BACKGROUND

The 2000 Broward County Safe Parks and Land Preservation Bond Program allocated \$20,000,000 for the Challenge Grant program to benefit municipal parks and recreation systems within the geographic boundaries of Broward County. The City on February 15, 2002, entered into an agreement with Broward County for \$500,000 in assistance for the construction of an American with Disabilities Act concession stand/restroom building, a pavilion/gazebo, sidewalks, basketball court backstops, baseball/softball field dugouts, landscaping, park lighting fixtures, and pedestrian pathways; and renovation of a playground area to include safety surfacing; park furniture (i.e., bike racks, benches, trash receptacles, water fountains), parking and additional sidewalk at Bayview Park, which is located at 4400 Bayview Drive. The City agreed to provide matching funds of \$125,000. An Engineering and Architectural Service Contract was executed between the City and Pino Kaoba & Associates, Inc. on May 3, 2005 for construction of this project.

FINDING 12

PKR did not progressively invoice the County at the 25%, 50%, and 75% project completion stages as allowed in the Grant Agreement.

Article 4.3.1 Method of Billing and Payment of the Grant Agreement states, "Contractor may submit an invoice(s) for payment on this Project after the Project has been completed in each of the four (4) segments as follows: Twenty-five Percent (25%) of the total County payment set forth in Section 4.1 above after completion of Twenty Five Percent (25%), Fifty Percent (50%), Seventy-Five Percent (75%) and One Hundred Percent (100%) of the Project's development, minus the retainage amount described in Section 4.4 below. The amounts withheld, including retainage, shall not be subject to payment of interest by County."

Our review of invoices revealed although contract work pertaining to the grant had reached 25% completion in December 2005, the City did not invoice the County until October 2006⁷ at the project's completion (100%) opposed to progressively billing at 25%, 50%, and 75%.

⁷ Invoice was dated July 2006, but was not submitted to the County until October 2006.

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The GA did not have a system in place to progressively bill the County when each stage of completion was reached.

By not billing progressively, the City did not maximize its investment earnings potential.

RECOMMENDATION 16

The PKR Director should instruct the Special Facilities Recreation Superintendent to require the GA to track and monitor the project's completion status to invoice progressively in the future at stages of completion permitted in the Grant Agreement in order to fully maximize the City's investment/earnings potential.

MANAGEMENT COMMENT

Management concurred with the finding and recommendation and stated: "In future, when agreement allows, we will bill at allowable intervals." This item is closed.

FINDING 13

Engineering and Project Management Division's internal controls were inadequate to detect whether required approvals were obtained prior to issuance of payments to the Contractor. Furthermore, inaccurate Periodic Estimates for Partial Payments were processed by the City.

According to Public Works/Engineering and Project Management Division's Project Payment Processing Procedures, the following positions are required to sign/approve the Contractor's Progress Draw/Periodic Estimate for Partial Payment/Estimate for Payment.

- Contractor
- Project Inspector
- Inspector Supervisor
- Project Engineer
- Construction Manager/Supervising Engineer
- City Engineer

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Pay Applications Review Process – Contractor’s payment applications should be prepared neatly, accurately and in a professional manner. Failure by contractor to submit an acceptable payment application should be rejected immediately, corrected and re-submitted. Owners should ensure that the progress billing is an accurate representation of the work completed for that period. Appropriate certifications and approvals should be required and obtained.

Our review of support documentation to 14 of 14 (100%) partial payments to the Contractor totaling \$1,172,527 for the period June 22, 2005 through July 18, 2006, revealed missing/illegible authorizations although payments were issued to the Contractor (**Schedule**).

2 of 14 (15%) Contractor progress draws were photocopies of the previous Periodic Estimate for Partial Payment (numbers 10 and 14). The Estimate for Payment sheets did not agree with the number recorded on the Periodic Estimate for Partial Payment for both. Contractor progress draw numbers 13-14 state reduction in retainer; however, also contained erroneous line item costs in the Current Billing Period column. Furthermore, Periodic Estimate for Partial Payment Form was not consistent with the form provided by the City.

The Engineering and Project Management Division did not adequately monitor Contractor progress draws to validate all required reviews/signatures had been obtained prior to issuance of payment. Furthermore, the Rejection and Return of Periodic Payment Estimate Request form was not always utilized to return to the Contractor progress draws for correction.

Properly documented verifications/authorizations reduce the risk of paying the Contractor for substandard/incomplete work that could result in liability issues and the need for corrective action; thus, creating additional cost to the City.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *City Engineer* should require the *Construction Manager* to:

Recommendation 17. *Enforce the use of the City’s Periodic Estimate for Partial Payment form by Contractors opposed to their own format to assist with processing consistency.*

Recommendation 18. *Conduct a final review of the Contractor’s progress draws to ascertain all required verifications for accuracy have been performed;*

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authorizations are evidenced and legible prior to issuance of payment to the Contractor. Furthermore, require the Contractor to submit a separate Periodic Estimate for Partial Payment form for each payment request opposed to photocopying a previous progress draw to issue a subsequent payment.

Management Comment. *Management concurred with the finding and in principle with recommendations 17 and 18 and stated:* “Public Works will enforce the use of the City’s Period Estimate for Partial Payment form. The Construction Manager does complete a final review of each progress payment draw. The City Engineer and Construction Manager approved each progress payment. During the progression of this project, the City Inspection Supervisor position was being recruited and the Engineering Inspector was changed. This required the Construction Manager to take on a more “hands on” approach to this project. Further, Public Works has implemented a procedure to ensure all signature blocks are complete and legible.” **This item is closed.**

FINDING 14

The City did not comply with the requirements of the SBDE program since no quarterly reports were obtained from the Contractor for the project, although partial payments were issued and retainage released to the Contractor regardless of noncompliance.

Article 9.3.1 of the Grant Agreement states, “Contractor,² and any construction contract it enters into for the Project, shall comply with the County’s Small Business Disadvantaged Business Enterprise (SDBE) Affirmative Action Program, set forth in Article XIV, Section 20-275, Broward County Code of Ordinances, requiring goals in all procurement activity at One Hundred and Fifty-Thousand Dollars (\$150,000) or above for construction services; Seventy-Five Thousand Dollars (\$75,000) or above in total contract value for architectural/engineering and related services; and Fifty Thousand Dollars (\$50,000) or above in total contract value for all other goods and services. This Project is for \$500,000 for construction, and renovation of recreational facility services.”

Article 9.3.5 of the Grant Agreement states, “Contractor understands that it is the responsibility of the Contract Administrator and the Broward County Division of Equal Employment & Small Business Opportunity to monitor compliance with the SDBE requirements. In that regard, Contractor agrees to furnish quarterly reports to both parties on the progress of SDBE participation commencing with the end of the first quarter of this Agreement.”

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Our review revealed no quarterly reports of SDBE participation for the duration of the project were obtained by the Contractor; thus, were not submitted to the County.

The SDBE reporting requirement was not included in the Construction Contract. However, the GA verbally informed the Contractor of this grant requirement at the pre-construction meeting. In an attempt to obtain SDBE compliance, Construction Management stated in a letter to the Contractor dated 9/20/06, that the City would approve and release funds once deficiencies were addressed and corrected, one of which was SDBE non-compliance; further payments were in fact issued including released retainage without follow-through of receipt of the SDBE reports from the Contractor.

Noncompliance with SDBE requirements of the Grant Agreement could jeopardize grant funding.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Special Facilities Recreation Superintendent* should require the GA to:

Recommendation 19. *Ensure the SDBE reporting package is provided to the Construction Manager to append to each contract involving SDBE compliance requirements.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “GA supplies all grant requirements and forms to Project Manager when grant is executed. GA will take further steps to confirm that grant requirements are included in any bid documents where applicable.” **This item is closed.**

Recommendation 20. *Enforce the SDBE reporting requirements from the commencement of the project in order to comply with timely submission to the County. In the event of SDBE noncompliance by the Contractor, immediate notification to the Construction Manager is required together with vigorous follow-up till resolution in order to ensure timely compliance.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Immediate notification of Construction Manager

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and/or Project Manager will take place if the SDBE forms are not received with the monthly contractor's pay request." **This item is closed.**

The *City Engineer* should require the *Construction Manager* to:

Recommendation 21. *Ensure grant terms and conditions are incorporated into the bid documentation for construction projects in order to provide a clear understanding to the potential bidder of the required responsibilities.*

Management Comment. *Management concurred with the finding and in principle with the recommendation and stated: "Departments administering grants need to make Public Works aware of specific grant requirements. Grant requirements will be included in project specifications by the City's Assistant City Engineer in charge of capital projects." This item is closed.*

Recommendation 22. *Verify SDBE compliance has been met by the Contractor prior to issuance of any payments. Contractor should be notified in writing via the updated Rejection and Return of Periodic Payment Estimate Request form in the event of SDBE noncompliance, be given a due date/deadline to submit delinquent SDBE report(s), and follow-up performed till resolution occurs. Upon resolution, reports must be expeditiously forwarded to the GA.*

Management Comment. *Management concurred with the finding and in principle with the recommendation and stated: "Upon notification by the Grants Administrator of the SDBE compliance requirement, Public Works verifies that the Contractor has met compliance." This item is closed.*

FINDING 15

The Financial Statement provided by Treasury contained an overstatement of revenues totaling \$71,265 and expenditures totaling \$42,316. Furthermore, classification of revenues and County project number were incorrect.

Our review of the Financial Statement provided by Treasury revealed Additional City Funds and Total Program revenues were overstated \$71,265 due to a formula error. Furthermore, \$42,316 represented an unutilized encumbered balance included in the total expenditures resulting from Purchase Order No. EP02892.

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Total Revenues were classified erroneously as Intergovernmental, as well as the County project number for the Challenge Grant was incorrect.

A thorough review of the Financial Statement to the revenues and expenditures in FAMIS was not performed by the Treasury Division prior to providing to OMB that would have revealed a portion of the revenues were overstated and non-Intergovernmental; and total expenditures included an encumbered balance.

Without performance of a systematic review of revenues and expenditures for a project to the City's accounting system, the financial condition of the project will not be accurately reflected and budgetary control of its committed appropriations not maintained.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *City Engineer* should require the *Construction Manager* to:

Recommendation 23. *Evaluate the project line items on the schedule of values and the completion to date totals, the status of the purchase order, and compare to contract needs. Determine whether a change order reduction from the Contractor is necessary or if the encumbered balance available can be utilized for additional work items.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "Perform a verification of the schedule of values for line item utilization to encumbered balances in FAMIS. In the event that the encumbered balance will not be utilized, a change order reduction will be processed of the amount thereof." **This item is closed.**

The *Director of Finance* should require the *City Treasurer* to:

Recommendation 24. *Instruct the Accountant II to classify revenues as intergovernmental and non-intergovernmental and not include encumbered balances in total expenditures upon review of Financial Statements in the future. Furthermore, Financial Statements should be reconciled to FAMIS and reviewed for overall accuracy, including grant project number, prior to submission to OMB.*

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Management Comment. *Management concurred with the finding and recommendation and stated:* “A memo dated 5/14/07 was sent from the City Treasurer to the Treasury accountants specifically referencing these audit recommendations and advising them to comply with same.” **This item is closed.**

FINDING 16

Quarterly Project Status Reports (PSRs) were submitted to the County incomplete/lacking required criteria.

According to Exhibit “A”, Section III, Paragraph A. of the Grant Agreement – Required Documentation for Services Rendered states, “Contractor shall submit to the Contract Administrator signed quarterly Project status reports on a calendar basis summarizing work accomplished, problems encountered, percentage of completion, and other appropriate information. Photographs shall be submitted when appropriate to reflect work accomplished.”

Our review of quarterly PSRs for the project from January 2002 through September 2006 revealed the following exceptions.

Qtrly Reports	Quantity of Exceptions		
	PSR Not Signed by GA	% of Completion Section Left Blank	Problems Encountered Section Left Blank
19	19	8	13

The PKR GA did not sign and fill out quarterly PSR forms completely prior to submission to the County.

PSRs that are signed/complete communicate to the Grantor assurance that the project is on schedule, any problems encountered, and corrective action taken.

RECOMMENDATION 25

The Special Facilities Recreation Superintendent should require the GA to update the Quarterly PSR form to incorporate a signature line for the GA. Furthermore, the GA should not sign off on the PSR until all information required has been recorded prior to submission to the County.

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MANAGEMENT COMMENT

Management concurred with the finding and recommendation and stated: “GA will recommend to the County that their form be changed to incorporate a signature line. GA will not sign off on forms until the assigned Project Inspector has completely filled out the PSR as the GA gets that information from the Inspector.” **Estimated completion date June 1, 2007.**

OVERALL RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *PKR Director* should instruct the *Special Facilities Recreation Superintendent* to:

Recommendation 26. *Require the GA to utilize the grant agreement summary sheet previously provided by OMB or establish a checklist of required documentation to ensure monitoring requirements are met in a timely manner (Sample 2).*

Management Comment. *Management concurred with the finding and recommendation and stated:* “GA utilizes OMB’s form and Task list in Outlook to track important grant administration dates.” **This item is closed.**

Recommendation 27. *Perform a monthly review to ensure the GA has included all required documentation/deadlines to be submitted to the granting agency and that due dates are being met timely.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Superintendent does meet monthly with GA to review due dates and timelines for grant requirements.” **This item is closed.**

PUBLIC WORKS: ADDITIONAL MANAGEMENT COMMENTS

Pina Kaoba, the project Contractor, was recommended for termination based on performance during the contract.

Verification of Periodic Estimates for Payment Authorizations

Schedule

Broward County SWIM Central Grant-Riverland Park Aquatic Center																										
Periodic Estimate For Payment No.																										
Title	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	Totals			
Contractor/President																							0	0	0	1
Engineering Inspector																							7	0	0	1
Supervising Inspector																							8	0	0	1
Project Engineer/Architect																							4	0	0	1
Construction Mgr/Supervising Engineer																							2	0	0	1
City Engineer																							0	0	0	0
Total																							21	0	0	5
Variance																							16%	0%	0%	3%

Broward County Challenge Grant-George English Park														
Periodic Estimate for Payment No.														
Title	1	2	3	4	5	6	7	8	9	10	Totals			
Contractor/President											0	0	0	0
Engineering Inspector											1	0	0	0
Supervising Inspector											0	5	0	0
Project Engineer/Architect											4	4	2	0
Construction Mgr/Supervising Engineer											0	0	0	0
City Engineer											0	0	0	0
Total											7	9	2	0
Variance											12%	15%	3%	0%

Broward County Challenge Grant-Bayview Park																		
Periodic Estimate For Payment No.																		
Title	1	2	3	4	5	6	7	8	9	10	11	12	13	14	Totals			
Contractor/President															2	0	0	0
Engineering Inspector															3	0	0	0
Supervising Inspector															3	3	0	0
Project Engineer/Architect															6	4	4	0
Construction Mgr/Supervising Engineer															1	0	0	0
City Engineer															0	0	0	0
Total															15	7	4	0
Variance															18%	8%	5%	0%

Legend:

	Signature Missing
	Signature Illegible
	Signature Line Removed
	Document Missing

BROWARD COUNTY
2000 SAFE PARKS AND LAND PRESERVATION BOND PROGRAM
CHALLENGE GRANT / SWIM CENTRAL

STATUS REPORT

Agency: City of Fort Lauderdale

Date of Report: October 1, 2004

Project Number: FTL-S-001

Project Name: Riverland Park Aquatic Center

Report Covers Period:

- January 1 through March 31
- April 1 through June 30
- July 1 through September 30
- October 1 through December 31

<u>Project Elements</u>	<u>Work Accomplished</u>	<u>%Completed</u>
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Construction continues on the park, pool and recreation center.

Contractor is on schedule.

A one-year extension of the grant will be applied for in October 2004.

Problems Encountered: None.

