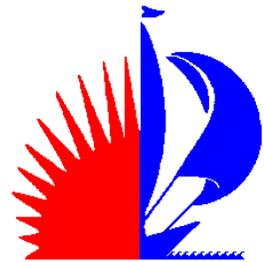


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**Review of the Broward Boating Improvement  
Program (BBIP) for Dock Improvements at  
George English Park Project**

**Report of Audit 08/09-XX-03**

**April 24, 2009**



Office of Management and Budget

Internal Audit

**MEMORANDUM NO. 09-36**

**DATE:** April 23, 2009

**TO:** Parks and Recreation Director/Phil Thornburg  
Public Works Director/Albert Carbon  
Director of Finance/Michael E. Kinneer  
Director of Grants and Legislative Affairs/Kathleen Gunn

**SUBJECT:** *Review of Broward Boating Improvement Program (BBIP) for Dock Improvement at George English Park Project*

Enclosed is the “subject” Final Report of Audit.



Shonda Singleton-Taylor  
Acting Director, Office of Management and Budget

Attachment - Final Report of Audit No. 08/09-XX-03

c: City Commission  
City Manager/George Gretsas  
Assistant City Manager/Ted Lawson  
Assistant City Manager/Allyson C. Love  
Assistant City Manager/ David Hebert

SST/am

## REPORT OF AUDIT NO. 08/09-XX-03

**DATE:** October 27, 2008

**TO:** Parks and Recreation Director/Phil Thornburg  
Public Works Director/Albert Carbon  
Director of Finance/Michael E. Kinneer  
Director of Grants and Legislative Affairs/Kathleen Gunn

**FROM:** Assistant Internal Audit Director/Renee C. Foley/5851

**BY:** Financial Management Analyst/Aaron Strain

**SUBJECT:** *Review of the Broward Boating Improvement Program (BBIP) for Dock Improvements at George English Park Project*

### **BACKGROUND**

The City of Fort Lauderdale (City) entered into an agreement with Broward County in 2001 as part of the Broward Boating Improvement Program (BBIP) grant for dock improvements at George English Park located at 1101 North Bayview Drive in the amount of \$103,000. The City agreed to provide matching funds of \$103,000. The project was completed after the original project completion date. At that time the County raised additional concerns about signage, ADA accessibility and floating dock repairs; however, agreed to reimburse the City upon completion of this work. The project was completed on June 10, 2008.

The City's Parks and Recreation Department (PKR) is responsible for overall administration and monitoring of the City's compliance with the requirements of the terms and conditions of the grant. The City's Public Works Department Engineering Division and Project Management is responsible for the overall management of the public construction project.

### **SCOPE**

As part of grant agreement between the City and County, the City's Internal Audit Division is required to determine whether the revenues and amounts received from Broward County were expended in accordance with the agreement and to determine compliance with the various requirements. To this end, we provided the County with a Special Report together with Financial Statement for the grant agreement (**Exhibit 1**). As part of the grant review, our overall objective was to evaluate the effectiveness and adequacy of the City's internal control systems and

## REPORT OF AUDIT NO. 08/09-XX-03

procedures used for the program. We also performed a limited review to determine compliance with the terms and conditions of the construction contracts/agreements. We discussed policy and procedures, observed processes and reviewed documentation for the period of January 2001 through October 2008. Judgmental sampling methods were used in reviewing transactions and documents. The review was performed in accordance with generally accepted government auditing standards and included such tests of internal controls considered necessary.

### OVERALL EVALUATION

We noted certain conditions that warrant management's attention to enhance the overall internal control environment, assist in audit reviews, and secure future grant projects. 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 respective contracts. Neither Contractors nor City were in compliance with the payroll report requirements, as defined in the individual contracts and grant agreement. Quarterly Project Status Reports (PSRs) required by the County were submitted incomplete and lacking criteria. The Grant Administrator could not detail expenditures associated with project. Furthermore, required/pertinent data was not entered in the Grants Management and Tracking System (GMTS).

### FINDING 1

***Engineering and Project Management Division's internal controls were not adequate to detect whether required approvals were obtained prior to issuance of payments to Contractors.<sup>1</sup>***

*The following positions are required to sign/approve the Contractor's Progress Draw/Periodic Estimate of Partial Payment and City's Estimate for Payment.*

- *Contractor Representative*
- *Engineering Inspector*
- *Supervising Inspector*
- *Project Engineer/Architect*

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<sup>1</sup> There were three (3) contractors that worked on the project: Engineered Environment, MBR Construction and Miami Beach Seawalls.

## REPORT OF AUDIT NO. 08/09-XX-03

- *Supervising Engineer/Architect*
- *Construction Manager*
- *Project Manager*
- *City Engineer (Estimate for Payment)*

Our review of support documentation for 8 of 13 (62%) partial payments to the Contractors<sup>1</sup> during the grant period revealed missing authorizations, although payments were issued to the Contractors (**Schedule**).

The Construction Manager did not adequately monitor Contractors' progress draws to validate all required reviews/signatures had been obtained prior to issuance of payment.

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

### **RECOMMENDATION 1**

*The City Engineer should require the Construction Manager to conduct a 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 recommendation and stated:*** "All required signatures to be reviewed for completeness by the proper authorities prior to the issuance of payments to the contractor for the following signatures: Engineering Inspector, Supervising Inspector, Construction Manager, Project Engineer/Architect and Project Manager. A memo will be placed in the project's payment file stating the name and position of the alternate signatures authorized to sign for each of the above signatures when necessary, effective June 1, 2009."  
**Estimated completion date June 1, 2009.**

**REPORT OF AUDIT NO. 08/09-XX-03**

**FINDING 2**

*Internal controls were not adequate to provide that all Certificates of Insurance were received/obtained from Contractors<sup>1</sup> and reviewed for sufficient coverage provided and listing the City as additional insured.*

Our review of Certificates of Insurance received for Contractors<sup>1</sup> revealed the following conditions:

<b>Insurance Requirement per Contract</b>	<b>Condition Found</b>	<b>Contractor(s)</b>
Automobile Liability	No insurance certificate provided	Engineered Environments MBR Construction (2006/2007)
Builder's Risk	No insurance certificate provided	MBR Construction
Certificate of Insurance stating that the interests of the City are included as an additional named insured....	City not named as additional insured (General Liability)	MBR Construction
	City not named additional insured (Worker's Compensation)	Engineered Environments MBR Construction Miami Beach Seawalls
	City not named additional insured (Automobile Liability)	Miami Beach Seawalls

No effective tracking and monitoring system was in place to determine that Certificates of Insurance were obtained from Contractors and reviewed for compliance with terms and conditions of the contracts.

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

**RECOMMENDATIONS AND  
MANAGEMENT COMMENTS**

The *Assistant Public Works Director* should require the *Office Supervisor* to:

**Recommendation 2.** *Forward copies of signed contract and insurance certificates received by Contractors to Risk Management for compliance review and follow-up with Contractor on any deficient items identified by same.*

**Management Comment.** *Management concurred with the finding and recommendation and stated: "In the current procedure, the contract, insurance certificate and the surety bond are forwarded to Risk Management for approval. In this case, staff has not been able to confirm that these documents were sent. A*

## REPORT OF AUDIT NO. 08/09-XX-03

procedure (described later) will be instituted to allow this to be verified in future. Risk Management informs the Office Supervisor if the certificate does not meet the City's requirements. The Office Supervisor will then notify the contractor and request a new certificate.

If approved, a copy of the insurance certificate and the memo approving the documents are placed in each contract and in the tickler file. The expiration dates are listed in a spreadsheet and all renewals are recorded upon receipt.

After Risk Management reviews the surety bond and insurance certificates, a second review is performed by the City Attorney's office. The contracts will not go forward if the insurance certificate, surety bond, and execution of the contracts do not meet the City's requirement.

Public Works has modified its existing procedure that upon approval of the insurance certificates and the renewals, the Office Supervisor will scan and save the certificates electronically (in addition to placing a hard copy in each contract, and the project file).

All renewal certificates will be entered into the Insurance spreadsheet, and the Office Supervisor will no longer override the previous date. The information will be entered on a new line for a complete history of all expiration dates." **This item is closed.**

The *Director of Finance* should require the *Risk Manager* to:

***Recommendation 3. Perform a thorough review of all contractual requirements comparing same to Insurance Certificates received from Contractor and forwarded by Office Supervisor, noting all discrepancies in writing, and reporting deficient and/or not applicable items to a specific project to the Office Supervisor for follow-up.***

***Management Comment. Management concurred with the finding and recommendation and stated:*** "Once received, the Risk Manager will review the Insurance Certificates to ensure compliance with all contractual requirements and will further report any deficiencies in insurance coverage to the Office Supervisor.

Risk Management will confirm that the City is correctly listed as an additional insured (not an additional named insured) on all general liability policies; however, the City cannot be named as an additional insured on a workers' compensation

## REPORT OF AUDIT NO. 08/09-XX-03

policy or an automobile policy (liability follows the owner and potentially the driver).” **This item is closed.**

### FINDING 3

***Contractors did not provide payroll records and authorized Statements of Compliance (SOCs) with each request for payment; and the City did not have adequate internal controls to properly track and monitor compliance with grant agreement requirements.***

*Grant Agreement, Exhibit “B,” Section 1. Prevailing Wage Rate Ordinance, subsection (f) states: “CONTRACTOR shall maintain payrolls and basic records relating thereto during the course or the work ...Such records shall contain the name and address of each such employee; its current classification; rate of pay (including rates of contributions for, or costs assumed to provide, fringe benefits); daily and weekly number of hours worked; deductions made; and actual wages paid.” (g) “CONTRACTOR shall submit, with each requisition for payment, a signed and sworn “Statement of Compliance” attesting to compliance with Broward County Ordinance No 83-72.”*

During our review of payroll forms and verification of SOCs we identified the following conditions.

Contractors <sup>2</sup>	# of Progress Draws	SOCs Not Included	Payroll Records Incomplete/ Not Included	Included Payroll Records
Engineered Environments	2	2	2	N/A
MBR Construction	9	2	6	3
Total Exceptions		4	8	N/A

Furthermore, 3 of 9 (33%) criteria required on the payroll records form were not completed for all employees listed.

Although contracts contained grant agreement requirements above, the Contractors did not always submit payroll records and SOCs with their progress draws; and the City did not reject/return incomplete payment requests and follow-up to obtain missing documentation.

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<sup>2</sup> Miami Beach Seawalls was not included in test of compliance as the size of their contract was below the prevailing wage rate threshold.

## REPORT OF AUDIT NO. 08/09-XX-03

Enforcement of prevailing wage rate requirements in contracts will allow the City to obtain completed documentation for its records and bring the City into compliance with the grant agreement.

### RECOMMENDATION 4

*The City Engineer should require the Construction Manager to verify payroll forms and SOC's accompany Contractor's progress draws. If any are missing/incomplete, the Contractor should be notified via Rejection and Return of Periodic Payment Estimate Request form and follow-through to resolution prior to issuance of payment.*

### MANAGEMENT COMMENT

*Management concurred with the finding and recommendation and stated: "Verification of all Payroll Forms and accompanying SOC documents were required as part of this contract. Public Works has already implemented this procedure with a modification to potentially allow the withholding of payment. If any forms are found to be missing or incomplete Public Works will work with the Contractor to correct these issues. If required, Public Works will withhold payment from the contractor, until the corrected forms are received." This item is closed.*

### FINDING 4

*Quarterly Project Status Reports (PSRs) were not submitted for each calendar period. Furthermore, PSRs that were submitted to the Grantor were incomplete and lacked required criteria.*

*Grant Agreement, Exhibit "A," Section III.A. Required documentation of 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 during the grant period revealed the following exceptions.

**REPORT OF AUDIT NO. 08/09-XX-03**

Quarterly PSRs Required	Quarterly PSRs Submitted	Quantity of Exceptions			
		Quarterly PSRs Not Submitted	Work Accomplished Section Left Blank	PSRs Not Signed	PSRs Without Photographs
22	20	2	20	1	20

The Grant Administrator did not verify PSR forms were fully completed/signed prior to submission to the Grantor.

PSRs fully completed and signed communicate to the Grantor assurance that project is on schedule, work accomplished, and corrective action taken.

**RECOMMENDATION 5**

*The PKR Director should require the Grant Administrator to verify PSRs have been filled out completely and follow-up on missing items prior to sign off and submission to the Grantor.*

**MANAGEMENT COMMENT**

*Management concurred with the finding and recommendation and stated: “Grant Administrator has been instructed to be sure each quarterly report is on time, signed and is complete, containing all information requested by the grantor, before submission (memo attached)” (Exhibit 2). This item is closed.*

**FINDING 5**

*Grant Administrator could not provide detailed documentation for the methodology used to determine the cost allocation for the grant and match expenditures from commencement through completion of the grant project in order to provide a complete audit trail for an independent review.*

*Grant Agreement, Article 4, Compensation, 4.1 “...CONTRACTOR agrees to provide matching funds in the amount of \$103,000.00, as specified in Exhibit A.” Article 9, Financial Statements, 9.1 “...The schedule of revenues and expenditures shall include: b) All expenditures relating to the services and/or project classified by the type of expenditures, to include the classifications as set forth in Exhibit “A” of this Agreement.” Article 10, Miscellaneous 10.2, Audit Rights and Retention of Records: “COUNTY shall have the right to ...audit the books, records, and accounts of CONTRACTOR that are*

## REPORT OF AUDIT NO. 08/09-XX-03

*related to this Project. CONTRACTOR shall keep such books, records, and accounts as may be necessary in order to record complete and correct entries related to the Project.”*

*City of Fort Lauderdale, FY 2008 Operating Budget Manual, Finance, pg.139: “Objectives: Maintain accurate, complete financial records of all transactions processed through the centralized financial and payroll systems.”*

Our verification of grant and match expenditures revealed there were various expenditures and multiple funding sources, including another grant, for capital improvement program (CIP) project P10437, which also spanned multiple fiscal years. Furthermore, amounts were written in the margins of Contractor progress draw copies by the Grant Administrator with no detailed methodology of how these amounts were derived.

The Grant Administrator did not track and monitor project costs to associated funding sources by line item on the schedule of values and/or index code suffixes/extensions to the related funding source.

Establishment of a methodology to track and monitor grant and match expenditures will provide an independent reviewer a clear and complete audit trail of project related costs.

### **RECOMMENDATION 6**

***The PKR Director should require the Grant Administrator to develop a schedule of work items, indicating which items will be paid by each grant and that these items are applicable to the grant. Advise Engineering of the grants obtained and work line items associated with each grant. Furthermore, grant and match expenditures should be tracked and monitored from the commencement through to completion of the project to the related funding sources via index code suffixes/extensions.***

### **MANAGEMENT COMMENT**

***Management concurred with the finding and recommendation and stated: “The Grant Administrator has been instructed to review the project’s Schedule of Values at the onset of each project and each additional grant and keep an all-encompassing spreadsheet that reflects each grant eligible line item on the Contractor’s pay request. These expenditures are tracked by monthly pay requests until the grant money is expended and the project is completed (memo attached). The Parks &***

## REPORT OF AUDIT NO. 08/09-XX-03

Recreation Department will track and monitor grant and match expenditures via index code suffixes and extensions” (Exhibit 2). **This item is closed.**

### FINDING 6

*Required data was not entered in the GMTS for the grant project, including recording whether there was an Internal Audit requirement and due date, match requirement, etc.*

Our review of documentation in GMTS revealed, that although the GMTS was operational in November 2007 at which time data and grant documents (2003-2008) from each department were scheduled to be in the system by the end of January 2008, all pertinent data including but not limited to the following was not entered.

- Internal Audit Requirement
- Audit Due Date
- Match Source

Although due dates were established by the Grants Office for entries into the system, Grant Administrator entered limited data.

GMTS provides a valuable tool for management planning, tracking and monitoring compliance of the City’s grants, as well as for audit and retention purposes when all data is entered/updated in the system.

### RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *PKR Director* should require the *Grant Administrator* to:

**Recommendation 7.** *In the future, review and enter all missing/incomplete grant project data/documentation by due dates established by the Grants Office.*

**Management Comment.** *Management concurred with the finding and recommendation and stated:* “Grant staff has been instructed to update GMTS on

## REPORT OF AUDIT NO. 08/09-XX-03

a minimum monthly basis and keep it current as of the last monthly report received (memo attached)” **Exhibit 2. This item is closed.**

The *Director of Grants and Legislative Affairs* should:

**Recommendation 8.** *Provide a monthly report to the Department Directors of the City Departments with grant project data/documentation not entered/incomplete in GMTS and follow-up until resolution on outstanding data/documentation with Department Directors.*

**Management Comment.** *Management concurred with the finding and recommendation and stated: “The practice will begin June 1, 2009.” Estimated completion date June 1, 2009.*

### **EVALUATION OF MANAGEMENT COMMENTS**

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



October 8, 2008

Rec'd 10/8/8  
Joan Hubbard  
Hand Delivered

Bob Harbin, Director  
Broward County Parks and Recreation Division  
950 NW 38<sup>th</sup> Street  
Oakland Park, Florida 33309

Subject: Special Report – Broward Boating Improvement Program  
George English Park Dock Improvements Project

Dear Mr. Harbin:

The Internal Audit Division has applied certain audit procedures, as discussed below, to the accounting records of the City of Fort Lauderdale (City) in order to determine compliance with the requirements applicable to the **Broward Boating Improvement Program – George English Park Dock Improvements Project** as detailed in the accompanying exhibit of revenues and expenditures for the period ending September 30, 2008. The management of the Parks and Recreation Department is responsible for the City's compliance with those requirements. Our responsibility is to determine whether the revenues and amounts due from Broward County were expended in accordance with the agreement and to determine compliance with those requirements based on our review.

We conducted our audit in accordance with generally accepted government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements.

The results of our tests indicate that with respect to the items tested, the City complied in all material respects with the provisions of the agreement and the revenues and amounts due from Broward County were expended in accordance with the agreement. With respect to the items not tested, nothing came to our attention that caused us to believe the Parks and Recreation Department had not complied in all material respects with those provisions. We also determined that there were no funds, including interest earned on such funds, are due back to the County.

Mr. Bob Harbin

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10/08/08

Sincerely,



Allyson C. Love

Director, Office of Management and Budget

ACL/RF/ads/08-34/ROA No. 07/08-XX-11

Enclosure – Exhibit

c: George Gretsas, City Manager  
Kathleen Gunn, Assistant City Manager  
Stephen Scott, Assistant City Manager  
David Hebert, Assistant City Manager  
Harry Stewart, City Attorney  
Phil Thornburg, Parks and Recreation Director  
Albert Carbon, Public Works Director  
Michael Kinneer, Director of Finance  
Lynda Flynn, City Treasurer  
Dawn Johnson, Treasury Accountant II

City of Fort Lauderdale  
 Broward Boating Improvement Program - George English Park Dock Improvement Project  
 Statement of Revenues and Expenditures  
 For the Period Ending 9/30/08

	<i>Broward County Contract</i>	<i>Required City's Match *</i>	<i>Additional City Expenditures</i>	<i>Total Program</i>
<b>REVENUES:</b>	P10347.339A			
<u>Intergovernmental</u>				
Broward County	\$103,000.00	\$103,000.00	\$0.00	\$206,000.00
 <i>Total Revenues</i>	<u>\$103,000.00</u>	<u>\$103,000.00</u>	<u>\$0.00</u>	<u>\$206,000.00</u>
 <b>EXPENDITURES:</b>				
Construction	\$103,000.00	\$103,000.00	\$0.00	\$206,000.00
 <i>Total Expenditures</i>	<u>\$103,000.00</u>	<u>\$103,000.00</u>	<u>\$0.00</u>	<u>\$206,000.00</u>
 <i>Excess of Revenues Over - (Under) Expenditures</i>				<u><u>\$0</u></u>

\* Notes:

<u>Funding Sources</u>	<u>Index Code</u>	<u>Amount</u>
Parks and Recreation Capital Projects	P10347.331	\$41,217.73
Park Impact Fees	P10347.129	61,362.15
Excise Tax Fund	P10347.344	420.12
		<u>\$103,000.00</u>

GEORGE ENGLISH PROJECT - BBIP GRANT  
 VERIFICATION OF CONTRACTORS' PERIODIC ESTIMATES FOR PARTIAL PAYMENT AND  
 CITY'S ESTIMATES FOR PAYMENT AUTHORIZATIONS

Schedule

Title	Engineered Environments		MBR Construction									Miami Beach Seawalls		Total Missing Signatures
PEPPs/EFPs #:	3	4	1	2	3	4	5	6	7	8	9	1	2 (Final)	
Item #:	1	2	3	4	5	6	7	8	9	10	11	12	13	
Contractor Representative														
Engineering Inspector														1
Supervising Inspector														
Project Engineer/Architect														6
Supervising Engineer/Architect														2
Construction Manager														
Project Manager														2
City Engineer														
<b>Total Missing Signatures</b>														<b>11</b>
<b>Total PEPPs with Exceptions</b>			X	X	X	X		X		X		X	X	<b>8</b>
<b>Legend:</b>														
PEPPs	Periodic Estimates of Partial Payment													
EFPs	Estimates for Payment													
	Missing Signature													
X	PEPPs/EFPs with missing signature(s)													

**City of Fort Lauderdale  
Parks and Recreation Department**

# Memo

Date: 2/25/2009

To: Lori Dimeolo, Grants Administrator

From: Phil Thomburg, Parks and Recreation Director 

Re: Report of Audit No. 08/09 – George English BBIP Grant for Dock Improvements

---

Attached is a copy of the draft findings from the BBIP audit for the George English Dock Improvements project. Please review the following requirements as outlined and contact your supervisor if you have any questions or concerns.

Finding 4: Be sure each quarterly report you send is on time, signed and are complete, containing all information requested by the grantor, before submission.

Finding 5: Review the project Schedule of Values at the onset of each project and each additional grant and keep an all-encompassing spreadsheet that reflects each grant eligible line item on the Contractor's pay request.

Finding 6: See that GMTS is updated at a minimum on a monthly basis and is current as of the last monthly report received.

Your supervisor will be requested to perform sporadic spot checks in order to verify these actions are in fact taking place in a timely manner. Thanks in advance for your attention to this matter.

cc: Terry Rynard, Assistant Director