

CITY OF FORT LAUDERDALE

OFFICE OF THE CITY AUDITOR

*Carr, Riggs & Ingram (CRI) Final Report – Las Olas Boulevard
Corridor Improvements Project*

Report #20/21-05

May 18, 2021



Memorandum

Memo No: 20/21-06

Date: May 18, 2021

To: Honorable Mayor and Commissioners

From: John Herbst, CPA, CGFO, CGMA
City Auditor

Re: Carr, Riggs & Ingram (CRI) Final Report - Las Olas Boulevard Corridor Improvements
Project – **(Commission District 2)**

As part of our audit workplan, we have engaged Carr, Riggs & Ingram CPAs, to conduct a continuous audit of the construction projects undertaken by Skanska in the Beach CRA, including the Parking Garage and Las Olas Boulevard Corridor Improvements.

At the completion of a construction project, we would typically issue a final close-out report after all punch list items are completed and any retainage released. In the case of the Las Olas Boulevard Corridor Improvements (including the new parking garage), CRI was unable to complete the close-out process due to a lack of documentation from Skanska and open items related to the project itself. These are described in further detail in the report.

Exhibit: CRI January 2021 Final Report

Prepared by: John Herbst

Charter Officer: John Herbst



The City of Fort Lauderdale, Florida
Final Report
Las Olas Boulevard
Corridor Improvements Project

Prepared By:
Carr, Riggs & Ingram
January 2021





Mr. John Herbst
City Auditor/Community Redevelopment Agency Auditor
Community Redevelopment Agency, City of Fort Lauderdale
100 North Andrews Avenue
Ft. Lauderdale, FL 33301-1016

Dear Mr. Herbst:

Pursuant to our three year original agreement dated August 23, 2017 and as extended on August 18, 2020, we were engaged to provide various contract compliance consulting services for the City of Fort Lauderdale (the "City") Community Redevelopment Agency ("CRA"). Upon your request, we are providing the services performed and results thereof as of date of this report related to the Las Olas Corridor Improvements Project.

Our report is organized in the following sections:

- **Results Summary, Scope of Services and Procedures** – This section outlines the results summary, scope of services and the related procedures performed.
- **Results** – This section provides the cumulative results of the more significant findings and recommendations.
- **Project Closeout Steps/Timeline** – This section provides steps taken and the related timeline relative to the milestone and closeout cost verification procedures for the Las Olas Corridor Improvements Project. Based on the uncertainty related to receiving final documentation from the CM, the City Auditor directed us not to proceed with performing our closeout, cost verification procedures given all the delays and changes in the timeline schedule noted below to closeout and final bill the project and provide the requested project documentation needed by us to complete our procedures.

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

The procedures performed did not constitute an audit in accordance with generally accepted auditing standards. Accordingly, we express no opinion on any of the items assessed. Our procedures were performed in conformity with the *Statements on Standards for Consulting Services* of the American Institute of Certified Public Accountants.

Respectfully submitted,

Carr Riggs & Ingram, LLC



Results Summary, Scope of Services and Procedures

Results Summary: Total actual cost recovery/savings - realized to date:

Project	Amount Recovered (Rounded 000)
PA Reviews (including CO#2)	\$55,000
EDSA Review	180,000
Total	\$235,000

Note: This savings to date is prior to any cost verification procedures to be performed for project when completed. Details of each cost recover/savings item is noted below.

Scope of Services and Procedures

CRI was engaged to conduct construction contract compliance services for the construction of the Las Olas Boulevard Corridor Improvements (including a new parking garage). Our services include:

Engagement / Project Planning

We held onsite entrance conferences with the City Auditor and an Assistant City Auditor of the City Auditor's Office (CAO) and the Project Manager for the Beach Community Redevelopment Agency (CRA) to establish overall project administration logistics and to gain a better understanding of the project and key activities and processes especially related to the monthly pay application submission and approval process.

Monthly Pay Application Reviews

The objective of the payment application review is to determine that the amount invoiced is a reasonable representation of work completed or stored to date and the charges billed on the payment application are in accordance with the terms and conditions of the contract. Our payment application ("PA") checklist consists of 25 steps, which include the following: proper support for the CM's compensation and expenses (general conditions/requirements), signed subcontractor pay applications, review and approval for contingency usage, owner direct purchases, and change orders. We performed site visits to review the status/progress of the project on an as needed basis.

Contract review and Guaranteed Maximum Price (GMP) Review

The contract and guaranteed maximum price amendment for the Las Olas project were executed prior to our being engaged. We did perform a review of the labor burden being charged and identified potential cost recovery, but it was determined that the contract clause did not provide for any adjustment since the labor and labor rates were considered fixed in the contract as executed.

Construction contract compliance cost verifications

CRI has performed preliminary milestone and close-out cost verification procedures for the project. See details below in the Project Close Steps/Timeline section. The objectives of the construction contract compliance cost verification procedures are to ensure costs were incurred and billed in accordance with the terms and conditions of the contract. The construction contract compliance cost verification goes beyond the monthly pay application reviews to the CM's project records (final job cost detail report, subcontracts and subcontractor change orders).

EDSA Request for Additional Services

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



Results

Monthly Payment Application Reviews – Results

Project	Pay Applications (PA) Submitted/Paid to Date	Completed & Stored to Date	Original GMP	Amended GMP	% Complete
Las Olas	37 (Apr 2017 – May 2020)	\$41,118,335	\$49,379,324	\$41,227,883*	99.7%

*The net decrease in the original GMP of \$8,151,441 is due to the following: 1) additive change orders totaling \$3,862,453; offset by 2) Owner Direct Purchases (ODP) in the amount of \$12,013,894. Thus, the total estimated construction cost (including the fee) of the project at completion is \$53,241,777 (Amended GMP plus ODP).

We concluded performing monthly pay application reviews for the Las Olas Corridor Improvements project with the January 2020 PA when the project reached 99% complete and our scope for performing these PA reviews was completed. The City Senior Project Manager and the Skanska (or “CM”) Senior Project Manager are working through various matters to reach final completion and financial close. See project closeout steps / timeline below for more details.

With each PA monthly review, we provide the City Project Manager with real-time specific observations and our recommended actions based on our review for charges that may not be properly supported or disallowable based on the economic terms and conditions of the construction contract. Examples include:

- Excess PTO by former project executive
- PTO charged by CM employee by calendar year in compliance with CM PTO policy
- Unauthorized overtime charges billed by CM for its hourly laborers
- Late charges incurred by the CM billed to the Owner
- Stale invoices/charges; duplications (invoices 90 days to over 1 year old)
- Legal Costs
- Training & Team Meetings
- Temporary Office - excess
- Adjustments to the Scheduled Values included in the pay application without proper approval provided
- Billing CM time incurred 6 to 12 months prior
- Missing third-party (e.g. vendor invoice, receipt) for various charges submitted
- Lack of supporting documentation for allocation methodology (e.g. Technology)
- Unsigned Subcontractor PA’s

Results /Management Actions: The City PM has addressed many of these items and others are in process. Based on our pay application monthly reviews (including our review of Change Order 2), we identified approximately \$55,000 as potentially disallowable per the contract, duplicate charges and/or not properly supported. Management made the decision to pursue these credits from the CM.

Note: Not included in the amount above are various other items in the pay application reviews that we have recommended be subject to further scrutiny as potentially disallowable and recoverable from the CM at the City Project Manager’s discretion.

EDSA Request for Additional Services - Results

We completed our review of EDSA’s revised request and related support dated April, 1, 2019 and issued the results in our report dated August 22, 2019.

Based on our analyses, **we identified an \$180,418 variance** as various items in EDSA’s request were either considered to be in-scope (not considered additional services), not properly documented / supported or were duplicated requests. Our understanding is that this resulted in the City reducing EDSA’s request by this amount for an approximate savings / reduction of 31%.



Project Closeout Steps/Timeline

Las Olas Corridor Improvements Project

Below is the estimated timetable for the remaining pay applications to be submitted by the CM and processed by the City, and the various agreed-upon timelines, and closeout procedure steps taken accordingly to date.

CRI Reporting Date	Pay Applications Remaining	Financial Close**	Cost Verification Procedures Timing
August 2020	1 or 2	August 2020	September 2020
January 2021	1 or 2*	March 2021	April / May 2021

***Additional pay applications due to various matters including additional settlements with subcontractors for outstanding/pending change orders. ** See steps taken and timeline below.**

Timeline Detail

We performed various cost verification procedures for the garage phase (Phase 200) of the project during November / December 2019 as previously agreed to with the CM. However, there were many open items and documentation not provided by the CM such that this milestone cost verification could not be completed. So, it was determined to perform a comprehensive cost verification for all phases upon project closeout.

- May – June 2020, we communicated with the CM on multiple occasions as to their estimated timing in achieving financial close so that we could commence our cost verification procedures for all phases, August 2020 was proposed as the financial close date, but no definitive response was received.
- July 22, 2020 – The City Auditor sent the CM Project Executive a formal notice to exercise the right to audit clause in the contract and requested a specific time schedule that the CM would make the project records for all phases of the project available to us to perform our procedures.
- July 22, 2020 – August 22, 2020 – no communication received from CM in response.
- September 2, 2020 – City Auditor’s office requested meeting via Webx with CM – included CM team, CAO, City Project Manager and CRI team to discuss a revised, agreed-upon timeline for the final closeout, cost verification procedures for all phases of the project; agreed-upon timeline with due dates was updated in smart sheet (project management data spreadsheet used with CM). Document timeline in smart sheet:
 - September 11, 2020 - Most recent job cost detail reconciled to May 2020 PA
 - September 11 – September 18, 2020 – all other requested supporting documentation
 - September 25, 2020 – Certificates of Substantial and Final Completion (if available)
- September 8, 2020 – email received from CM project manager indicating some of the requested subcontractor documentation was uploaded to the CRI folder in the CM’s Share Point for Phase 200 (garage) only; no job cost detail, or other requested items were provided that are needed to perform the final closeout cost procedures for all phases.
- September 15, 2020 – email received from CM Senior Project Manager with a Subcontractor Detailed Report and Job Cost Detailed report – neither report was complete and was not reconciled to the most recent pay application (May 2020) as agreed to in the September 2, 2020 meeting.
- September 16 - 17, 2020 – email exchanges between CM Senior Project Manager and CRI (cc’d the City Project Manager and Assistant City Auditor) – CRI noted that the subcontractor detail report only included Phase 200 (garage) and requested again that subcontractor data for all phases be provided; also, per phone conversation of CRI with the CM Senior Project Manager, the full job cost reconciliation to the May payment application was moved back to the end of September.
- September 23, 2020 – email received from CM Senior Project Manager saying he overlooked the missing subcontractor documentation noted in the September 17, 2020 email; CM Senior Project Manager stated that they would work to get CRI the information and respond to CRI on September 24 with a new proposed deliverable date.



Project Closeout Steps/Timeline - continued

- September 23, 2020 – CRI re-sent attachment with the subcontractor report request to the CM Senior Project Manager.
- September 24 – September 30, 2020 – no response received back from the CM Senior Project Manager.
- October 1, 2020 – Assistant City Auditor forwarded CRI's September 23, 2020 email requesting the CM Senior Project Manager to respond to CRI's email.
- October 1, 2020 – CM Senior Project Manager responded to email from the Assistant City Auditor saying they were still working on getting the documents uploaded to the SharePoint; that most of the documents would be available by the end of the week, with the balance to follow (no specific date given).
- October 1, 2020 – Assistant City Auditor requested to let her know if there would be any change to this proposed schedule and the CM Senior Project Manager said he would.
- October 5, 2020 – email from the CM Senior Project Manager that all of the subcontract agreements for all subcontractors had been uploaded with the rest of the change orders for phase 200 (garage only), and the remainder would be uploaded by the end of the day.
- October 6 – October 14, 2020 – no response from CM Senior Project Manager; and the remainder of the items noted in the October 5, 2020 email were not uploaded.
- October 15, 2020 – CRI had a phone conversation with CM Senior Project Manager and the City Senior Project Manager as to the status of the project and obtaining the open items.
- October 15, 2020 – CRI sent email to the CM Senior Project Manager and the City Senior Project Manager to confirm the details of the conversation as to the status of the project and the timeline for CRI to receive the remainder of the requested documentation. The email included an excel attachment of the open items to date: New timeline included:
 - 10/30/20 - Close of Business - all outstanding AR's, final subcontractor change orders
 - 11/6/20 (first week of November) – final job cost, final contract value and final PA
 - 11/6/20 – final job cost reconciled to the final PA (all phases) and updated logs
- October 15 – October 20, 2020 – no response to CRI's October 15, 2020 email.
- October 21, 2020 – Assistant City Auditor forwarded CRI's October 15, 2020 email (with the attachment of open items) to the CM Senior Project Manager and the City Senior Project Manager asking for a response to CRI's email by the close of business same day.
- October 21, 2020 – City Senior Project Manager responded to email forwarded by the Assistant City Auditor. This email stated that he held a meeting with the CM team saying there was one more subcontractor negotiation remaining and this move the time line outlined in the October 15 conversation and October 15 meeting as follows:
 - 10/30/20 revised to 11/6/20
 - 11/6/20 revised to 11/13/20
 - 11/6/20 revised to 11/13/20
- October 22 – November 12, 2020 – no documentation received in accordance with the latest timeline outlined in the October 21, 2020 email.
- November 12, 2020 – CRI sent email to CM Senior Project Manager after leaving a voicemail inquiring if the closeout documentation would be provided as agreed to in the latest timeline (email dated 10/21/20 noted above).
- November 12, 2020 - CM Senior Project Manager said there were delays and said he believed all the remaining documentation would be uploaded by next week.
- November 13 – December 1, 2020 - no additional communication, no additional information provided by CM.
- December 1, 2020 – CRI forwarded the latest email communication (October 21, 2020) to the CM Senior Project Manager asking for a status of agreed-upon timeline related to all of the outstanding items noted in the October 21, 2020 email.



Project Closeout Steps/Timeline - continued

- December 1 – December 3, 2020 – no response from CM.
- December 4, 2020 – Assistant City Auditor forwarded CRI's 12/1/2020 email to CM Senior Project Manager asking for a response to CRI's 12/1/2020 email.
- December 4, 2020 – CM Senior Project Manager responded to the 12/4/20 email noting the completion of various items (not included in the previous status report in the 10/21/20 email) including some minor items (7) and he also some added scope items to be discussed; he stated that Skanska is finalizing the next payment requisitions in anticipation of the additional PCCO's; no specific time line given for the CRI requested documentation not yet provided, but CM Senior Project Manager said he would provide additional information after meeting with his accounting department he was having today (12/4/20).
- December 5 – December 8, 2020 – no additional communication, no additional information provided by CM.
- December 9, 2020 - Assistant City Auditor forwarded CM Senior Project Manager's 12/1/2020 email to CM Senior Project Manager asking for an update.
- December 9 – December 14, 2020 - no additional communication, no additional information provided by CM.
- December 14, 2020 - Assistant City Auditor sent follow-up email asking for a response to the 12/9/20 email.
- December 17, 2020 - CM Senior Project Manager responded to the 12/14/20 email and provided an update regarding the open items. CM Senior Project Manager indicated there were still items under review and yet to be finalized in order to submit a final pay application and job cost. The CM Senior Project Manager requested an update on the partial information submitted to CRI (Phase 150 GC Costs) saying if that is acceptable, the CM would assemble the back-up documentation for Phase 100 GC labor items. Finally, the CM Senior Project Manager indicated that there were still some items the CM had not yet invoiced to the City and the CM is unable to reconcile until the final change orders have been issued.
- December 21, 2020 – Assistant City Auditor responded to the CM Senior Project Manager's email dated 12/17/20 thanking him for the update. She indicated that CRI has been clear that the whole documentation is needed for CRI to conduct its final closeout, construction cost verification procedures; CRI is not auditing one piece at a time. The Assistant City Auditor asked for a reasonable timeline for the CM to submit all of the requested documentation to CRI.
- January 6, 2021 - Assistant City Auditor sent email asking for a response to her 12/21/20 email.
- January 15, 2021 – CM Project Manager responded that they (Skanska, the City, and EDSA) have continued to have meetings to resolve the remaining project items. He provided some specific details/steps remaining which would then lead to one final change order for final financial reconciliation. **Based on the timing of resolution of these matters, he stated that his best estimate for complete closure and the accounting reconciliation with the final pay application and release to be made available would be the end of March 2021.** Finally, he said he would continue to meet with the City Senior Project Manager, and attempt to expedite the closure of the remaining project items and keep the Assistant City Auditor updated as progress is made.

Disposition: Based on the uncertainty related to receiving final documentation from the CM, the City Auditor directed us not to proceed with performing our closeout, cost verification procedures given all the delays and changes in the timeline schedule noted above to closeout and final bill the project and provide the requested project documentation needed by us to complete our procedures.