



OFFICE OF INSPECTOR GENERAL

FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift
Inspector General

District Five Contract Modification
Contract E5N96
Attestation Report No. 13C-1003

April 9, 2013

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted an examination of contract E5N96, Supplemental Agreement (SA) 17, between the Florida Department of Transportation (department) and Ranger Construction Industries, Inc., of West Palm Beach, Florida. The purpose of the contract is to design and construct or otherwise improve the State Road (SR) 400 (Interstate 4) interchange at SR 46 in Seminole County. We conducted the examination as part of the OIG's annual audit plan.

SA 17 added a total of \$7,438,279 to the original contract amount of \$25,852,500.

Our review indicated the billings associated with SA 17 were adequately supported and the contract changes were in compliance with department policies and state regulations.

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RESULTS OF EXAMINATION

On May 12, 2011, Contract E5N96 was executed between the department and Ranger Construction Industries, Inc. The original contract was for \$25,852,500 and 570 days. This project is funded from federal and state revenue bond funds. The purpose of this Design-Build contract is to improve the SR 400 (I-4) interchange at SR 46 in Seminole County. These road and bridge improvements extend approximately 3.5 miles. The project is expected to be completed in September 2013.

SA 17, which was executed on April 18, 2012, increased the total contract amount by \$7,438,279 and 213 contract days. This contract change represents a 28.77 percent increase in the original contract amount. The additional costs associated with SA 17 were necessary to compensate the Design-Build firm for revisions to the scope of work requested by the department.

Improvements to SR 46 resulting from SA 17 will be incorporated into the upcoming Wekiva Parkway project. These improvements included the addition of right turn lanes for both SR 46 Eastbound and SR 46 Westbound. Completion of the turn lanes as a result of SA 17 was crucial to both SR 46 and the Wekiva Parkway projects.

Contract and project-related documentation associated with SA 17 was obtained through the department's Enterprise Information Portal and directly from District Five department personnel. Applicable regulations, policies and procedures were compiled and documented by audit staff. Audit tests were performed to determine compliance with these criteria. In addition, audit staff conducted a site visit to District Five on January 31, 2013. This visit allowed the auditors to meet with project management to gain a better understanding of the project timeline and progress to date.

The examination revealed the original Design-Build contract bond was not sufficient to cover the additional work associated with SA 17. Section 337.11 (9)(a), Florida Statutes, states a surety is liable under a surety bond for cumulative contract modifications up to 25 percent of the original contract amount. SA 17 costs amounted to 28.77 percent of the original contract amount. It was the responsibility of District Five to notify Ranger Construction Industries, Inc. to obtain an updated surety bond. Upon notification of the surety bond shortfall by District Five, Ranger Construction Industries, Inc. obtained and provided documentation of an increased bond.

With the exception of the above noted issue, this examination determined the costs for SA 17 were supported with adequate documentation and were in compliance with department policies and procedures and state regulations.

APPENDIX A – Independent Accountant’s Report

We examined Ranger Construction Industries, Inc.’s billings related to SA 17 for Contract E5N96 from May 2011 through January 2013. District Five management is responsible for monitoring the changes to Contract E5N96. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and standards applicable to Attestation Engagements contained in **Government Auditing Standards** issued by the Comptroller General of the United States. Accordingly, this engagement included examining, on a test basis, evidence supporting Ranger Construction Industries, Inc.’s Contractor’s Cost Proposal and performing other procedures we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion.

In our opinion, District Five costs for Contract E5N96, SA 17 present, in all material respects, allowable amounts due for the period May 2011 through January 2013, in conformity with the terms of the contract.

APPENDIX B – Purpose, Scope and Methodology

Sections 20.055 and 20.23, Florida Statutes, require the OIG to conduct audits, examinations, investigations and management reviews related to programs and operations of the department. This examination was performed as part of the OIG's mission to promote integrity, accountability and process improvement in the department by providing objective fact-based assessments.

The **purpose** of this examination was to determine whether there was sufficient documentation to support the proposed costs associated with the project and to assess compliance with applicable regulations, as well as department policies and procedures.

The **scope** of our examination was Contract E5N96, SA 17 from May 2011 through January 2013.

Our **methodology** consisted of:

- reviewing applicable laws, rules, regulations and procedures, including Florida Statutes, the Construction Projects Administration Manual (CPAM) and department Standard Specifications for Road and Bridge Construction;
- examining and testing supporting documentation and management controls, including the Supplemental Agreement, Engineer's Estimate, Entitlement Analyses and other documents used to support contract modifications;
- interviewing appropriate staff; and
- conducting a site visit to meet with project management to discuss the work associated with the SA under examination.

DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

Action Official Distribution:

Noranne Downs, P.E., District Five Secretary

Information Distribution:

Ananth Prasad, P.E., Secretary of Transportation

Francis Gibbs, Chief of Staff

Richard Biter, Assistant Secretary, Intermodal Systems Development

Brian Peters, Assistant Secretary, Finance and Administration

Robin Naitove, Comptroller

Brian Blanchard, P.E., Assistant Secretary, Engineering and Operations

David Sadler, P.E., Director, Office of Construction

District Five:

Alan Hyman, P.E., District Five Director of Transportation Operations

John Tyler, P.E., District Five Construction Engineer

Jennifer Taylor, District Five Operations Contracts Manager

Project Team:

Engagement was conducted by Richard Pearson, Auditor in Charge

Under the supervision of:

Frank E. Funderburk, Senior Contract Auditor

Susan O'Connell, Audit Manager

Kristofer B. Sullivan, Director of Audit

Approved by: Robert E. Clift, Inspector General

Statement of Accordance

The mission of the department is to provide a safe transportation system that ensures the mobility of people and goods, enhances economic prosperity, and preserves the quality of our environment and communities.

The mission of the Office of Inspector General is to promote integrity, accountability and process improvement in the Department of Transportation by providing fact-based assessments to the DOT team.

This work product was prepared pursuant to Section 20.055, Florida Statutes, in accordance with the applicable Principles and Standards for Offices of Inspectors General as published by the Association of Inspectors General and the American Institute of Certified Public Accountants and standards contained in Government Auditing Standards issued by the Comptroller General of the United States.

This report is intended for the use of the agency to which it was disseminated and may contain information that is exempt from disclosure under applicable law. Do not release without prior coordination with the Office of Inspector General.

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