OFFICE OF INSPECTOR GENERAL

FLORIDA DEPARTMENT OF TRANSPORTATION

605 Suwannee Street • Tallahassee, FL 32399-0450

(850) 410-5800 • www.dot.state.fl.us/inspectorgeneral

Robert E. Clift
Inspector General

District Seven Contract Modification
Contract T7209
Attestation Report No. 13C-2001

January 11, 2013

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted an examination of contract T7209, Supplemental Agreements (SA) 8 and 10, between the Florida Department of Transportation (department) and PCL/Archer Western, a Joint Venture (JV), of Tampa, Florida. The purpose of this contract is to construct or otherwise improve the road(s), bridge(s), and building(s) described as the Interstate 4 Selmon Expressway. We conducted the examination as part of the OIG's annual audit plan.

SAs 8 and 10 contributed a total of $1,158,471 to the overall project cost. These SAs addressed several distinct scopes of work, detailed on page three of this report.

Our review of SAs 8 and 10 indicated the department received fair and equitable value for the work performed. The costs incurred were adequately supported and the contract changes were in compliance with department policies and procedures and state regulations.

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BACKGROUND AND INTRODUCTION

On January 12, 2010, Contract T7209 was executed between the department and PCL/Archer Western, JV. The original contract was for $389,463,750 and 1,065 days. The purpose of this Private Public Partnership contract is to construct a tolled interchange connecting two regional facilities, I-4 and the Lee Roy Selmon Expressway. Referred to as the Connector, the project was designed to divert heavy truck traffic from a National Historic Landmark District within the City of Tampa, thereby improving the safety of the travelling public. Additionally, this project will improve hurricane evacuation capability in the region. When completed, the Connector will be an elevated roadway supported by piers in the median of general use lanes. The project is expected to be completed in June 2013.

Two contract changes, SA 8 and SA 10 (Issues A-D) increased the total contract amount by $1,158,471 and zero contract days. The two contract changes represent a .03 percent increase in the original contract amount. The Federal Highway Administration approved federal-aid participation for $1,143,471 of the total amount. The remaining $15,000 was determined to be premium costs and was paid with state funds.

The additional costs associated with SA 8 were necessary to compensate the contractor for significant unanticipated hard driving[1] which resulted in a loss of productivity of the sheet piling crew. The hard driving was the result of buried flowable fill which the contractor would not normally have expected to encounter. The flowable fill was not detailed in the design plans. SA 8 totaled $123,449.

The $1,035,022 in total costs associated with SA 10 was necessary to address four separate issues as noted below:

1. Issue A: Additional costs were necessary to furnish and install a temporary retaining wall for access to construct Piers 22-9L and 22-10L. Due to complications presented by the proximity to other structures, work has not yet commenced at the site. SA 10 (Issue A) totaled $181,839.36.
2. Issue B: Additional costs were necessary to furnish, install and subsequently remove a soldier pile and lagging wall system for Temporary Sheet Pile Wall 3-4C. SA 10 (Issue B) totaled $9,316.50.
3. Issue C: Additional costs were necessary to upgrade the Cast-in-Place Segmental Beams at Piers 4-2 and 4-3 of Bridge No. 100720. SA 10 (Issue C) totaled $353,101.38.
4. Issue D: Additional costs were necessary for furnishing, installing, maintaining, relocating and removing temporary light poles for the North Project Design Segment. SA 10 (Issue D) totaled $490,764.36.

[1] "Hard driving" results when an unexpected subsurface obstruction is encountered during the construction of a retaining wall. The obstruction slows the process of driving the steel sheet pilings into position.

The project is funded partially by American Recovery and Reinvestment Act (ARRA) funds, with additional funding from federal, state and Florida Turnpike Enterprise revenue bond funds. An innovative "Build-Finance" contract has been utilized for this project, as authorized under the Private Public Partnership legislation passed by the Florida Legislature in 2004. Under this procurement method, the department develops a cash availability schedule into which it programs its commitment of project funds for each fiscal year. A specific amount is designated for cash payout to the contractor, PCL/Archer Western, JV, each year. The contractor invoices the department monthly based upon actual costs incurred, but is paid based upon quarterly limits identified in the cash availability schedule. Costs in excess of these predesignated funding limits are financed by the PCL/Archer Western, JV, until funds are made available in subsequent periods to reimburse the costs. In addition, PCL/Archer Western, JV, has agreed to receive deferred payments through fiscal year 2016, although the Connector is scheduled for completion during fiscal year 2014.

RESULTS OF EXAMINATION

A detailed and thorough examination was conducted on SAs 8 and 10 (A-D). Contract and project–related documentation was obtained through the department's Enterprise Information Portal and directly from District Seven 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 meet with project management to discuss the work related to SAs 8 and 10 (A-D). The results of these steps were documented in the audit work papers.

This examination determined that District Seven received fair and equitable value for the work performed for SAs 8 and 10. The $1,158,471 in total costs was supported with adequate documentation and was in compliance with department policies and procedures and state regulations.

APPENDIX A – Independent Accountant's Report

We examined District Seven costs related to SAs 8 and 10 for contract T7209 for the period May 2011 through August 2012. District Seven management is responsible for monitoring the changes to contract T7209. 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 District Seven billings and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion.

In our opinion, District Seven costs for contract T7209, SAs 8 and 10 present, in all material respects, allowable amounts due for the period May 2011 through August 2012, 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 fair and equitable value of the work performed and to assess compliance with applicable regulations, as well as department policies and procedures.

The **scope** of our examination was Contract T7209, SAs 8 and 10 from May 2011 through August 2012.

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 SAs under examination.

DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE

Action Official Distribution:

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Information Distribution:

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Brian Blanchard, Assistant Secretary, Engineering and Operations
David Sadler, Director, Office of Construction
District Seven:
Jim Moulton, District Seven Director of Transportation Operations
Brian McKishnie, District Seven Construction Engineer
Patrick Stanford, District Seven Resident Engineer
Richard Frank, District Seven Construction Project Manager

Project Team:

Engagement was conducted by:
Alan Sands, Auditor and Richard Pearson, Auditor

Under the supervision of:
Frank E. Funderburk, Senior 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 objective 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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