

**Office of Inspector General  
Robert E. Clift, Inspector General**



Examination Report No. 14C-1004  
District One Contract T1330

September 30, 2014

## **EXECUTIVE SUMMARY**

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The Office of Inspector General (OIG) conducted an examination of Contract T1330, Supplemental Agreement (SA) 6, between the Florida Department of Transportation (department) and Conalvias USA LLC (Conalvias). The contract was awarded to Conalvias for 1.4 miles of new road construction on SR 739 (Metro Parkway) from Winkler Avenue to Hanson Street in Lee County.

The original amount of Contract T1330 was \$22,148,030. SA 6 added a total of \$397,056 and 80 days to the contract.

Our examination indicated the costs associated with SA 6 were adequately supported. In addition, the contract and the associated contract changes resulting from SA 6 were sufficiently monitored by the District One Construction Office to ensure compliance with department policies and state regulations.

We conducted the examination as part of the OIG's annual risk assessment.

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Florida Department of Transportation

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## **RESULTS OF EXAMINATION**

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Contract T1330, for \$22,148,030 and 750 awarded contract days, was executed on July 26, 2012, between the department and Conalvias. The purpose of this contract was to construct or otherwise improve a 1.4 mile segment of SR 739 from Winkler Avenue to Hanson Street in Lee County. The project is expected to be completed in September 2015. A picture of work in progress is shown in Appendix C.

SA 6, executed on October 29, 2013, increased the total contract amount by \$397,056 and 80 contract days. This contract change is the largest dollar amount SA on this contract to date. SA 6 was initiated to replace the existing gravity sanitary sewer system under SR 739, which is owned and maintained by the City of Fort Myers. SA 6 is scheduled to be finished in September 2014.

Contract and SA 6 documentation was obtained through the department's Electronic Document Management System and directly from District One department personnel. The auditor analyzed and performed tests on this documentation to ensure it complied with applicable regulations, policies and procedures. Additionally, an entrance conference and field site visit were conducted to meet with project management and to verify progress of the project to date.

The auditor was able to identify multiple periodic and ongoing oversight and monitoring processes related to the contract and SA 6. The District One Construction Office had an extensive contract monitoring system that included Daily Work Reports, Biweekly Construction Progress Meetings and monthly Contractor's Past Performance Rating letters.

The examination revealed a separate Basis of Estimate document was not completed as required by the Construction Project Administration Manual (CPAM) Document 7-3-A (Documenting the "Engineer's Estimate," the "Basis for Estimate" and the "Entitlement Analysis" for a Contract Change). Having a separate Basis of Estimate would have provided the SA reviewer additional information about the methods used to compute estimated costs. Although Document 7-3-A was not completed, the required information for the Basis of Estimate was already included in the SA 6 Engineer's Estimate. At the entrance conference, a simple modification to the Engineer's Estimate was discussed by the auditor and agreed to by the District One representative that would prevent this SA procedural error from occurring in the future.

Based on our examination, we determined the costs for SA 6 were adequately supported. We also concluded the contract changes related to SA 6 were sufficiently monitored by the District One Construction Office to reasonably assure compliance with state regulations and department policies and procedures.

**APPENDIX A – Independent Accountant’s Report**

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We have examined Conalvias’ costs related to SA 6 from October 2013 through May 2014. District One management is responsible for monitoring the changes to Contract T1330. 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 Conalvias’ Monthly Progress Invoices 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 One costs for Contract T1330, SA 6 were reasonable and allowable for the time period examined.

**APPENDIX B – Purpose, Scope and Methodology**

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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 T1330 and SA 6 from July 2012 through May 2014.

Our **methodology** consisted of:

- reviewing applicable laws, rules, regulations and procedures, including Florida Statutes and department publications such as the Construction Project Administration Manual and 2010 Standard Specifications for Road and Bridge Construction;
- examining and testing supporting documentation and management controls, including the Supplemental Agreement, Engineer’s Estimate, Entitlement Analysis and other documents used to support contract modifications;
- interviewing appropriate staff; and
- conducting a site visit.

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APPENDIX C – SA 6 Field Site Photographs

Northern End of SR 739 (Metro Parkway) looking South (Source: Field Site Visit Photograph)



Gravity Sanitary Sewer Pipe (Source: Sewer Viewer DVD Image)



**APPENDIX D – Contractor Response**

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In accordance with Subsection 20.055(5)(e), Florida Statutes, Conalvias was provided an opportunity to respond to the report. No response was received from Conalvias within the time period specified in this Subsection.

**APPENDIX E – Management Response**

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The District One Construction Project Manager responded by email on September 10, 2014. He agreed with the OIG auditor’s observation that a separate Basis of Estimate document was not completed as required by CPAM. District One has implemented corrective actions to help ensure this CPAM requirement will be met with future supplemental agreements.

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Florida Department of Transportation**

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**DISTRIBUTION, PROJECT TEAM AND STATEMENT OF ACCORDANCE**

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**Action Official Distribution:**

Billy Hattaway, P.E., District One Secretary

**Information Distribution:**

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

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

District One:

Randall Prescott, P.E., District One Director Of Transportation Operations

Jon Sands, P.E., District One Construction Engineer

Dennis Day, Construction Project Manager, Fort Myers Operations

Bill Miller, Project Manager, Conalvias USA, LLC

Melinda Miguel, Chief Inspector General, Florida

**Project Team:**

Engagement was conducted by Richard Pearson, Auditor in Charge

Under the supervision of:

Susan O'Connell, Audit Manager; and

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.

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