



# OFFICE OF INSPECTOR GENERAL

## FLORIDA DEPARTMENT OF TRANSPORTATION

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Robert E. Clift  
Inspector General

Volkert, Inc.  
Attestation Report No. 12C-3004  
Contract C8H38

### **EXECUTIVE SUMMARY**

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The Office of Inspector General (OIG) conducted an interim examination of contract C8H38 between the Florida Department of Transportation (department) and Volkert, Inc. (Volkert) for the period October 6, 2005 through December 31, 2010. This examination was conducted as a part of the OIG's annual audit plan.

The purpose of contract C8H38 was to provide design services for State Road 80 from Count Road 833 to United States 27. The contract was a lump sum agreement with an initial maximum limiting amount of \$1,840,000. Thirteen amendments increased this amount by \$3,514,834 for a total maximum compensation of \$5,354,834. Services for contract C8H38 are to end October 5, 2015.

Overall, based on our examination, the billings for contract C8H38 were allowable and consistent with the terms of the contract. Although the dollar impact is immaterial, there were consistent violations with the application of Section 112.061, Florida Statutes (F.S.), as it pertains to allowances for subsistence.

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## RESULTS OF EXAMINATION

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Based on our examination, the amount billed was reasonable and allowable in accordance with the terms of the contract and applicable laws, rules and regulations. Volkert had an initial negotiated operating margin of 30.5 percent effective October 6, 2005. The operating margin was adjusted to 28 percent as a result of contract amendment four and became effective on December 4, 2008. The net earned operating margin for the audit period, based on billings and costs, was 28.77 percent.

Incurred costs and operating margin for contract C8H38 are summarized below:

<b>Amount Invoiced and Paid</b>	<b><u>\$4,738,052</u></b>
Actual Direct Labor	\$1,000,129
Overhead Costs	\$1,765,018
FCCM Costs	\$19,989
Other Direct Cost	<u>\$1,665,151</u>
<b>Total Allowable Costs Incurred</b>	<b><u>\$4,450,287</u></b>
Earned Operating Margin	\$287,765
<b>Earned Operating Margin Percentage</b>	<b><u>28.77%</u></b>

## FINDINGS AND RECOMMENDATIONS

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Overall, based on our examination, the billings for contract C8H38 were allowable and consistent with the terms of the contract. Although the dollar impact is immaterial, there were consistent violations with the application of Section 112.061, F.S., as it pertains to allowances for subsistence.

### Finding 1 – Subsistence Allowances

<b>Objective</b>	To assess the consultant's compliance with applicable laws, regulations, department policies and contract terms.
<b>Conclusion</b>	Reimbursed subsistence expenses were not in accordance with the requirements stated in Section 112.061, F.S.
<b>Condition (Supporting Evidence)</b>	The consultant charged unallowable subsistence expenses to the project in the amount of \$1,540. The unallowable expenses included reimbursements for in-town meals and meals in excess of the allowable amount stated in Section 112.061, F.S.
<b>Criteria</b>	Section 112.061, F.S., establishes standard travel reimbursement rates, procedures and limitations with certain justifiable exceptions and exemptions, applicable to all public officers, employees and authorized persons whose travel is authorized and paid for by a public agency.
<b>Cause</b>	The consultant did not have specific procedures and detailed allowable cost that comply with Section 112.061, F.S., written into their personnel procedures manual.
<b>Effect (Impact)</b>	The department is at risk of overpayment of subsistence allowances.
<b>Recommendation</b>	We recommend Volkert establish written travel procedures in accordance with Section 112.061, F.S. In addition, we recommend Volkert provide guidance to employees to ensure they are aware of the requirements.

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

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We have examined Volkert’s billings for contract C8H38 for the period October 6, 2005 through December 31, 2010. Volkert’s management is responsible for the billings of contract C8H38. 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 Volkert’s 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, Volkert’s billings for contract C8H38 present, in all material respects, allowable amounts due for the period October 6, 2005 through December 31, 2010, in conformity with the terms of the contract.

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

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Sections 20.055 and 20.23, F.S., 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 to the department team.

The **purpose** of the examination was to determine whether the claimed and reimbursed costs were reasonable and allowable in accordance with contract provisions and applicable laws, rules and regulations.

The **scope** of our examination included Volkert's billed and recorded costs for contract C8H38 from October 6, 2005 through December 31, 2010.

Our **methodology** included:

- reviewing contractual provisions of contract C8H38 and applicable laws, rules and regulations; and
- examining and testing Volkert's accounting system, job-cost records, payroll records, time sheets and other supporting documentation.

## **APPENDIX C – Volkert Management Response**

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A response was received from Jimmie Daw, Controller for Volkert, Inc., on October 18, 2012, stating the following:

“We have reviewed the allowable travel and meal guidelines per Section 112.061 of the Florida Statutes. We concur with the audit findings that: (1) in some instances the \$36 per day limitation for travel meals was exceeded and (2) that some meals did not appear to fall within the overnight travel or time of day guidelines as spelled out for meals each day. We will draft a travel and meal policy that specifically addresses the requirements of Section 112.061. We will provide this policy statement to managers and employees working on projects in the State of Florida to ensure their understanding of and compliance with the travel and meal guidelines.”

## **APPENDIX D – District Management Response**

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On Monday, December 17, 2012, the OIG received an email from Cheryl Sanchious, District One Procurement Services Administrator, stating she has no comments on the subject report.

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

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### **Action Official Distribution:**

Billy Hattaway, District One Secretary

### **Information Distribution:**

Ananth Prasad, P.E., Secretary of Transportation  
Brian Peters, Assistant Secretary of Finance and Administration  
Brian Blanchard, P.E., Assistant Secretary of Engineering and Operations  
Francis Gibbs, Chief of Staff  
Carla Perry, P.E., Manager, Procurement Office  
Cheryl Sanchious, District One Procurement Services Administrator  
Clay Hare, Senior Vice President, Volkert, Inc.  
Jimmie Daw, Controller, Volkert, Inc.

### **Project Team:**

Engagement was conducted by Donte' Carter, Auditor  
Under the supervision of:  
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.

Please address inquiries regarding this report to the department's Office of Inspector General at (850) 410-5800.