



# Orlando-Orange County Expressway Authority

## Contracts Audit

November 2012

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# Executive Summary

## Overview

Per the 2013 Internal Audit Plan, Internal Audit audited five contracts with a combined contract value exceeding \$100,000,000 from a population of large engineering, service, maintenance, operations, and construction projects.

## Objectives

The objectives of the audit were to (1) audit the accuracy of items billed to the Authority in accordance with contract terms and conditions and (2) identify and test key processes and controls around contract bidding and execution, budgeting, billing, project oversight, reporting, and supplemental agreement management.

## Project Scope and Approach

The audit was performed using a four-phased audit approach as outlined below:

### **Phase I – Contract Analysis and Selection**

To select contracts for audit, Internal Audit obtained a listing of all active contracts with the Authority and identified a short-list of contracts for audit after interviewing management and performing a risk analysis based on contract size, duration, terms and conditions, and nature of the work performed. The following contracts were selected for audit and approved by the Audit Committee:

1. **United Signs & Signals #000823** – Contract for the construction of traffic monitoring systems. This contract began in November 2011 and has a current contract value of \$6.8 million. Per the Authority’s accounting system (Eden), expenditures to date at the time of audit totaled approximately \$3.8 million.
2. **Florida Turnpike Services, LLC #000752** – Service contract for motorist assistance services (Road Rangers). This contract began in August 2010 and has a current contract value of \$4.4 million. Per Eden, expenditures to date at the time of audit totaled approximately \$2.9 million.

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# Executive Summary

## Phase I – Contract Analysis and Selection *(continued)*

3. **Reynolds, Smith and Hills, Inc. (RS&H) #000747** – Contract for the design of the State Road 417 and Turnpike interchange. This contract began in July 2011 and has a current contract value of \$2.8 million. Per Eden, expenditures to date at the time of audit totaled approximately \$1.4 million.
4. **Prince Contracting, LLC. #000687** – Contract for the construction of the State Road 408 widening from Oxalis Drive to Goldenrod Road. This contract began in July 2010 and has a current contract value of \$21.4 million. Per Eden, expenditures to date at the time of audit totaled approximately \$21.3 million.
5. **Lane Construction, Corp. #000688** – Contract for the modification to State Road 408 and 417 interchange. This contract was executed in August 2010 and has a current contract value of \$71.2 million. Per Eden, expenditures to date at the time of audit totaled approximately \$64.4 million.

## Phase II – Processes and Controls Review

Internal Audit performed procedures to review the Authority's processes related to procurement, contract administration, project and cost management, and supplemental agreement management. Key controls within each of these areas were identified and tested for each contract selected in Phase I. Details regarding the procedures performed, results, and observations are provided on the following pages and in **Appendix A**.

In July 2012, Internal Audit completed a review of both the fiscal year 2011 and 2012 Contracts Audit recommendations and noted that prior year recommendations have been incorporated into practice and policy. Prior years observations and recommendations were also considered and incorporated into this year's Contracts Audit approach to verify that the prior years findings were resolved and are not prevalent in the contracts selected for fiscal year 2013 audit testing.

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# Executive Summary

## Phase III – Contract Specific Audit Procedures

Internal Audit performed detailed procedures to review contract terms, costs billed to the Authority, and other key attributes for each of the contracts selected for audit. The contracts selected, value, spend to date, and value tested and percentage tested are outlined below:

| Contract                  | Contract Value | Contract Spend to Date <sup>[3]</sup> | Sample Tested               | % Spend Tested |
|---------------------------|----------------|---------------------------------------|-----------------------------|----------------|
| United Signs & Signals    | \$6,827,147    | \$3,797,199                           | \$1,624,666 <sup>[2]</sup>  | 42.8%          |
| Florida Turnpike Services | \$4,390,064    | \$2,867,921                           | \$601,202 <sup>[1]</sup>    | 21.0%          |
| Reynolds, Smith & Hills   | \$2,800,000    | \$1,407,769                           | \$648,491 <sup>[1]</sup>    | 46.1%          |
| Prince Contracting        | \$21,354,514   | \$21,296,767                          | \$9,344,368 <sup>[2]</sup>  | 43.9%          |
| Lane Construction         | \$71,174,906   | \$64,378,665                          | \$11,979,673 <sup>[2]</sup> | 18.6%          |

[1] Judgmentally selected a sample of invoices using a risk based approach. A listing of all invoices to date was obtained and charted to identify abnormal increases in month over month spend to select samples for testing. The invoices selected were tested for compliance with contract terms and conditions.

[2] Samples were judgmentally selected to include items such as unit quantities, fuel price adjustments, bituminous mix adjustments, and Owner Direct Material Purchases (“ODMP”) billed to the Authority across several months of the project.

[3] As of October 1, 2012

## Phase IV – Reporting and Deliverables

Internal Audit prepared this report for management review and comment and for issuance to the Authority’s Audit Committee.

## Summary of Procedures Performed and Results

For the contracts selected for audit, Internal Audit identified risks and tested key controls within the process areas outlined below. Where applicable, a sample of detailed project costs was reviewed and tested for compliance with contract terms and conditions. The table below provides an overview of the areas reviewed for each contract audit. Further detail of the specific procedures performed is provided in **Appendix A**.

| Process                                  | Procedures Performed / Key Areas Reviewed   | Total Controls Tested | Number of Observations | Observation Reference |
|--|---|-----------------------|------------------------|-----------------------|
| <b>Procurement</b>                       | Project funding and bid authorization, project bidding (sealed bids and competitive sealed proposals), bid awards, bid bond requirements, and contract renewals.                            | 24                    | 0                      | N/A                   |
| <b>Contract Administration</b>           | Contract terms and conditions, insurance, bond and permitting requirements, and minority and women owned business (“MWBE”) requirements.  | 10                    | 2                      | 3,2                   |
| <b>Project &amp; Cost Management</b>     | Invoice processing, project planning, scheduling, and quality control, subcontract management, cost management, owner direct material purchases (“ODMP”) management, and project reporting. | 29                    | 4                      | 1,4,5,6,              |
| <b>Supplemental Agreement Management</b> | Supplemental agreement review, approval, and execution.   | 8                     | 0                      | N/A                   |
|  | <b>TOTAL:</b>   | <b>71</b>             | <b>6</b>               |                       |

# Detailed Observations

Procurement

Contract Administration

Project & Cost Management

Supplemental Agreement Management

## **Observation 1 – Consultant and Sub-consultant Billing**

**Contract: RS&H, Inc.**

**Relative Priority: High**

Consultants may submit an update to the project rate schedules included in Professional Service contracts at any time. The rate update request should detail the purpose of the update (e.g. certification gained, career progression, or cost of living adjustments). The Authority must approve the changes to the rate schedule before the consultant can incorporate the new rates into monthly billings.

The RS&H (primary consultant) and sub-consultant billings included inconsistencies with the contract terms and invoicing policy. Each of the 4 invoices sampled, totaling \$648,490.77, included billings with employee wage rates that were not included on any rate schedules submitted by the consultant. The process of reviewing invoices is not efficient primarily due to the lack of organization around updates to the rate schedules and the time required to perform a detailed review of the itemized wage rate approvals. Each invoice may have up to 40 employee wage rates that must be traced to a rate schedule.

Specific discrepancies identified by the audit included:

- RS&H billings included two to three employees per invoice that were not included in the contract or wage rate schedules.
- DRMP, Inc. subcontractor billings contained incorrect wage rates. Specifically, an Engineer was billed to the Authority at a rate of \$26.92. The wage rate schedules submitted by DRMP state the applicable rate for this employee as \$25.92.
- Nodarse & Associates, Inc. and Nadic Engineering Services subcontractor billings were submitted with weighted average wage rates instead of itemized individual employee time and wage rates.

Additionally, the invoicing methods were inconsistent across the sub-consultants. Nodarse & Associates billings only included the job classification or title, while Nadic Engineering Services and DRMP, Inc. billings included individual employee wage rates. Also, Nadic Engineering Services Senior Engineer's wage rates were adjusted based on the job being performed, which was in favor of the Authority.

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## Detailed Observations

Procurement

Contract Administration

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### **Observation 1– Consultant and Sub-consultant Billing (Cont)**

#### **Recommendation**

A standard Project Rate/Sub-consultant Change Form should be established by the Authority. Consultants should utilize the form to submit rate and employee changes to the Authority for review and approval before changes to the rate schedule are incorporated in the billings. The standard change form should be used to create a master rate schedule to track updates to the project wage rates. The master rate schedule should be included as an attribute in the monthly checklist being recommended in Observation #6 and be kept in the project file to ensure that the most current information is accessible to the personnel performing the detailed review of the invoices prior to payment approval.

The Authority should investigate options to include contract terms and conditions in their standard contract language (e.g. right to withhold payment without proper supporting documentation) to ensure invoices are properly supported.

The Authority should also consider whether the itemized wage rate requirement is warranted. Setting wage rates based on job classifications instead of individual employees may increase the efficiency of the invoice review process.

The Authority should consider performing a detailed review of the RS&H consultant billings, to determine what amount, if any, is due to or from the consultants as a result of the discrepancies in the billings. This would require the Authority to obtain detailed support for all billings submitted by the consultant and subconsultants for the project.

#### **Management Response**

The Authority Concur. Implementing a standard change form and modifying the wage rate approval from itemized employee rates to job classifications will reduce the number of inaccuracies and improve the efficiency in the invoicing review process.

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## Detailed Observations

Procurement

### **Observation 1 – Consultant and Sub-consultant Billing (Cont)**

#### **Management Action Plan**

The Authority will create a standard consultant change form and require consultants to submit wage modifications request through the form. The Authority must approve all wage modifications before changes are included in monthly billings. The Contract Support Specialist will update the rate schedule with the approved wage rate changes and create a master rate schedule.

Contract Administration

The Authority will evaluate the current invoice support requirement and determine if establishing wage rates based the job classification is appropriate.

#### **Action Plan Owner / Due Date**

Glenn Pressimone, Project Manager/ Immediately

Project & Cost Management

Supplemental Agreement Management

# Detailed Observations

Procurement

**Observation 2 – MWBE Monitoring**

**Contract: Prince Contracting, Inc. and Lane Construction, Corp.**

**Relative Priority: *Medium***

Each contractor is encouraged to utilize Minority or Women Owned Business Enterprises (“MWBE”) on procurement opportunities when objectives are stated within the bid or proposal. MWBE participations requirements are set forth in the executed contract and considered in the evaluation of the bid or proposal. Management indicated that contracts entered into after September 30, 2012 in which a contractor does not meet the MWBE objective stated on their utilization summary form submitted with their bid or proposal, the contractor may not be eligible to bid on any OOCEA contracts for a period of one year.

The Authority Finance Office utilizes the Eden Sub Contract Report to monitor subcontractor expenses and to track participation for each open project. During the Audit, we noted that the Lane and Prince MWBE participation recorded in the Sub Contract Report as of October 1, 2012 did not agree to the MWBE Summary prepared by the Construction and Engineering Inspection Consultants (“CEI’s”) included in the most recent invoice. The variances depicted in the table below express errors in identification of MWBE firms added to the project, but not input into the Eden system.

Contract Administration

Project & Cost Management

Supplemental Agreement Management

| Contract           | MWBE Participation per Sub Contract Report | MWBE Participation Per CEI | Variance  |
|--------------------|--|----------------------------|-----------|
| Lane Construction  | \$10,612,497                               | \$10,678,187               | \$65,690  |
| Prince Contracting | \$2,122,054                                | \$2,238,629                | \$116,575 |



# Detailed Observations

Procurement

Contract Administration

Project & Cost Management

Supplemental Agreement Management

## **Observation 2 – MWBE Monitoring (Cont)**

### **Recommendation**

Based on the newly adopted Equal Opportunity and Business Development Policy; as prescribed in Section 15 Non – Performance and Remedies; contractors may be penalized for not meeting the MWBE participation objective, the Authority should implement a procedure requiring the Accounting Department to perform reconciliation between the Eden Sub Contract Report and the MWBE Summary prepared by the CEI to ensure that the MWBE participation objectives and subcontractor ethnicity status is accurate. The MWNE participation objectives should be adequately monitored to ensure that the Authority does not improperly prohibit a Contactor from bidding on future projects.

### **Management Response**

The Accounting Department has implemented procedural changes to ensure reconciliation between the Eden Sub Contractor Report and the MWBE Summary prepared by the CEI shall be reviewed by the Contract Compliance Manager. Although during the Audit of Lane and Prince MWBE participation, both prime contractors exceeded their MWBE committed utilization.

### **Management Action Plan**

There are instances when the Sub Contract Report in the Eden System and the DBE Status Report from the CEI may show a variance. However, a reconciliation of the data is performed before the final invoice is paid. The following procedures will be added to the Authority’s Accounting Procedural Manual – Section 16.4a to formalize the process of ensuring the accuracy and tracking MWBE participation objectives and subcontractor ethnicity status:

1. New Minority vendors that are added to the project after initial award will be verified against FDOT, Orange County Government, or the City of Orlando databases.
2. Feedback will be given to Prime Contractors if they list a subcontractor as a minority that is not verifiable by the above-mentioned databases.
3. Reconciliation between the Eden Sub Contract Report and the DBE Status Report submitted by the CEI will be done whenever an invoice is submitted.

### **Action Plan Owner / Due Date**

Aneth Williams, Contract Compliance Manager / June 30, 2013

# Detailed Observations

Procurement

**Observation 3 – Contractor Insurance Coverage**

**Contract: Lane Construction, Corp.**

**Relative Priority: *Medium***

Sections 5.11.1 through 5.11.5 of the contract with Lane Construction outline specific insurance requirements that must be met by the Contractor at contract execution and renewed annually through contract completion

The original insurance coverage for Lane Construction was in compliance with the contract requirement. However, the 2012 limits of liability for bodily injury/property damage and auto coverage did not meet the contract requirements.

Contract Administration

Project & Cost Management

Supplemental Agreement Management

| Required by Contract  | Insurance Coverage (as tested)  |
|---|---|
| 5.11.2 - Limit of Liability for Bodily Injury and/or Property Damage shall not be less \$5,000,000/\$10,000,000.  | \$2,000,000 single/aggregate<br>+ <u>\$2,000,000</u> umbrella policy<br>\$4,000,000 |
| 5.11.3 - Comprehensive Auto Liability Insurance. Limits of Bodily Injury Liability and/or Property Damage Liability shall not be less than \$5,000,000 combined single limit each accident. | \$2,000,000 (single/aggregate)<br>+ <u>2,000,000</u> umbrella policy<br>\$4,000,000 |

Once Internal Audit notified the Authority of the finding above, the Authority contacted the Contractor and was able to obtain the new insurance certificate that had the appropriate amount of insurance coverage. Based on the review of the new insurance certificate, Lane Construction increased the umbrella coverage to \$10 million on October 10, 2012 in order to meet the insurance requirements.

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## Detailed Observations

Procurement

### **Observation 3 – Contractor Insurance Coverage (Cont)**

#### **Recommendation**

The Authority should add specific language to all contracts to address non-compliance with insurance requirements. Specifically, the Authority should consider language that limits or withholds payments and allows for the termination of the contract at the discretion of the Authority.

Contract Administration

Additionally, the Eden software generates an Insurance Expiration Report that indicates the expiration dates for all current contracts. Based on that report a request for a renewal certificate is sent to the contractor/consultant. However, the Eden report does not identify the amount of insurance coverage required by the contract. The Authority should consider modifying the fields within the Eden Insurance Expiration Report to include the minimum insurance coverage required per the contract. This will allow the personnel requesting the insurance certificates to perform a more timely and efficient review of Contractor's insurance documents.

Project & Cost Management

#### **Management Response**

Concur.

Supplemental Agreement Management

#### **Management Action Plan**

With regard to the first recommendation, the following language has been added to the specifications for all construction projects:

“Renewal Certificates of Insurance for all policies shall be submitted by the Contractor so that they are received by the Authority no later than thirty (30) calendar days prior to the expiration of existing insurance coverage. Failure by the Contractor to meet this required timeframe will result in suspension of partial payments on monthly estimates until the certificates are received and accepted by the Authority.”

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# Detailed Observations

Procurement

**Contract Administration**

Project & Cost Management

Supplemental Agreement Management

## Observation 3 – Contractor Insurance Coverage (Cont)

### Management Action Plan (Cont)

With regard to the second recommendation concerning modifying the Eden Insurance Expiration Report, the Authority will contact Eden to discuss inclusion of insurance coverage limits in the Eden Insurance Expiration Report. Assuming the report can be modified, the revisions could take 6-8 months to complete based on previous experience with Eden.

### Action Plan Owner / Due Date

Claude Miller, Director of Procurement/ August 2013.

## Detailed Observations

Procurement

Contract Administration

Project & Cost Management

Supplemental Agreement Management

### **Observation 4 – Fuel Price Adjustment Calculation**

**Contract:** Florida Turnpike Service, LLC

**Relative Priority:** *Medium*

The Florida Turnpike Service contract for Road Ranger motorist assistance services was renewed in 2012 and all terms and conditions of the Original Agreement, executed in 2007, remained in-effect during the full term of the renewal. Section 2.6 of the Florida Turnpike Service contract (Method of Compensation) states that fuel price adjustments will be made only when the current fuel price varies by more than 5% from the price published when bids were received. Price adjustments will be based on the monthly bulk average price for gasoline as derived by the FDOT and the total gallons calculated as being used during the month will be based on 3 gallons per vehicle operation hours. This is a deviation from the average gallon used/hr fuel price adjustment calculation generally used by the Authority.

Detailed testing indicated that the Fuel Price Adjustment calculated as part of Supplemental Agreement #2 was calculated using the average gallon use/hour for the month and not 3 gallons per vehicle hour of operation as outlined in the contract. The Internal Audit recalculated fuel price adjustment is \$59,120.62 as opposed to the amount paid of \$48,628.53, a variance of \$10,492.09 that was underpaid by the Authority.

### **Recommendation**

In the Florida Turnpike Service contract, the Authority benefits from calculating the Fuel Price Adjustment at the average gallon used/hour during the month. As such, the Authority should consider executing a supplemental agreement to modify the terms of the fuel price adjustment calculation. It is also recommended that the contracts specifically state whether the Fuel Adjustment will be prepared using gasoline or diesel rates.

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## Detailed Observations

Procurement

### **Observation 4 – Fuel Price Adjustment Calculation (Cont)**

#### **Management Response**

The Authority concurs.

#### **Management Action Plan**

The Authority will issue a supplemental agreement to modify the terms of the fuel price adjustment calculation noted in the Method of Compensation to state that the total gallons calculated as being used during the month will be based on the average gallon used/hour for the month.

#### **Action Plan Owner / Due Date**

Claude Miller, Director of Procurement/ January 31, 2013

Project & Cost  
Management

Supplemental  
Agreement  
Management

## Detailed Observations

### Procurement

#### **Observation 5 – Retainage Calculation**

**Contract:** RS&H, Inc.

**Relative Priority:** *Low*

Section 4.15 of the RS&H contract (Method of Compensation) states that the Authority shall withhold retainage of 10% from all monthly payments until 50% of the work is complete, and 5% thereafter until the work is complete and no retainage shall be held for subcontractor services or expenses.

### Contract Administration

The total retainage withheld for the RS&H contract as of the date of the most current invoice was recorded as \$78,554.14. However, based on the terms of the contract, the total retainage should be \$83,372.47, a variance of \$4,818.33 of additional retainage that should have been withheld by the Authority. While this will not result in an overpayment of the total contract, the lack of a detailed review of the retainage withheld may impact the Authority's cash flow management.

### Project & Cost Management

#### **Recommendation**

The Authority should implement a procedure requiring the personnel performing the detailed review of the invoices to recalculate the retainage withheld on the contract on a monthly basis to ensure that the calculation is in accordance with the contract. The calculation of retainage should be an attribute included in the monthly checklist recommended in Observation #6. Withholding the appropriate amount of retainage will help the Authority ensure it is managing contracts, cash flows and cash position effectively.

### Supplemental Agreement Management

#### **Management Response**

The Authority concurs.

#### **Management Action Plan**

Management will require the Contract Support Specialist to prepare a contract checklist identifying the contract key terms and policies. The checklist will be reviewed by the appropriate project manager and provide to the contractor and the personnel performing the detailed invoice review.

#### **Action Plan Owner / Due Date**

Glenn Pressimone, Project Manager, Immediately.

# Detailed Observations

Procurement

**Observation 6 – Consultant Expenses**

**Contract: RS&H, Inc.**

**Relative Priority: Low**

The RS&H contract states that “the consultant shall earn a portion of its established Lump Sum expense cost in the amount equal to such Lump Sum equally distributed over the project’s anticipated duration” (Page B-4 of contract). The lump sum expense amount is \$23,556.56 and the contract duration is 18 months. Per the contract, the consultant should bill approximately \$1,308.70 per month.

Contract Administration

The total lump sum expenses paid to RS&H as of the date of the most current invoice was \$11,964.37. However, based on the terms of the contract, the total expenses paid should be \$15,704.4, a variance of \$3,740.03 that should have been billed by RS&H.

Project & Cost Management

| Invoice #        | Expenses per Contract | Expenses Invoice   | Variance          |
|------------------|-----------------------|--------------------|-------------------|
| #1 417-304       | \$1,308.70            | \$0.00             | \$1,308.70        |
| #2 417-304       | \$1,308.70            | \$0.00             | \$1,308.70        |
| #3R              | \$1,308.70            | \$1,177.83         | \$130.87          |
| #4               | \$1,308.70            | \$0.00             | \$1,308.70        |
| #5               | \$1,308.70            | \$0.00             | \$1,308.70        |
| #6R              | \$1,308.70            | \$471.13           | \$837.57          |
| #7               | \$1,308.70            | \$235.56           | \$1,073.14        |
| #8 417-304       | \$1,308.70            | \$2,826.79         | -\$1,518.09       |
| #9 417-304       | \$1,308.70            | \$0.00             | \$1,308.70        |
| #10              | \$1,308.70            | \$4,527.57         | -\$3,218.87       |
| #11 Rev. 417-304 | \$1,308.70            | \$1,540.60         | -\$231.90         |
| #12              | \$1,308.70            | \$1,184.89         | \$123.81          |
| <b>Total</b>     | <b>15,704.40</b>      | <b>\$11,964.37</b> | <b>\$3,740.03</b> |

Supplemental Agreement Management

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# Detailed Observations

Procurement

## Observation 6 – Consultant Expenses (Cont)

### Recommendation

The Authority should establish a procedure requiring professional service Contract Support Specialist to prepare a checklist identifying key contract terms and the Authority’s billing policies related to for each contract. Personnel performing the detailed review of the invoices should reference the checklist to ensure that billings for professional service contracts are in compliance with contract terms and conditions prior to payment.

### Management Response

The Authority concurs.

### Management Action Plan

Management will require the Contract Support Specialist to prepare a contract checklist identifying the contract key terms, policies and procedures. The checklist will be reviewed by the appropriate project manager and provide to the contractor and the personnel performing the detailed invoice review.

### Action Plan Owner / Due Date

Glenn Pressimone, Project Manager/ Immediately

Contract Administration

Project & Cost Management

Supplemental Agreement Management

# Appendix A

## Detailed Audit Procedures Performed

# Detailed Procedures Performed

## Procurement

### Procedures Performed - Procurement

Internal Audit performed detailed audit procedures related to the procurement, bidding, contract award, and contract renewal of all contracts selected for testing. The procedures performed included:

- High level review of the process for establishing bid estimates for large construction contracts;
- Testing of Board approval to advertise for bids and proposals and Board approval of the contract award;
- Testing for the use of five year contract terms and the option for five one year renewals for contracts;
- Testing of the key components of the competitive sealed bid and proposal processes, including:
  - Completion and utilization of bidding and award schedules;
  - Timestamps applied to all received proposals and compliance with submittal deadlines;
  - The use of bid opening and bid tabulation sheets;
  - Performance of unbalanced bid reviews for competitive bids;
  - Completion of disclosure forms completed by the Authority's employees responsible for evaluating technical and price proposals; and
  - Comparison of evaluation and scoring to advertised request for proposals.
- Completion and distribution of the monthly expiring contracts report by the procurement department; and
- Completion and approval of the expiring contract renewal worksheet and Board approval of contract renewals.

## Contract Administration

## Project & Cost Management

## Supplemental Agreement Management

## Detailed Procedures Performed

Procurement

### Procedures Performed – Contract Administration

Internal Audit performed detailed audit procedures related to key contract terms and conditions utilized by the Authority and the satisfaction of insurance, bonding, permitting and MWBE requirements by the contractors selected for testing. The procedures performed included:

Contract Administration

- Testing for the review of contracts by the Authority’s Legal Counsel;
- Testing of key contract reviews and clauses, including:
  - Review by the Authority’s Legal Counsel; and
  - Inclusion of key right to audit, termination, and indemnity clauses.
- Outlining and testing of insurance, bonding, and permitting requirements specific to the contracts selected; and
- Satisfaction of MWBE requirements set forth in the original bid and as required by the Authority.

Project & Cost Management

Supplemental Agreement Management

## Detailed Procedures Performed

Procurement

### **Procedures Performed – Project & Cost Management**

Internal Audit performed detailed audit procedures related to invoice processing and approval, project planning, scheduling and quality control, project cost management and reporting, subcontractor management, CEI oversight, and ODMP processing. The procedures performed included:

Contract Administration

Project & Cost Management

Supplemental Agreement Management

- Testing of a sample of invoices for the projects selected for adequate review and approval by the appropriate personnel and compliance with the Authority's invoice processing procedures;
- Discussion of current practices in regards to quality control and risk management plans and performance and quality monitoring;
- Testing of subcontractor approval and a sample of payments made to subcontractors;
- Detailed testing of costs billed for a sample of invoices selected for each of the service contracts selected and detailed testing of a sample of the quantities billed for each of the construction contracts selected;
- Utilization and monitoring of the CEI Consultants assigned to construction contracts;
- Discussion and limited testing of changes to project schedules;
- Review of reporting submitted to management on a regular basis; and
- Detailed testing of the ODMP programs implemented for the construction contracts selected.

## Detailed Procedures Performed

Procurement

### **Procedures Performed – Supplemental Agreement Management**

Internal Audit performed detailed audit procedures related to supplemental agreement execution, review, and approval. The procedures performed included:

- Testing for Board approval of all supplemental agreements in excess of \$50,000;
- Testing for the approval of all supplemental agreements by the appropriate parties;
- Testing of adequate supporting documentation and compliance with contract terms and conditions in regards to price and scope for all executed supplemental agreements related to the construction contracts selected for review; and
- Testing of a sample of fuel price and bituminous mix adjustments related to the construction contracts selected for review.

Contract  
Administration

Project & Cost  
Management

Supplemental  
Agreement  
Management

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