



# PROCUREMENT AND CONTRACT BILLING AUDIT

December 2021

**CENTRAL  
FLORIDA  
EXPRESSWAY  
AUTHORITY**

# TABLE OF CONTENTS

Section	Page
Executive Summary	3
Summary of Audit Procedures Performed and Results	5
Detailed Observations	6
Appendix A – Detailed Audit Procedures Performed	8

# EXECUTIVE SUMMARY

## Overview / Objectives / Scope and Approach

### Overview

In accordance with the 2022 Internal Audit Plan, Internal Audit selected two Central Florida Expressway Authority (“CFX”) contracts for audit from a population of currently active engineering, service, maintenance, operations, and construction projects with a contract value in excess of \$2.03 billion. The combined contract value of these two contracts exceeded \$139.6 million (\$105.3 million in current expenditures). The last contract billing audit was completed during October 2020 and included a different set of contracts.

### Objectives

The objectives of this audit were to (1) audit the accuracy of items billed to CFX in accordance with contract terms and conditions, and (2) identify and test key processes and controls related to contract procurement, contract administration, project and cost management, and supplemental agreement management.

### Project Scope and Approach

This audit was performed using a four-phased approach as outlined below.

#### Phase I – Contract Analysis and Selection

To select contracts for audit, Internal Audit obtained a listing of all active contracts 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. The following contracts were selected for review and approved by the Audit Committee Chair prior to audit:

1. **Sema Construction, Inc. (#001614)** – Contract for construction of SR 528 / SR 436 Interchange Improvements and SR 528 Widening from SR 436 to Goldenrod Road. Project of critical concern. This contract began in April 2020 and had a current contract value of approximately \$107 million at the time of audit. As taken from Eden, CFX’s accounting system, total expenditures to date at the time of this audit were approximately \$79.4 million.
2. **Dewberry Engineers, Inc. (#001145)** – Contract for General Engineering Consultant (GEC) Services. This contract began in December 2016 and had a current contract value of approximately \$32.6 million at the time of audit. As taken from Eden, CFX’s accounting system, total expenditures to date at the time of this audit were approximately \$25.9 million.

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# EXECUTIVE SUMMARY

## Overview / Objectives / Scope and Approach

### Phase II – Processes and Controls Review

Internal Audit performed procedures to review CFX’s processes, policies, and procedures related to procurement, contract administration, project and cost management, and supplemental agreement management. Key internal controls within each of these areas were identified and tested for each contract selected in Phase I. A summary of the procedures performed, results, and observations are provided on the following pages. Additional details on the procedures performed are included in Appendix A.

During September 2021, Internal Audit completed a review of recommendations issued during prior audits. No audit recommendations remained open from prior year Procurement and Contract Billing Audits. The changes resulting from prior audit recommendations issued during past audits were incorporated into the 2022 Procurement and Contract Billing Audit for review so that Internal Audit could verify that prior year findings were resolved and are not prevalent in the current year contracts selected for testing.

### Phase III – Contract-Specific Audit Procedures

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

Contract	Contract Value	Spend to Date [1]	Sample Tested [2]	% Spend Tested
Sema Construction, Inc. (#001614)	\$107,020,926.32	\$86,697,018.04	\$52,191,761.05	60%
Dewberry Engineers, Inc. (#001145)	\$32,595,000.00	\$26,418,673.81	\$10,963,911.99	42%

[1] As of October 22, 2021

[2] Invoices were selected for testing using judgmental sampling. A detailed report of all invoices paid to date was obtained for each contract and analyzed on a month-over-month basis to select samples for testing. The invoices selected were tested for compliance with contract terms and conditions.

### Phase IV – Reporting and Deliverables

Internal Audit prepared this report for management review and issuance to the CFX Audit Committee.

# SUMMARY OF PROCEDURES PERFORMED AND RESULTS

## Process Areas / Procedures / Controls Tested

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 audited. Further details related to the specific procedures performed are 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.	25	0	-
<b>Contract Administration</b>	Contract terms and conditions, insurance, bond and permitting requirements, and minority and women owned business ("MWBE") requirements.	11	0	-
<b>Project and Cost Management</b>	Invoice processing, project planning, scheduling, quality control, subcontract management, cost management, owner direct material purchases ("ODMP") management, and project reporting.	31	1	<b>1 – Low</b>
<b>Change Order Management</b>	Supplemental agreement review, approval, and execution.	8	0	-
<b>Project Closeout</b>	Preparation, approval, and submission of project close-out documents.	0	0	-
<b>TOTALS:</b>		<b>75</b>	<b>1</b>	<b>1</b>

# DETAILED OBSERVATIONS

# DETAILED OBSERVATIONS

## Observation 1 – Invoice Review Procedures Documentation

### Relative Priority

Low

Procurement

Contract Administration

Project and Cost Administration

Change Order Management

Project Closeout

### Observation

Detailed review of invoices for Dewberry contract #1145 is performed by the Contract Support Specialist. Invoices are reviewed for adequate supporting documentation, compliance with contractual terms, and mathematical accuracy. For Dewberry contract #1145, no documented procedure manual or billing checklist exists to govern invoice review procedures.

Contract billing checklists are employed as a leading practice to ensure invoices are reviewed consistently and with sufficient precision. Without clear documentation of invoice review procedures, invoice reviews may not be adequate to detect errors and instances of noncompliance with contractual terms; further, employee turnover may result in the loss of historical knowledge and competencies.

### Recommendation

Documented criteria should exist to facilitate consistent and efficient invoice reviews, reduce the likelihood of billing disputes, and allow other CFX personnel to perform the process in the absence of the assigned reviewer. Management should coordinate with the Contract Support Specialist to document and approve the criteria governing invoice review procedures.

### Management Response

Management concurs.

### Management Action Plan

Management will develop a streamlined invoice review guide by documenting baseline invoice review procedures for all engineering service contracts and including additional procedures unique to specific contracts where necessary. Once baseline procedures are documented, management will document any additional considerations unique to Dewberry contract #1145 if applicable. Baseline procedures and contract-specific procedures will be maintained and updated as needed.

### Action Plan Owner / Due Date

Glenn Pressimone / December 31, 2022

# APPENDIX A

Detailed Audit Procedures Performed



# APPENDIX A

## Detailed Audit Procedures Performed

### Procurement

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

- ❖ 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 submission deadlines;
  - The use of bid opening and bid tabulation sheets;
  - Performance of unbalanced bid reviews for competitive bids;
  - Completion of disclosure forms by CFX'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.

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# APPENDIX A

## Detailed Audit Procedures Performed

### Contract Administration

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

- ❖ Testing for the review of contracts by CFX's Legal Counsel;
- ❖ Testing of key contract reviews and clauses, including:
  - Right to review by CFX'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 CFX.

### Change Order 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 for compliance with contract terms and conditions regarding 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.

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# APPENDIX A

## Detailed Audit Procedures Performed

### Project and 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:

- ❖ Testing of a sample of invoices for the projects selected for adequate review and approval by the appropriate personnel and compliance with CFX's invoice processing procedures;
- ❖ Discussion of current practices regarding quality control, 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.

### Project Close-Out

Internal Audit performed detailed audit procedures related to completion of payments, Document Summary Manual from the CEI, and the contract closeout checklist. The procedures performed included:

- ❖ Testing of the completion of key project closeout documents; including submission of final payment, completion of the Document Summary Manual by the CEI, and completion of the contract closeout checklist with supporting documentation.

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