



# PROCUREMENT AND CONTRACT BILLING AUDIT

October 2020

**CENTRAL  
FLORIDA  
EXPRESSWAY  
AUTHORITY**

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# EXECUTIVE SUMMARY

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### Overview

In accordance with the 2021 Internal Audit Plan, Internal Audit selected three 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 \$1.63 billion. The combined contract value of these three contracts exceeded \$62.7 million (\$54.7 million in current expenditures). The last contract billing audit was completed during March 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 performed. The following contracts were selected for review and approved by the Audit Committee Chair prior to audit:

1. **Hubbard Construction Company (#001398)** – Contract for construction project 417-134, SR 417 Widening from Econlockhatchee to Seminole County. This contract began in September 2018 and has a current contract value of approximately \$44.9 million. As taken from Eden, CFX’s accounting system, total expenditures to date at the time of this audit were approximately \$41 million.
2. **Infrastructure Company of America, LLC (#001150)** – Contract for facilities maintenance services. This contract began in May 2016 and has a current contract value of approximately \$9.8 million. As taken from Eden, total expenditures to date at the time of this audit were approximately \$7.8 million.
3. **Reynolds, Smith & Hills, Inc. (#001313)** – Contract for design consultant services for SR 417 widening from John Young Parkway to Landstar Boulevard (Project 417-142). This contract began in July 2018 and has a current contract value of approximately \$8 million. As taken from Eden, total expenditures to date at the time of this audit were approximately \$6 million.

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### 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.

In September 2020, Internal Audit completed a review of open recommendations issued as part of the prior year 2020 Procurement and Contract Billing Audit and verified that all have been incorporated into practice and policy by CFX staff. The audit recommendations issued during prior year audits were also considered and incorporated for review as part of the 2021 Procurement and Contract Billing Audit in order to verify that prior years' findings were resolved and are not prevalent in the 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
Hubbard Construction Company (#001398)	\$44,873,860.84	\$40,992,435.45	\$22,156,874.37	54%
Infrastructure Company of America, LLC (#001150)	\$9,812,462.94	\$7,755,946.98	\$2,687,811.34	35%
Reynolds, Smith & Hills, Inc. (#001313)	\$8,036,135.31	\$5,983,621.55	\$3,577,720.73	60%

[1] As of July 31, 2020

[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 comment and for issuance to the CFX Audit Committee.

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